NSEL, brokers & investors to return to settlement table

In what may help crisis-hit National Spot Exchange Ltd (NSEL) reach a settlement with borrowers and investors, the exchange, its brokers and investors' representatives have, for the first time, decided to form a joint group to settle the case and recover money from borrowers.

On Friday, these entities met in the presence of officials from the economic offences wing (EOW) of the Mumbai Police to discuss a possible course of action, including negotiating with defaulting borrowers to recover dues, and plan the terms of payment. The group being formed will also have representatives from the exchange. "This settlement process from NSEL, investors and brokers won't have an impact on the investigation," said an EOW official.

So far, all the settlement efforts have faced roadblocks. Borrower Mohan India, which entered into a settlement a few months ago, was raided and its properties attached after the settlement. While the Mohan India settlement is being processed, if the fresh efforts towards settlement succeed, these may have the EOW's stamp, something that may ensure smooth follow-up.

A source involved in the negotiations said, "A joint action group is being formed by NSEL, investors and brokers to negotiate and recover money from the borrowers." An EOW official added, "This group plans to negotiate with the borrowers and recover money from them in a phased manner."

At Friday's meeting with NSEL Investors Forum representatives, Motilal Oswal chairman of Motilal Oswal Financial Services Ltd (the parent company of Motilal Oswal Commodities, which has exposure to NSEL), was present, as were Financial Technologies chief Jignesh Shah and former NSEL director Joseph Massey. Officials from NK Protein, NSEL's largest borrower (liability of Rs 969 crore) were also present.

NSEL suspended trading on July 31 2013. On August 20, the exchange defaulted on its first instalment payment. While total dues stand at Rs 5,574 crore, so far, only Rs 312.04 crore has been recovered from borrowers. Financial Technologies, NSEL's promoter, had given a Rs 177-crore loan to NSEL, which was used to pay small investors. After five and a half months, only about 10 per cent of the original dues have been repaid to investors.

Two months ago, Jignesh Shah had offered to pay Rs 1,100 crore to investors, in return for withdrawal of a police complaint. The NSEL Investors Forum didn't agree to this, said the forum's members.

NSEL board meeting

Meanwhile, NSEL's newly constituted board met on Friday. The meeting was chaired by independent director Uttam Prakash Agarwal. Though details of the meeting couldn't be ascertained, sources said Agarwal had been appointed chairman, a post vacant since Shankarlal Guru had resigned in the first week of August, after the exchange slipped into a crisis.

Other names on the exchange's board include independent directors Amarendra Sahoo, Niraj Gupta, Subramanya Kusnur and Varghese Jacob and non-executive director Ashok Nag. Non-executive director Jignesh Shah and Managing Director and chief executive Saji Cherian are already on the board. Sources confirmed the board decided to meet investors and brokers to discuss recovery measures.

The new board members also discussed a charge sheet in which the police had termed Anjani Sinha, former managing director of the exchange, the mastermind behind the fraud. So far, charges have not been filed against Jignesh Shah or other directors.

In another development, an EOW officer said, "The National Bulk Handling Corporation (NBHC), a Financial Technologies group company active in collateral management, gave PD Agro, an NSEL defaulter borrower, a Rs 42-crore loan at the behest of Anjani Sinha."

An NBHC official clarified Sinha had requested for a loan against the commodities of PD Agro, adding NBHC had given the loan to NSEL against securitised commodities of the company. Currently, Rs 42 crore is due on this account and NBHC hasn't received the commodities.

(Business Standard)