

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL  
HYDERABAD BENCH AT HYDERABAD**

**CP No. 11 OF 2015  
(TP No.150/HDB/2016)**

**Date of order : 23.03.2017**

**Date of Order reserved: 20.03.2017**

Between:

1. Mr. K. Ishwara Bhat,  
No. 54/3, K.R. Road,  
Basavanagudi,  
Bangalore-560 004.

**CERTIFIED TO BE TRUE COPY  
OF THE ORIGINAL**

... Petitioner

AND

1. Dr. Reddy's Laboratories Limited,  
8-2-337, Road No.3,  
Banjara Hills,  
Hyderabad-500 034, Telangana.
2. Bigshare Services Limited,  
G-10, Left Wing,  
Amrutha Ville, Opp. Yashoda Hospital,  
Rajbhavan Road, Hyderabad-500 082,  
Telangana.
3. Mr. Ravi B. Patil,  
1166, 18<sup>th</sup> C Main, 5<sup>th</sup> Block,  
Rajaji Nagar, Bangalore-560 010.
4. Ms. R. Geetha,  
No.109, 1<sup>st</sup> A Cross, 2<sup>nd</sup> Main,  
West of Chord Road, Bangalore.

.... Respondents

Counsel for Petitioner:

Shri Y.Suryanarayana

Counsel for Respondent No.1:

Shri V.S. Raju

Counsel for Respondents No.2 to 4: .

None



**CORAM:**

Hon'ble Mr. Rajeswara Rao Vittanala, Member (Judicial)

Hon'ble Mr. Ravikumar Duraisamy, Member (Technical)

**ORDER**

**(As per Rajeswara Rao Vittanala, Member (J))**

1. The Company Petition bearing C.P. No. 11 of 2015 (herein after referred to as Company Petition) was filed by Mr. K. Ishwara Bhat, (hereinafter referred to as Petitioner) before the then Hon'ble Company Law Board, Chennai Bench at Chennai. The case is transferred to this Bench in July, 2016 as the case relates to the states of Andhra Pradesh and Telangana. Hence, we have taken the case on record of this Bench for final hearing.



2. The case was initially taken up for hearing by this Bench on 05.08.2016, and subsequently posted it on 16.08.2016, 06.09.2016, 28.09.2016, 06.10.2016, 07.11.2016, 21.11.2016, 16.12.2016, 17.01.2017, 03.02.2017, 22.02.2017, 09.03.2017, 16.03.2017 and finally on 20.03.2017. The case stands adjourned due to the requests made by one counsel or the other.

3. The Company Petition was filed under Sections 111A(2) & 111(4) of the Companies Act, 1956 and Section 59(1) and 58(4) of Companies Act 2013 by inter-alia seeking following directions;

- (a) To declare that the Petitioner is the absolute title holder and owner of 50 equity shares of face value of Rs.10/- each fully paid up of the Respondent No.1 Company, issued under Equity Share Certificate

No.97465 comprising distinctive numbers of equity shares from 6022056 to 6622070 and under Equity Share Certificate No.34699 comprising distinctive numbers of equity shares from 2157496 to 2157530 which was held by Respondent no.3.

- (b) To declare that the Petitioner is the absolute owner and title holder of 100 equity shares of Rs.5/- each accrued to the Petitioner on account of sub-division of the 50 equity shares of Rs.10/- each fully paid mentioned in relief (a) above into 100 equity shares of Rs.5/- each.
- (c) To declare that the Petitioner is the absolute owner and title holder of 100 bonus equity shares of Rs.5/- each accrued to the Petitioner issued on the subdivided 100 equity shares of Rs.5/- each fully paid up.
- (d) To direct the Respondent No.1 Company to rectify the Register of Members by deleting the name and address of the Respondent No.3 against the 200 (two hundred) equity shares of face value of Rs.5/- each fully paid up and insert the name and address of the Petitioner so as to reflect that the Petitioner has full rights, title and interests in respect of 200 equity shares of Rs.5/- each etc.



4. The brief contents, which are raised in the Company Petition, and are relevant for adjudication of issue in case, are as follows:-

- (a) Dr. Reddy's Laboratories Limited, (hereinafter referred to as 'Company') is a Listed Public Company Limited by shares,

originally incorporated on 24.02.1984 with the Registrar of Companies, Andhra Pradesh, Hyderabad.

(b) The present authorised capital of the company is Rs.120,00,00,000/- (Rupees One Hundred Twenty Crores Only) divided into 24,00,00,000 (Twenty Four Crore) equity shares of Rs.5/- each. The paid up capital of the Company is Rs.85,19,05,870/- (Rupees Eighty Five Crores Nineteen Lakhs Five Thousand Eight Hundred Seventy) divided into 17,03,81,174 equity shares of Rs.5/- each fully paid up. The equity shares of the company were originally Rs.10/- per equity share and the Company at its Board Meeting held on 31.07.2001 sub divided one equity share of Rs.10/- each into 2 equity shares of Rs.5/- each. Its Registered office is situated at 8-2-337, Road No.3, Banjara Hills, Hyderabad-500 034 in the State of Telangana. The Equity Shares of the Company are listed in Bombay Stock Exchange and National Stock Exchange.

The shares of the Company were sub-divided into shares of Rs.5/- each, during the year 2001 thus to equity shares of Rs.10/- fully paid up becoming 100 equity shares of Rs.5/- each fully paid up. Subsequently on 29.08.2006 the Company allotted bonus shares at the ratio of 1:1 and by virtue of issue of bonus shares, the Petitioner as on date is entitled for 200 equity shares of Rs.5/- each fully paid in the 1<sup>st</sup> Respondent Company. The Petitioner is also entitled for dividend accrued in respect of the original 50 shares of Rs.10/- each and the resultant shares.



- (c) The Company is presently engaged in the business of offering active pharmaceutical ingredients, branded formulations, generic drugs, biologics, specialty products and new chemical entities.
- (d) The Petitioner K. Ishwara Bhat, is a Stock Broker running the Stock Broking business under the name and style of M/s. Ishwar & Company, as a Proprietary Concern having place of business, at 54/3, K.R. Road, Basavanagudi, Bangalore. The Petitioner is also investor in securities market in India.
- (e) The 2nd Respondent is the Registrar and Share Transfer Agent of the Company. The 3rd Respondent is Transferor and 4th Respondent is unregistered Stock Broker, who sold the shares to the Petitioner on spot basis.
- (f) Respondent No.3 was the registered holder of 50 equity shares of Rs.10/- each fully paid up, in the 1<sup>st</sup> Respondent Company, under folio No.R01411 as detailed below:-



S.No	Distinctive Nos.		Share Certificate No.	Total number of shares of face value of Rs.10/- each
	From	To		
1	6022056	6022070	97465	15
2	2157496	2157530	34699	35

Above shares were sold on 28.12.1999 to the Petitioner for consideration paid by Cheque by Respondent No.4 by handing over duly executed transfer deeds along with original share certificates of the Company.

(g) The Petitioner, by believing that Respondent no.4 had full authority to sell above shares along with other Company shares, purchased shares of Dr. Reddy's Lab apart from other shares belonging to Mc Donald & co and HFDC Bank and made a payment on 28.12.99 for Rs.3,57,345/- (Rupees Three Lakh Fifty Seven Thousand Three Hundred and Forty Five Only) which is in excess of entire sale consideration of shares amounting to Rs.3,34,002.50 (Rupees Three Lakh Thirty Four Thousand Two and Paise Fifty Only) on the promise that said excess amount would be adjusted in some other future transactions. As per evidence adduced before Criminal Court, Respondent No. 3 & 4 are well known to each other. Original shares of Company and duly executed share Transfer Deeds were given to petitioner by Respondent No.4.



(h) It is stated that it is common business practice to accept and deal with blank transfer forms/deeds duly signed by the Registered Shareholder accompanied by the Share Certificates as a valid delivery in Stock Market dealings till the registration of Transfer of shares is completed. A Registered holder as per register of members of a Company would be deemed to be a trustee for all the benefits accruing on such shares.

(i) After the said purchase, the Petitioner had lodged the said equity shares of 50 with the 1st Respondent Company, vide his letter dated 03.01.2000, along with duly completed share transfer deeds for transfer and registration of his name in Register of Members.

However, the 1st Respondent refused to register the same on the ground that the signature in question was not tallying/mismatch.

(j) The petitioner has faced similar circumstances in respect of other Company shares, which he purchased along with Dr. Reddy's Lab shares. Accordingly, Petitioner felt cheated by the 4th Respondent, and thus filed a Criminal Complaint vide CC No. 4370-2001 U/s 420 of IPC against Respondent No.4 (R.Geetha) before 2<sup>nd</sup> Additional Chief Metropolitan Magistrate at Bangalore. Before the Chief Magistrate, Ravi B. Patil (Respondent No.3 herein and PW 3 in criminal case), who is the original shareholder of above shares, had deposed that he had signed the Transfer Form/Deed and also delivered the original share certificates to Respondent No.4, but it is stated that he had delivered the original share certificates only for demat of shares but not for sale. The petitioner has filed a certified copy of judgement dated 29<sup>th</sup> March, 2011 passed in CC No. 4370-2001 (page 59 to 81 of material papers) and also copies of Chief Examination and Cross Examination of Ravi B. Patil PW 3 (Respondent No. 3 ( page 108 to 111)



(k) The said criminal case, however, was dismissed on 29<sup>th</sup> March, 2011 by acquitting the accused therein (R.Geetha) by Additional Chief Metropolitan Magistrate at Bangalore for failing to prove prosecution case. Subsequently, the Petitioner vide his letter dated 04.07.2011, addressed to the 2<sup>nd</sup> Respondent about the deposition of original shareholder namely Shri. Ravi B Patel, wherein he has clearly agreed that he has signed the transfer deeds in question, and

thus requested not to transfer shares in question to anybody. Again another letter dated 26.08.2011 was addressed to the Respondent No.1 Company and also a legal notice dated 21.11.2011 to the Respondent No.1 & 2 with a copy to Shri Ravi B Patel, to transfer the shares in question. Though appeal was filed against the said judgement, the same could not be served on the 4<sup>th</sup> Respondent as she was absconding.

- (l) The Petitioner stated that the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) have categorically stated that the only Demat Request Form (DRF) is required to be submitted along with the physical share certificates to the Depository Participant (DP) for dematting the shares and nowhere they have stated that transfer deed is required to be executed for dematting the shares for the simple reason, that the person who would be holding the de-matted shares would be one and the same person after dematting the physical shares and there is no actual transfer of shares.

- (m) The Petitioner, after failing to get the shares transferred in question in his favour, in spite of his best efforts, he has initially filed Company Petition on 14.06.2012 before the Company Law Board (CLB), Chennai. As petition was not filed in proper format, it was not numbered, and it was kept pending with the Registry of CLB. On coming to know that the bundle was returned, and kept pending with the Registrar of CLB, Chennai, the Petitioner has addressed a letter dated 23.03.2015 to the Registrar, CLB Chennai by seeking to



return original petition dated 14.06.2012. Accordingly, CLB has returned case bundle vide letter dated 05.05.2015. Immediately, after approaching a legal counsel, filed the present Company Petition. The Petitioner, therefore, contends that the present Company Petition is within limitation as prescribed under the law, as time spent before Criminal Court has to be excluded for reckoning the period of limitation.



- (n) The contention by original Shareholders that, he has signed the transfer deeds only for the purpose of dematting the shares.
- (o) The Petitioner has filed rejoinder stating Respondent No.3 did not enter appearance or filed his counter though he was aware of the present petition. And 2nd Respondent also did not file its counter, only Respondent No.1 has filed its counter. He has contended that the Petitioner has duly complied with the provisions of Section 108 of the Companies Act, 1956 by submitting duly executed transfer deeds together with original share certificates.
- (p) Respondent No.3 did not respond to the letter dated 20.03.2000 addressed by Company, and filed any order restraining Company for transferring shares in question. Hence, it is the responsibility of the Company to transfer the shares in question, and bestow all consequential benefits arising out of it. He, therefore, pray the Tribunal to allow Company Petition as prayed for.

5. The Company has filed a counter dated 29.10.2015, and the main contentions raised therein are as under:-

It is admitted that Petitioner has deposited duly executed transfer deeds together with share certificates in question with Company for transfer of shares on 03.01.2000. In the year 2001, the Company has sub-divided the face value of equity shares of Rs.10 each into Rs.2 equity shares of Rs.5 each. In the year 2006, the Company has declared bonus shares in the ratio of 1:1. So 50 shares will become 100 shares, and again it will become 200 shares after adding bonus shares. It is also admitted that 2nd Respondent is the Registrar and Transfer Agent of the Company. It is also stated that they have received a letter dated February, 2000 from Prakash B. Patil, elder brother of Ravi B. Patil, who is the original shareholder of 1<sup>st</sup> Respondent Company by requesting Company not to transfer the shares of his brother. The Company has also given a reply dated 20.03.2000 by inter-alia asking him to furnish any restraint order issued by a court so as to keep issue of transfer pending, failing which they would be compelled to effect transfer as requested by petitioner. However, it is stated there was no answer from him. The 1<sup>st</sup> Respondent Company has given another reply dated 20.05.2012 by stating that the issue is pending before the CLB, and they would file original shares and transfer deeds before it as when they required by CLB.

6. An affidavit of service dated 01.02.2017 was filed by learned Counsel for the Petitioner by stating that notice were sent to Respondents No.3 and 4 vide Speed Post Receipt No.ET174543510IN and ET174543523IN



respectively. It is also stated that the above notices were delivered to the Respondents No.3 and 4 on 30.01.2017 and 31.01.2017 respectively. None appeared for the Respondents No.2 to 4 from the date of 1<sup>st</sup> hearing before the erstwhile CLB or before this Bench.

7. Heard, Shri Y. Suryanarayana, learned Counsel for the Petitioner, and Shri V.S. Raju for Respondent No.1 and also perused all the pleadings filed in their support.

8. Shri Y.Suryanarayana, the learned Counsel for the Petitioner, while reiterating various contentions raised in their reply and rejoinder filed in this case, has further submitted that it is not in dispute that the petitioner has complied with all the provisions of Section 108 by submitting original share certificates along with duly executed transfer deed. It is not the case of the Company that there is a rival claim to those shares. Only objection raised by the Company to effect transfer of shares in question was mismatch of signature of original share holder and nothing else. Since original shareholder Shri Ravi B. Patil (R3) has confirmed his signatures on original transfer deeds in question by way of oral evidence in a Competent Criminal Court, it is not open for the Company to keep issue pending and raise un-tenable grounds like demat, case pending etc. Therefore, he submits that the reasons cited by the Company for not registering shares have to be rejected out rightly, and Company petition deserves to be allowed with exemplary costs as the Company forced



petitioner to approach this Tribunal, though was settled as early 2011 by virtue of Criminal Court order as stated above.

9. Sri V. S. Raju, the learned Counsel for the Respondent No.1, while reiterating various averments made in his counter, has further submitted that petitioner failed to satisfy the Company for transfer of shares in question. However, he did not dispute that Originality of shares and share transfer deeds furnished by Petitioner but he tries to read judgement of Criminal court as a whole to state that Criminal case was ultimately dismissed. He therefore, submits that petitioner is not entitled for relief as prayed for.

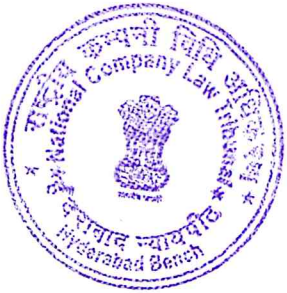


10. After hearing case and perusing all pleading of parties along with material papers filed in their support, the following points arise for consideration:

- (a) whether the petitioner has complied with the requirements prescribed under Section 108 to transfer the shares in question;
- (b) Whether the 1<sup>st</sup> Respondent Company is justified in rejecting the transfer of the shares in question;
- (c) If so, what is relief the petitioner is entitled for.

11. It is not in dispute that petitioner has purchased shares in question for consideration from the original shareholder of 1<sup>st</sup> Respondent Company viz. Ravi B. Patil (Respondent 3) through Respondent No.4. The petitioner legally got original shares and properly executed transfer deeds

in question from Respondent No.3. The petitioner also submitted said original share certificates, and also duly executed transfer deeds to the Company. The stand of the 1<sup>st</sup> Respondent Company in the first instance with regard to mismatch of signature is justifiable, but consistently raising un-tenable grounds as mentioned above are not at all justified. When Respondent No.3, himself, has given oral evidence before the said Criminal Court stating that he has signed and given original shares and transfer deeds in question to Respondent No. 4, it is immaterial for the Company to look into object/motive of Transferor of original share holder for such action. We are of the view that the Company/Share Transfer Agent has to satisfy whether proper share transfer deed has been executed by the seller, i.e. Respondent No.3, while giving effect to transfer of shares in question. As per judgement of Criminal Court, the original shareholder has not raised any objection about transfer of shares and his signature, but raised an objection by saying that he has executed transfer deed for dematting and not for sale to the Respondent No.4. But Respondent No.4 has misused his mandate in giving those documents. The Company is not justified to raise objections one after the other. The Company is stopped from raising any other objection after signature mismatch was confirmed in Criminal Court as stated above. There is absolutely no legal hurdle exists for R1 Company to transfer shares in question as requested by the Petitioner. The grounds raised by the Company for not effecting transfer of shares in question are hereby rejected as not tenable and baseless. Hence, the Company Petition deserves to be allowed.



From the records it is also noted that in case of signature mismatch, the Company/the Registrar will issue sellar confirmation notice and normally the letter is given fifteen days time to confirm whether he actually sold or not. However, from the records it is noted that the Company not adopted this practice. The Petitioner has also not sought for "Stop Transfer" from the R1 Company. It appears that 3<sup>rd</sup> Respondent has not sent to the Depository Participant/Transfer Agent with Demat Requisition Form for converting physical shares into Demat form. Therefore, the content that he sent the share transfer along with transfer deed is not valid and tenable.



12. In the above facts and circumstances, we allow the C.P.No.11 of 2015 with following directions:-

- a) We hereby declare that the Petitioner is the absolute title holder and owner of 50 equity shares of face value of Rs.10/- each fully paid up of the Respondent No.1 Company, issued under Equity Share Certificate No.97465 comprising distinctive numbers of equity shares from 6022056 to 6622070 and under Equity Share Certificate No.34699 comprising distinctive numbers of equity shares from 2157496 to 2157530 which was held by Respondent No.3.
- b) We also direct the Company to allot petitioner a total of 200 equity shares consisting of 50 original shares of Rs.10/- each which became 100 shares on splitting of shares from Rs.10 to Rs.5 and another bonus

shares of 100, which were declared by R1 Company on 29.08.2006 in ratio of 1:1.

- c) We direct Company to rectify the Register of Members by deleting the name and address of the Respondent No.3 against the 200 (two hundred) equity shares of face value of Rs.5/- each fully paid up and insert the name and address of the Petitioner so as to reflect that the Petitioner has full rights, title and interests in respect of 200 equity shares of Rs.5/- each, within 10 days from the date of receipt of copy of this Order.



- d) We direct the Company to pay the Petitioner all dividends declared on par with other share holders of Company.

Sd/-

**RAVIKUMAR DURAISAMY**  
Member (T)

Sd/-

**RAJESWARA RAO VITTANALA**  
Member (J)

*V. Annapurna*  
**V. ANNA POORNA**  
Asst. DIRECTOR  
NCLT, HYDERABAD - 68