2025:DHC:7584

$~J1

* **IN THE HIGH COURT OF DELHI AT NEW DELHI**

Reserved on: 22nd May, 2025
Date of decision: 1st September, 2025

\+ **CO.PET.379/2009 & CO.APPL. 420/2022, 351/2023, 546/2023, 37/2024, 38/2024, 39/2024, 203-04/2024, 506/2024, 403-04/2025.**

SECURITIES & EXCHANGE BOARD OF INDIA (TRUST PET. NO.3/1997) .....Psetitioner

Through: Mr. Pratap Venugopal, Sr. Adv. with Mr. Abhishek Baid and Mr. Praneet Das, Advs. (Mob: 9818515433)

versus

CRB CAPITAL MARKETS LTD .....Respondent

Through: Mr. Avneesh Garg, Ms. Pavitra Singh & Ms. Iptisha, Advs. for Rommel Investment Pvt. Ltd. (M: 9818479699)
Mr. Praveen Suri & Mr Sumit Pandey, Advs. (Mob:9369437916)
Mr. Rajat Bhalla, Adv. (Mob: 9811661193)
Ms. Ruchi Sindhwani, Adv. (Mob:9811533510)
Mr. Anuj P. Agarwala, Adv. for applicant in Co.Appl.1007/2018 (Mob: 9811885242)
Mr. Karan Malhotra & Mr. Anant Shankar Tripathi, Advs. for applicant in C.A.504/2024 (Mob: 8922037783)
Mr. Aman Leekha, Mr. S.K.Tandon & Ms.Nikita Sarma Advs. for Special Committee (Mob: 9871455077)
Mr. Sanjay Abbot, Mr. Sidhant Kumar & Mr. Om Batra, Advs. in Co. Appl. 37 and 38 of 2024 (Mob: 9810225856)
Mr. Praveen Suri & Mr. Sumit Pandey, Advs. applicant in C.A. No.262/2019

(Mob: 9369437916)
Mr. Ashish Aggarwal & Ms. Shivangi Shokeen, Advs. (Mob: 9810077771)
Mr. Akhil Sibal, Sr. Adv. with Mr. Abhinav Hansaria & Ms. Sugandh Shahi, Advs. for R-1 (Mob: 9810349842)
Mr. Vivek Sibal, Senior Advocate with Mr. Bhuvan Gugnani, Mr. Ninad Dogra & Mr. Rupender Sharma, Advs. for CRB
Mr. Pinaki Mishra, Sr. Adv with Mr. Bhuvan Gugnani, Mr. Anuj Kapoor & Ms. Devika Mohan, Advs. (Mob:8130324433)

CORAM:
JUSTICE PRATHIBA M. SINGH

JUDGMENT

Prathiba M. Singh, J.

INDEX

Background

1. These are various applications filed by the Securities and Exchange Board of India (hereinafter '*SEBI'*) and certain other applicants in ***Co.Pet 379/2009.*** The said company petition *i.e.,* ***Co.Pet 379/2009*** (earlier Trust Petition 3/1997) was filed by SEBI under Section 11B of SEBI Act, 1992 and Indian Trusts Act, 1882 *inter alia* seeking to appoint any fit and proper person/entity to take charge of all the property and assets of Respondent No. 2, 3 and 4 *i.e.,* CRB Trustees, CRB Asset Management Company, and IIT Corporate Services respectively and the assets of the Mutual Funds and the Arihant Mangal Growth scheme for such period as the Court may deem fit and proper. Pursuant to the said prayer, the final order dated 29th May, 2013, disposed of the main petition upon setting up a Special Committee which was entrusted with various functions, including the function to -

(i) wind up the Arihant Mangal Growth Scheme launched by Respondents 2, 3 and 4,

(ii) to liquidate the assets lying under the said scheme and redeem the investments made by the unit holders of the said scheme.

The applications presently before the Court primarily relate to challenges to proper functioning of the said Special Committee.

2. Considering that the present matter has remained pending for over 28 years (1997–2025), the Court finds it appropriate to set out the background and relevant developments, in order to properly appreciate the submissions advanced and effectively address the issues arising for consideration. The applications before the Court primarily pertain to four parties, namely, the Ex-Management (*i.e.,* Respondent nos. 1, 2, 3), SEBI, the Special Committee, and M/s. Rommel Investments Ltd. Given that each of the parties became involved at different stages of the proceedings, the relevant facts pertaining to each party are delineated separately under distinct subheadings corresponding to the respective parties.

Arihant Mangal Growth Scheme, CRB and SEBI

3. The case originates when Respondent No.1 - CRB Capital Markets Ltd. (hereinafter *'CCML'*), a wealth management firm founded by C.R. Bhansali approached SEBI in 1993 for establishing a mutual fund by the name ***'CRB Mutual Funds'***. For the purposes of managing this mutual fund, CCML proposed to set up -

- an Asset Management company under the name ***'CRB Asset Management Company Limited'***, and
- a Trust under the name ***'CRB Trustees Limited'***,

in terms of SEBI (Mutual Fund) Regulations, 1993 *(hereinafter 'the 1993 Regulation'),* which was subsequently replaced by SEBI (Mutual Fund)

Regulations, 1996. *(hereinafter 'the 1996 Regulation').* Pursuant to the said proposal, a trust deed was signed on 15th December, 1993, between CCML, designated as the '*Settlor'*, and CRB Trustees Ltd., designated as the '*Trustee*'. Similarly, CRB Asset Management Company was also set up in terms of Regulation 19 of the 1993 Regulations in the year 1994.

4. Thereafter, CRB Mutual Funds, as a part of its Mutual Funds activities, launched the '***Arihant Mangal Growth Scheme*** ' in August 1994. The said scheme was a close-ended scheme which was to operate for a period of 5 years from the date of allotment. The clause relating to redemption under the said scheme referred to Regulation 36 of the 1993 Regulations, which clearly provided that winding up of the scheme would take place under the following circumstances:

> *"(a) at the close of the 5th year (or if extended between 5th and 6th year) from the year in which the allotment is made; or*
> *(b) on the happening of any event which in the opinion of the Trustee, requires the scheme to be wound up; or*
> *(c) if 75% of the unit holders of the Scheme pass a resolution that the Scheme be wound up; or*
> *(d) if SEBI so directs in the interest of the unit holders."*

5. The Scheme was opened for subscriptions between 19th August, 1994, to 20th September, 1994, during which a sum of ₹229.28 crores was collected from 19,324 individual investors and 72 non-individual investors, which sums to a total of 19,396 investors. In exercise of its powers under the 1993 Regulations, SEBI conducted an inspection of the records of CRB Mutual Funds in December 1994, which revealed multiple regulatory violations and systemic deficiencies on the part of Respondents Nos. 1 to 3. Based on these findings, an inquiry was initiated, which culminated in a report dated 26th

September 1994 confirming serious breaches of the 1993 Regulations. Consequently, a Show Cause Notice was issued on 12th December 1995, which resulted in an order dated 24th April 1996 prohibiting the Respondents Nos. 1 to 3 from launching new schemes until June 1997. Subsequently, on 20th May 1997, when SEBI summoned the Trustees/Directors of Respondent No. 2 to assess steps taken to protect unit holders' interests, it was informed that the entire Board had resigned.

6. The RBI then filed a Company Petition, being ***Co.Pet.191/1997*** before this Court seeking winding up of Respondent No.1-CCML. Almost parallelly, SEBI filed a Trust Petition being ***Trust.Petition.3/1997*** before the Bombay High Court against the following entities and individuals

- CCML - Respondent No.1,
- CRB Trustees Ltd. - Respondent No.2,
- CRB Asset Management Company Ltd.- Respondent No.3
- IIT Corporate Services Ltd. (Guardian of the Share Certificates) - Respondent No.4.
- Respondent Nos. 5 to 8 are various individual trustees of CRB Mutual Fund.
- The Provisional Liquidator of CCML (as appointed by Delhi High Court in ***Co.Pet 191/1997***) - Respondent No.9.

7. In the petition which was filed before the Bombay High Court one of the prayers was for appointing one Mr. A.K. Menon or any other fit and proper person as the Administrator or Special Officer to take charge of all the assets of Respondent Nos. 2, 3 and 4 as also the assets of mutual funds and the schemes along with books of accounts. The relevant prayer is set out below:

> *"(b) that Respondent No 4 be permanently be restrained, by an order and direction of this Hon'ble Court, from in any manner whatsoever acting as the Custodian of the CRB Mutual Fund or the said scheme or any other scheme framed by the CRB Mutual Fund.*
> *(c) that this Hon'ble Court be pleased to appoint Mr A.K. Menon and failing him any other fit and proper person as this Hon'ble Court may deem fit as an Administrator or a Special Officer for Respondent Nos. 2, 3 and 4 (with such remuneration as this Hon'ble Court may fix) to take charge of all the property and assets of Respondent No. 2. 3 and 4 and the assets of the Mutual Funds and the said schemes along with the books of accounts and other records of the Mutual Funds and the schemes, for such period as this Hon'ble Court may deem fit and proper and for managing the affairs of Respondents 2, 3 and 4"*

8. The Bombay High Court, *vide* order dated 9th October, 1997, appointed Mr. M L T Fernandes as the Provisional Administrator (hereinafter '*P.A.*') to take charge of all the assets of Respondent 2 and 3. Pursuant to his appointment, P.A. suggested a Premature Repayment Scheme whereby he proposed to repay small investors holding between 300 to 10,000 units. Simultaneously the P.A. *vide* the said scheme made it clear that no payments should be made to the group or associate companies of CCML or the relatives of CR Bhansali. A list of 133 companies which were identified to be related to CCML or CRB Bhansali was annexed to the Scheme as Annexure C in this regard. The Bombay High Court *vide* order dated 25th January, 1999 approved the said repayment scheme in the following terms:

> *"6. The scheme for premature payment takes into account the interest of the small investors and the payment is to be made on the basis of certain principles which are enunciated in the said scheme namely:*

(i) premature payment to allay fears of unit holders.

(ii) payment to all unit holders- both individual and non-individual who have responded to the postcard dated1.1.98

(iii) payment at NAV of ₹4.95 as on 31.3.97

(iv) payment up to 10,000 units per holder

(v) utilisation of available liquid funds for payment at first stage

(vi) sale of securities to affect payment at second/ third stages.

However, the scheme makes it clear that at the first stage, it was propose that all 10,126 unit holders who had responded to the postcard dated 1st Jan 1998 be paid up to and including 300 units each at NAV of ₹4.95, which would entail an outgo of ₹100.74 lakhs as under:

Holding units upto	*Number of responding unit holders*	*Fund required Rs. lakh*
100	*4002*	*19.81*
200	*2022*	*20.02*
300 and beyond	*4102*	*60.91*
	10126	*100.74*

7. ***The scheme for repayment further makes it clear in para 20 of Exh B to the affidavit that all group/ associate companies of Respondent no.1 viz. CRB capital markets Limited (under provisional liquidation) should be excluded and the reference is made to the order passed by Delhi High Court identifying as many as 133, such companies which falls under the category of group/associate companies of respondent No.1. Secondly, all individuals who are related to the promoter Mr CR Bhansali as mentioned***

in the list of Exh C are to be excluded. *Thirdly, the unit holder who holds more than one Folio number/unit certificates would be repaired only in respect of one Folio/unit certificate. So, as to ensure that a holder does not get paid for more than 10,000 or 300/ 100 units. The affidavit also set out the elaborate procedure for payment. However, presently, we are only concerned with the relief in terms of prayer clause (a) as reproduced in para four above*

8. Having heard both the learned counsel, it is not possible to find any infirmity in the scheme which ensures some relief to the small investors who have invested their life, savings and hard and money on the temptation of earning interest at the rate of3 to 4% per month. What they would be getting is not even 50% of the amount invested by them

***

10. As far as merits of the chamber summons are concerned, while the interest of the other investors also need protection, we are only passing an order in terms of prayer clause (a) of the chamber of summons, which is for the first time being limited to protecting the interest of the investors to the limited extent of 300 units held by them through they may be holding units up to 10,000. The premature repayment scheme does contemplate granting similar relief being granted in future. In our view having regard to the principles adopted while preparing the scheme for premature repayment, no objection can be taken to the limited relief that is being granted to the investors. They do not even get 50% of what they had invested. We make it clear that the premature repayment scheme is to pay all the unit holders up to 300 units which include 10126 unit holders who have responded to the postcard dated 1st Jan 1998 even if they are holding units up to 10,000. However, repayment is confined only up up to 300 units at the NAV of ₹4.95 per unit of ₹10.

> *11*. ***In the circumstances, the chamber summons is made absolute in terms of prayer clause (a) . However, we make it clear that while granting the relief in terms of prayer clause.(a) we are granting approval to the draft of premature repayment scheme, which is annexed as. Exh. B of the affidavit in support dated 20 July 1998 made by Mr MLT Fernandes.*** *Further make it clear that that the player clause of Exh. B namely para 24 is granted under this order only in so far as clause(i) (iv) & (v) are concerned. Rest of the clauses viz. (ii) (iii) and (vi) of prayer clause 24 of Exh. B are not granted under this order. Chamber summons is disposed of accordingly with no orders as to costs."*

9. On the other hand, the Delhi High Court in ***Co.Pet 191/1997***, *vide* order dated 4th November, 1997 had already frozen the bank accounts of CRB and all the 133 firms related to CR Bhansali. The relevant portion of the said order reads as under:

> *"The report submitted by the agents further states that unless an order as prayed for is not passed by the court, recovery of the dues of the company in liquidation may not be possible. In the list, the names of the 133 Companies/firms have been indicated with the amount due shown as against each of the said Companies/firms.*
>
> *Upon hearing Mr. S.K. Luthra, the counsel appearing for the Official Liquidator and upon perusal of the averments made in the application as also the contents of the report and also appreciating the urgency of the situation, it is considered necessary to pass an order as prayed for in order to protect the asset of the company in Provisional Liquidation and to prevent frittering away asset which actually belongs to the said company. Considering the facts and circumstances, it is directed that the accounts of the 133 companies firms annexed with the order would remain freezed to the extent of the*

amount as mentioned against each one of the said companies/firms until further orders.

It is further directed that the aforesaid companies/firms are restrained from disposing of their properties so as to forestall recovery of the amount diverted from CRB Capital Markets Limited to these firms."

10. Thus, on the one hand, the Delhi High Court was seized with the winding up petition of CRB Capital Markets Limited and the Bombay High Court was seized with the petition against CRB Trustees Limited filed by SEBI. Under these circumstances, for ensuring administrative convenience, the Official Liquidator, Delhi High Court, had filed a transfer petition before the Supreme Court, being ***TP (Civil) 756/2004,*** seeking to transfer both the cases to Delhi. Pursuant to the said petition, the Supreme Court *vide* order dated 13th August, 2007, was pleased to transfer the ***Trust Petition 3/1997*** from the Bombay High Court to the Delhi High Court, and the same was numbered as ***Co. Pet.379/2009,*** which is the instant petition.

11. After the transfer petition, an application, being ***Co.Appl. 1143/2009***, was filed by the P.A. wherein a second scheme of repayment (hereinafter ***'Second Scheme'***) was proposed, seeking to redeem unit holders having holdings up to 1 lakh units. The stand of the Applicant/P.A., in the said application, is set out below:

i. That all the unit holders below 1 lakh units be paid at Rs.8.20 per unit of Rs.10.

ii. There were a total of 13,054 unit holders, each below 1 lakh units, and they are individual unit holders, some of whom are senior citizens or suffer from physical infirmities. A sum of approximately

₹4.5 crores was available at that time, and considering that no dividend had been paid from 1994, even though the amount would be a loss for each of the unit holders, the amount deserves to be paid. The prayer in this application was as under:

> *"(a) pass an order permitting the Applicant herein to pay to all Unit Holders other than those covered by the Bombay High Court order dated 25.1.1999 who hold below 1,00,000 units Rs.8.20 per unit of Rs.10/- in redemption of their units;*
>
> *(b) pass an order permitting the Applicant herein to dispose of the securities of CRB Mutual Fund being held with IIT Corporate Services Ltd., Mumbai and utilize the proceeds thereof in redemption of units held by investors who hold 1,00,000 units and above under the Arihant Mangal Scheme or in the alternative permit the Applicant herein to have all eligible securities dematted and held together with the balance securities which cannot be dematted in physical form by a custodian appointed by the Applicant with the prior approval of this Hon'ble Court; and"*

12. Notice was thereafter issued in this petition to various Respondents. In reply to this application, the Official Liquidator did not raise any serious objections. A reply was filed by Mr. Chain Roop Bhansali, the Chairman of CCML, wherein it was alleged that the redemption scheme suggested by the P.A. was unfair and unjust. Reliance is placed upon the 1996 Regulations to submit that the scheme suggested by the P.A. for redemption of unit holders holding below 1 lakh units would create a disadvantage to the corporate unit holders as the unit holders holding Rs.1 lakh and above are mostly corporates. Further, it was also contended that, considering the P.A. was appointed at the

sole instance of SEBI, a constitution of an Independent Committee is required for protecting the interests of all unit holders irrespective of their quantum of holding in the Arihant Mangal Scheme. The suggested constitution by Mr. Bhansali is as under:

> *"a) Retired Judge of this Hon'ble Court.*
> *b) A nominee appointed by erstwhile promoters of CRB Capital Markets Ltd.*
> *c) The Provisional Administrator appointed by Hon'ble Bombay High Court or any other Eminent person in the field of Security Laws including Mutual Fund Regulations.*"

13. A reply was also filed by SEBI, wherein it took the position that the liquidated assets available with the Respondents would not be sufficient for distribution among all the unit holders. The second scheme proposed by the P.A. did not deal with the manner in which the payment was to be made to other individual unit holders who have more than 1 lakh units; thus, it may require disposing of fixed assets of the company. It was also contended by SEBI that if the existing amounts are used for payment of unit holders who have up to 1 lakh units, then the others would be discriminated against and would lead to unequitable distribution. SEBI submitted that **all unit holders** were to be paid on **a *pro-rata* basis** under the said scheme. SEBI specifically pleaded as under:

> *"11. The Non-Applicant herein is not opposing the modification of the order dated 25.01.1999 to the extent that the mode of payment to the unit holders of the Respondent company would be such which shall be the fair and just and would not cause serious prejudice to the unit holders.* ***It is submitted that all the unit holders be paid on a pro-rata basis out of the present liquid assets of the Respondent Company and thereafter, if***

> ***and when the fixed assets of the Respondent Company are disposed off, the balance payments be made to all the unit holders in proportion.*** *Alternatively, the fixed assets be disposed off first and then all the unit holders be paid thereafter in equal proportion and in an equitable manner out of the total proceeds available with the Provisional Administrator.*
>
> *12. It is stated that all the unit holders of the Respondent Company should be treated equally, irrespective of the number of the units they are holding. The prayers made in the captioned Application under reply are being opposed to the said extent."*

14. In the rejoinder, the P.A. took the position that in order to determine the final amount to be paid to unit holders, all the assets of the mutual fund would be required to be liquidated and released. Insofar as the distinction between those unit holders holding less than 1 lakh units and more than 1 lakh units is concerned, Mr. Fernandes stated as under:

> *"9.* ***I say and submit with reference to the contents of paragraph 9, that the two groups proposed by the Applicant are of unit-holders with less than 1,00,000 units (excluding those covered by the Hon'ble Bombay High Court order dated 25.01.1999) and those with 1,00,000 units and above. The proposal of the Applicant in this para relates to holders with less than 1,00,000 units (excluding those covered by the Hon'ble Bombay High Court order dated 25.01.1999). The Applicant is not silent on the redemption to holders of 1,00,000 and more units. He has prayed in para 11 that he be permitted to sell the securities held by the CRB Mutual Fund and apply the sale proceeds realized towards the redemption of 1,00,000 and above units after providing for/meeting the liabilities.***

10. I say and submit with reference to the contents of paragraph 10, that most of the holders of units below 1,00,000 (excluding those covered by the Hon'ble Bombay High Court order dated 25.01.1999) are individuals who had expected their units to be redeemed in September 1999 when they matured. Many of such unitholders are old and sick and have been writing pathetic letters seeking early payment of redemption proceeds towards medical and/or living expenses especially as almost 10 years have elapsed since the redemption date. *The funds collected from unitholders are shown by the erstwhile management to have been invested in shares, debentures, securities. The Mutual Fund does not hold any fixed assets as alleged by non Applicant. The funds collected by the Provisional Administrator represent dividends from shares and interest from banks on fixed deposits invested by him with them.* ***The Applicant has prayed that the available funds with him be applied to redeem below 1,00,000 units held by smaller investors (excluding those covered by the Hon'ble Bombay High Court order dated 25.01.1999) as was done on the previous occasion to avoid further delays in payments to small investors. The securities held by the CRB Mutual Fund would still be available to meet redemption claims of those holding 1,00,000 and above units. The payment at Rs.4.95 per unit of Rs.10/- permitted by the Hon'ble Bombay High Court on 25.01.1999 was based on funds then available for distribution. Likewise the proposed payment @ Rs.8.20 per unit of Rs.10/- to those holding less than 1,00,000 units (excluding those covered by the Hon'ble Bombay High Court Order dated 25.01.1999) is based on funds available as on 31.03.2008.***

I wish to briefly mention the procedure for dematerialization of eligible listed securities. The securities of CRB Mutual Fund are currently held in physical form. Pursuant to the depository guidelines, all

shares of listed companies are now compulsorily sold in demat mode in the stock exchange/s. Thus to effect sale, listed securities will first have to be held in demat form. It would need to be checked whether the companies in which shares are held by the Mutual Fund still exist and are traded on the bourses. Most of the CRB group companies/ sister concerns exist only on paper and are generally not reachable at their given addresses and may fit into the category of "vanishing" companies and such shares carry little or no value.

A demat account will have to be opened with a depository participant (DP) - registered with SEBI. After opening the account, each physical share certificate of eligible listed companies will have to be surrendered to the DP duly signed by the account holder (in this case, the Provisional Administrator) for cancellation and conversion of the same into electronic form. The Provisional Administrator's signature would need to be attested and certified by the Hon'ble Court for submission to the companies. Of the about 289 companies in which 2,58,985 registered share certificates are held by CRB Trustee Ltd A/c CRB Mutual Fund, 65,428 share certificates of about 113 companies are eligible for being got dematerialized and 1,93,557 share certificates in about 176 companies would have to continue to be held in physical form as at present until disposal. In addition there are 19,356 blank share certificates in 45 companies and 8,936 registered Non Convertible debentures in six companies. The share certificates for being dematerialized would have to be withdrawn from the Custodian in small lots - for signature by the Provisional Administrator on a daily basis and returned as there is no security in his office for safe custody - the office having been burgled more than once. This process will be lengthy and time consuming. The charges payable to the Depository Participant would broadly include those for agreement, dematerialization of securities, annual account

maintenance charges and transaction charges for sale, inter - depository transfer fees, annual maintenance charge, account statements apart from handling and transport costs towards movement of the share certificates.

The Applicant would need to appoint a broker to undertake the sale of securities held by CRB Mutual Fund. In view of the injunction orders of the Hon'ble Delhi High' Court and as the powers vested in him by the Hon'ble Bombay High Court do not cover the sale of securities. no broker has been appointed so far to handle the sale of securities of the Mutual Fund. If this Hon'ble Court permits sale of securities, it is proposed that a stock broking firm or firms of public financial institution may be appointed to attend this work at the best available prices with a proviso that no sale be effected to their parent company/group/sister/ subsidiary companies ."

15. Insofar as Chain Roop Bhansali and the group companies and the sister concerns are concerned, the stand of the Provisional Administrator was as under:

"As permitted by this Hon'ble Court, a list of holders of 1,00,000 units and above classified as (i) relatives of Shri C.R. Bhansali (ii) CRB Group companies/ sister concerns (as per annex to order dated 04.11.1997) and (iii) companies which appear to be CRB Group companies/sister concerns, and (iv) other individuals/ companies is attached as Exhibit A. There are 9 unit holders who can be identified as relatives of Shri C.R. Bhansali, CRB 20 group companies/ sister concerns and 16 companies which appear to be CRB group companies/ sister concerns, and 22 other individuals/ companies as shown in statements attached as Exhibit A. <u>The Hon'ble Bombay High Court by its aforesaid order dated 25.01.1999 had directed that units held by group/associate companies of CRB Capital Markets</u>

> ***Ltd. (under Provisional Liquidation) and unit holders who can be identified as relatives of Shri C.R. Bhansali be excluded while effecting redemption under that order. The intention was that a promoter and those connected with him should not be allowed to benefit by his wrong actions. It is therefore prayed that such companies/ individuals be excluded while effecting redemption payments under both categories i.e. below 1,00,000 and 1,00,000 and above units.***
>
> *None of the holders of 1,00,000 and above units save and except two companies have confirmed their holding in response to the Applicant's post card dated 01.01.1998. The investment in Arihant Mangal Growth Scheme units by 1,00,000 and above unitholders would therefore need to be closely verified by obtaining the unit certificates from them to verify whether they genuinely hold units."*

16. A perusal of the pleadings in ***Co.Appl. 1143/2009*** would, therefore, show that the P.A. had primarily sought permission to pay **all unit holders who hold below 1 lakh units.** Insofar as other unit holders are concerned, the same were to be redeemed upon the subsequent liquidation of the remaining assets, which was to take further time. The P.A., however, also clarifies in the rejoinder that the second scheme shall incorporate the embargo placed by the Bombay High Court against making any payments to CR Bhansali and his group companies and sister concerns. From the extraction in the rejoinder above, it is also clear that the P.A. doubted whether there was any genuine investor who was holding more than 1 lakh units and, therefore, payment to them was to be subject to verification, *etc*. Insofar as SEBI is concerned, it did not object to payments being made to all unit holders.

17. The matter was heard on various occasions from 2009. However, before the second scheme proposed *vide* ***Co.Appl. 1143/2009***, could be approved, the

Court was informed on 27th April, 2012 that the P.A. - Mr. M.L.T Fernandes had passed away on 24th February, 2012.

Constitution of Special Committee

18. In this backdrop, the order dated 29th May, 2013 was passed disposing of the main petition and several other applications, including ***Co. Appl. 1143/2009***. In the said order, the Court notes that all the Directors of the Mutual Fund had resigned. It also notes that the entire administration and functioning of the scheme was placed under the direct control of the P.A. and beyond the purview of the Respondents. The Court also clearly records that the scheme deserves to be formally wound up, notwithstanding the fact that a close-ended scheme automatically lapses upon the expiry of its fixed tenure and that the Court could authorise any other person to take steps for winding up of the scheme. The Court, having initially appointed the P.A. for the said purpose, noted upon his demise that the final decision in the matter would henceforth rest with it. Accordingly, the Court constituted a Special Committee to discharge the functions of the trustee and to oversee the procedure for the formal winding up of the Arihant Mangal Growth Scheme. The Special Committee, so constituted, comprised the following members:

- Mr. S. K. Tandon, Chairman, Retd. District Judge
- Mr. S.C. Das, Member, SEBI, suggested by learned Counsel for the Petitioner.
- Mr. M.D. Kanther, suggested by learned Counsel for the Ex-Management.

19. The Court also came to the conclusion that the Ex-Management had obtained premises of 1000 to 1500 square feet at Priyadarshini Vihar and the

said office, being a commercial premises, would now be used for the operation of the Special Committee. All the records of the P.A. were transferred to this new Committee. The powers and the scope of functioning of the Special Committee are set out in paragraph 18 of the said order, and a summary of the same is set out below:

a. Reconstitute the Board of CRB Asset Management Company Ltd. and CRB Trustee Ltd.

b. Dispose of the assets of the scheme at the best available price and in the best interest of the unit holders of the scheme.

c. The proceeds realised from the sale of assets of the scheme were to be first utilised towards the discharge of such liabilities as are due and payable under the scheme, including for making appropriate provisions for meeting the expenses connected with its winding up. The balance was thereafter to be paid to the unit holders in proportion to their respective holdings in assets of the scheme.

d. Wind up the scheme of CRB Mutual Funds as per the 1996 Regulations.

e. On the completion of winding up, the Committee was to forward to the SEBI and the unit holders, a report on the winding up containing particulars such as circumstances leading to the winding up, the steps taken for disposal of assets of the fund before winding up, expenses for winding up, net assets available for distribution to the unit holders and certificate from the auditors of the fund.

20. The term of the Committee was fixed for a period of one year, with the remuneration also being fixed. It is relevant to note that though an embargo against making any payment to C.R. Bhansali, his relatives, CRB group

companies/ sister concerns was incorporated in the order dated 25th January, 1999, the said embargo was not mentioned in the order dated 29th May, 2013. The operative portion of the said order reads as under:

> *"14. Therefore, looking to the special circumstances in this case, and keeping in mind the fact that a Provisional Administrator appointed by the Court has been looking after the management and administration of the Scheme ever since the year 1997; the fact that the last Provisional Administrator, Sh. M.L.T. Fernandes, has passed away in February 2012; and there also is no trustee available to administer the scheme; and with a view to doing complete justice in the matter which has been pending in the courts for the last 16 years; and* ***as prayed for by counsel for both parties; it would be in the fitness of thing if matters are now brought to a close with this Court constituting a special committee to carry out the functions of the Trustee and to proceed to wind up the Scheme in terms of the aforesaid Regulations 41 and 42 of the Securities Exchange Board of India (Mutual Funds) Regulations, 1996, with full power to act in this behalf in a manner similar to that of regularly constituted trustees, as contemplated under the said Regulations. This would include the power, inter alia, to dispose off all the securities of Arihant Mangal Scheme, presently lying with respondent No.4, IIT Corporate Services Ltd., and all other securities, wherever they may be; and to distribute the sale proceeds thereof to all the unitholders at the Net Asset Value (NAV), which is to be ascertained by the committee after following the prescribed procedure in terms of provisions of the aforesaid SEBI (Mutual Funds) Regulations, 1996****.*
>
> *15. Consequently, a Committee is now constituted, consisting of Sh. S.C. Das, Ex Executive Director, SEBI (suggested by counsel for the petitioner); Sh. M.D. Kanther, (suggested by counsel for the respondent*

No.1); and Sh. S.K. Tandon, retired Additional District Judge, Delhi, who shall be the Chairman of the Committee. Since this Committee is being put in place to carry out the work of the trustees, it is noteworthy that its composition also meets the requirements of Regulation 16(5) of the SEBI Regulations prescribing the composition of the Trustees. Regulation 16(5) states as, follows:

> *"Two-thirds of the trustees shall be independent persons and shall not be associated with the sponsors or be associated with them in any manner whatsoever"*

16. During the course of hearing, and after examining the question of premises for the Committee at length, all parties agreed that the Committee would require some premises measuring about 1000-1500 sq. ft. The ex-management of respondent No.1 has agreed to provide the services of a minimum of three dealing assistants; one peon and one stenographer to the Committee, to begin with. It would, of course, be open to the Chairman of the Committee to request the respondent/ex-management for the staff to be either increased or decreased, as he deems fit. All other necessary equipment in the form of computers, printers, stationery etc. shall also be made available by the ex-management. In this context, Counsel for the ex-management informed the Court that they have obtained premises at 201, II Floor, Priyadarshini Vihar, Delhi- 110092 measuring 1300 sq. feet at a rent of Rs. 45,000/- per month. Counsel for SEBI states that since the premises are stated to be commercial premises, he does not have any objection to this."

21. In terms of the above order dated 29th May, 2013, the Special Committee came to be constituted. It started its functioning, and the main petition was also disposed of. From the above order, it is clear that the

Chairman was a retired District and Sessions Judge, one nominee on the Committee was as suggested by SEBI and the other nominee was suggested by the Ex-Management.

22. However, Mr. M.D. Kanther, who was suggested by the Ex-Management, passed away on 29th May, 2014 and was replaced by Dr. A.A. Sisodia, who was also suggested by the Ex-Management. As a part of the mandate, the Chairman of the Special Committee filed reports from time to time. A total of 34 interim reports are on the record of the Court. The said reports are dated as under:

Interim Report	***Dates***
1st Interim Report	*7th September, 2013*
2nd Interim Report	*21st December, 2013*
3rd Interim Report	*4th April, 2014*
4th Interim Report	*10th July, 2014*
5th Interim Report	*13th November, 2014*
6th Interim Report	*26th February, 2015*
7th Interim Report	*29th June, 2015*
8th Interim Report	*1st October, 2015*
9th Interim Report	*3rd February, 2016*
10th Interim Report	*28th April, 2016*
11th Interim Report	*1st August, 2016*
12th Interim Report	*21st November, 2016*
13th Interim Report	*28th March, 2017*
14th Interim Report	*10th July, 2017*
15th Interim Report	*10th November, 2017*
16th Interim Report	*15th February, 2018*
17th Interim Report	*29th May, 2018*
18th Interim Report	*30th August, 2018*
19th Interim Report	*28th November, 2018*
20th Interim Report	*5th March, 2019*
21st Interim Report	*22nd May, 2019*
22nd Interim Report	*14th September, 2019*
23rd Interim Report	*24th December, 2019*
24th Interim Report	*29th July, 2020*
25th Interim Report	*23rd October, 2020*
26th Interim Report	*18th January, 2021*

27th Interim Report	*3rd July, 2021*
28th Interim Report	*8th November, 2021*
29th Interim Report	*27th January, 2022*
30th Interim Report	*12th April, 2022*
31st Interim Report	*12th July, 2022*
32nd Interim Report	*14th October, 2022*
33rd Interim Report	*9th January, 2023*
34th Interim Report	*10th April, 2023.*

Proceedings post the order dated 29th May, 2013

23. From the Reports, it is noticed that the disbursements made by the Committee commenced from the third interim report onwards. The payment made till the 34th interim report was **15,70,16,100 units** redeemed for a sum of **Rs. 211,65,47,028/-** only (approx. Rs. 211 crores).

24. The *modus operandi* adopted by the Committee for making payments to the unit holders is as follows -

- The Special Committee had appointed M/s. MAS Services Limited, as a Registrar and Transfer Agent (hereinafter *'RTA'*) to manage the records of all the unit holders and thereafter aid in redeeming the units.
- The assets were initially liquidated by the Special Committee by sale in open market, and the sale proceeds, which were received, were transferred to RTA, which in turn transferred the proportionate amounts to the concerned unit holder and submitted status reports of such transfers to the Special Committee
- The said reports were maintained by the Special Committee and thereafter submitted to this court *vide* the interim reports.

25. In each of these interim reports, the following details are given:

i. Status report of legal cases and the cases defended by the Committee.

ii. Works executed-

a. Redemption of units/payments to unit holders.

b. unclaimed redemption money.

c. Certification cases which are pending.

d. Details of applications received after the cut-off date.

e. Issue of duplicate share certificates.

f. Internal audit carried out by M/s. A Sharma and Co.

g. Include income tax matters.

h. Statutory compliance

i. TDS reports

j. Sale of shares

k. The shares in the DEMAT account

l. Bank account and bank compliance.

m. Miscellaneous.

26. However, it is noticed that none of the interim reports placed on record reveal any specific details of the persons/entities to whom the payments were being made. The internal audit report submitted by 'A Sharma and Co.', the Chartered Accountants, also does not capture any details in relation to payments that have been made *i.e.,* neither the unit holder's name nor the extent of the amount paid to them. The Special Committee, vide various applications, from time to time continued to seek extension of its tenure to continue its functioning.

Third Party Intervention by M/s Rommel Investments Ltd.

27. An application was filed by the Special Committee, being ***Co. Appl. 1132/2017,*** against non-applicants, namely National Stock Exchange

(hereinafter '*NSE*) and Rommel Investment Private Ltd (hereinafter '*Rommel*'), primarily seeking NSE to release -

(i) 1,00,000 shares of Reliance Industries Ltd. along with all corporate benefits, including split of shares/merger of shares/dividend/bonus shares; and

(ii) the amount of ₹43.75 lakhs lying in a fixed deposit along with interest withheld by it in favour of the Special Committee.

28. In this application, it was brought to the notice of the Court that a ***Civil Suit 225/2016*** filed by Rommel was pending before the Bombay High Court, wherein it had claimed relief against the NSE for the release of the said Reliance shares and fixed deposits in its favour. The Special Committee gathered facts to the effect that the CRB mutual fund in the year 1996 had purchased certain shares of Reliance Polypropylene Ltd. and Reliance Polyethylene Ltd. in open market transactions. Upon the merger of these two companies into Reliance Industries Ltd (hereinafter '*RIL*'), CRB mutual funds collectively came to hold 1,10,000 shares of Reliance Industries.

29. It is the case of the Special Committee that, subsequent to the merger, CRB Mutual Funds had entered into discussions with Rommel for sale of the said shares to potential buyers. Rommel was entrusted to merely negotiate the said sale on behalf of CRB Mutual Funds. In view of the said agreement, the share certificates for 1,10,000 RIL shares were transferred from IIT Corporate Limited, the share custodian, to Rommel. Reliance is placed on the two letters-

(i) One agreement letter addressed to Rommel specifying the terms and conditions on which the sale was to be executed, (*hereinafter 'agreement letter')* and

(ii) Another Fax letter addressed to IIT Corporate Services Ltd., requesting it to deliver 1,10,000 RIL shares to Rommel in this regard (*hereinafter 'fax letter')*.

30. According to the Special Committee, in terms of the agreement letter dated 10th June 1996, the written consent of CRB Mutual Fund was required before the sale could be given effect to. However, out of the said shares, Rommel sold 1,02,000 shares without seeking the consent of CRB Mutual Funds. The sale proceeds of 1,02,000 shares were stated to have been utilised by Rommel for the repurchase of 60,400 RIL shares. In a subsequent transaction, the said 60,400 RIL shares were resold. However, owing to a suspected defect in the title, the sale consideration amounting to approximately ₹1.80 crores was withheld by NSE. Out of the said sum, ₹136.25 lakhs was utilized for the purchase of 1,00,000 RIL shares, while the remaining ₹43.75 lakhs was invested by NSE in a fixed deposit.

31. The prayer on behalf of the Special Committee was, therefore, that the NSE ought to release 1 lakh RIL shares and also the amount of Rs. 43.75 lakhs lying in the fixed deposit along with interest in favour of the Special Committee. Notice was issued in this application, and Rommel had filed its reply denying all the allegations raised by the Special Committee. Rommel, on the contrary, contended that Rommel had entered into 2 agreements dated 22nd November, 1995 and 24th April, 1996 through which it had agreed to purchase 10,00,000 and 18,75,000 units of Arihant Mangal Growth Scheme from CCML and Exxon Financial Services Ltd respectively. In terms of the agreements, these units were to be redeemed/re-purchased by the respective parties within 180 days at a fixed price. In order to secure the said transactions, 22,000 and 80,000 shares of RIL were pledged in favour of Rommel. Upon

default by the said parties in repurchasing the units, in accordance with the terms of the agreements, Rommel proceeded to sell the pledged RIL shares in exercise of its rights under the security arrangements.

32. Upon hearing the parties, this application was disposed of in favour of the Special Committee on 5th December, 2019 in the following terms:

> *"22.* ***Clearly, the best evidence available with Rommel has been hidden from the court. An adverse inference is liable to be drawn against Rommel.*** *The defence of the non-applicant Rommel claiming that the share which are subject matter of the present application relate to 1,02,000 shares pledged on account of a loan given by Rommel for subscription to Arihant Mangal Scheme appears make belief.*
>
> *********
>
> *28. In view of the above, it is manifest that Rommel has failed to place on record material facts without any plausible explanation.*
>
> ***Rommel has failed to show that pursuant to sale of shares of Reliance Industries Limited which belonged to CRB Trustee Limited A/c CRB Mutual Fund the consideration was paid to CRB Trustee Limited.***
>
> ***Rommel has also failed to give details, namely, folio no./share Nos. of the shares of Reliance Industries Limited allegedly belonging to CRB Capital Markets Limited that were allegedly pledged to Rommel as claimed by Rommel. Hence, the defence sought to be given by Rommel about alleged execution of agreements dated 22.11.1995 and 24.4.1996 with CRB Capital Markets Limited cannot be accepted and appears to be make belief."***

33. As per the above order, the NSE was directed to transfer 1,02,000 shares of RIL with all the accumulated benefits to the Special Committee and the FDR of ₹43.75 lakhs was also directed to be transferred. This order was

appealed by Rommel to the Division Bench, *vide* ***C.A. 1/2020***. In the said appeal, an application was filed seeking an interim stay on the operation of the order dated 5th December, 2019, which was disposed of *vide* order dated 15th March, 2021 in the following terms:

> *"**C.M.No.10143/2021***
>
> *Present application has been filed for an interim stay of operation of the impugned order dated 05th December, 2019 passed by the learned Company Judge in C.A.No.1132/2017 in Company Petition No.379/2009 as well as for a direction to respondent no.1/Special Committee and respondent no.3/National Stock Exchange (NSE) to restrain them from alienating the securities held by them.* ***Learned senior counsel for the respondent/ Special Committee states that in pursuance to the impugned order, the Special Committee has sold 389420 number of shares worth Rs.81,66,67,128.86/-***
>
> *It is the case of the respondent Special Committee that the erstwhile management had given Reliance shares to the appellant for sale in the open market, subject to confirmation. However, without taking prior consent, the appellant is stated to have sold the Reliance shares and appropriated part of the sale proceeds and repeatedly purchased the shares of Reliance in its own name.*
>
> *Learned senior counsel for the appellant submits that the learned Single Judge failed to appreciate that the Reliance shares sold by the appellant had been pledged to it in view of the investment made by it in 'Arihant Mangal Scheme' floated by CRB Capital Markets Ltd.*
>
> *He further states that the IIT Corporate Services Ltd., who was appointed as the custodian by the provisional Administrator, had admitted that sale consideration of 89400 shares had been received by CRB Mutual Fund.*

However, before the learned Single Judge the Special Committee appointed by this Court had taken the stand that it had not received any consideration in lieu of the alleged sale of 89400 shares.

Learned Single Judge in the impugned order has held that no details of investment made by the appellant in CRB Capital Markets Ltd. had been shown to the Court. Further, no distinctive number of shares and no folio number of the pledged shares had been mentioned by the appellant. Learned Single Judge in the impugned order had further taken judicial notice of the fact that if the scheme of CRB Mutual Fund 'Arihant Mangal Scheme' was a success then it was not understood as to why CRB Capital Market Limited would pledge shares as security in lieu of the investment made by the appellant under the said Scheme.

The learned Single Judge in the impugned order has held that the best evidence exclusively in possession of the appellant, had not been produced by the appellant. The learned Single Judge has also adversely commented about the lackadaisical approach of the appellant inasmuch as though the cause of action had arisen in 1997, yet the first writ petition by the appellant had been filed in Bombay High Court in 2006.

Having heard learned counsel for the parties, this Court is of the view that though the appellant's case is that the Reliance shares had been pledged by CRB Capital Markets Ltd., yet the shares were owned by CRB Trustees Limited A/c CRB Mutual Fund. Nothing has been placed on record to show as to how the said shares owned by CRB Trustees Limited A/c CRB Mutual Fund had been allegedly pledged by CRB Capital Markets Ltd. Further, neither any details of investment made by the appellant in CRB Capital Markets Ltd. nor distinctive number of shares pledged by CRB Capital Markets Ltd. has been mentioned in the appeal.

In fact, the learned Single Judge by way of the impugned order has exercised his jurisdiction under Section 542 of the Companies Act, 1956.

Consequently, at this stage, this Court is of the view that the appellant is not entitled to any interim relief. Accordingly, the present application is dismissed with a direction to NSE to deposit the amount lying with it with the Committee appointed by this Court. However, the Committee is directed not to disperse the said amount till the present appeal is decided.

CO.APP. 1/2020

List the present appeal on the date already fixed.

Contesting parties are directed to file their short written submissions not exceeding four pages each within four weeks."

34. A Special Leave Petition, being ***SLP(Civil) 5159/2021***, was preferred against the said order dismissing the stay application. The Supreme Court, upon hearing the parties, had directed the Delhi High Court to maintain *status quo* in regards to the RIL Shares pending the adjudication of the appeal. The relevant orders dated 12th April, 2021 and 7th September, 2021 read as under:

"Order dated 12th April, 2021

Application seeking exemption from filing certified copy of the impugned order is allowed.

Issue notice.

Learned counsel is permitted to file counter affidavit within a period of three weeks from today. Rejoinder affidavit within two weeks thereafter.

List after five weeks.

***Status quo, as of today, shall be maintained in the meantime**.*

Order dated 7th September, 2021

It is urged by the petitioner that as mentioned in the companion application, the order of status quo in

effect has been partly frustrated by the action of the respondent No. 1.

The respondents, however, are disputing the correctness of this claim.

As the main matter is still pending before the High Court, we deem it appropriate to dispose of the special leave petition with liberty to the petitioner to urge all contentions as may be permissible in law, including to ask for appropriate consequential relief in the backdrop of subsequent developments if any in the pending proceeding.

Needless to observe that all contentions will have to be decided on its own merits and in accordance with law and the liberty may not be understood as an expression of opinion of this Court, either way on the merits thereof.

All contentions available to the parties are left open, including the claim made in the accompanying application.

Interim arrangement as directed in terms of order dated 12.04.2021 to continue till the disposal of the appeal before the High Court.

The Special Leave Petitions is disposed of accordingly. Pending applications, if any, stand disposed of. ”

35. The concerned appeal, *i.e.,* ***C.A. 1/2020*** is pending adjudication before the learned Division Bench of this Court. Thereafter, Rommel filed an application *i.e.,* ***Co. Appl. 737/2021,*** before this Court wherein it raised various allegations against the Special Committee both *vide* the application and through oral submissions during the hearing. A summary of the allegations is as under:

i. That disbursements have been made to the Ex-Management, *i.e.,* Mr. CR Bhansali and his family, as also the CRB sister concerns and group

companies, by the Special Committee without obtaining orders from the Court. Such disbursements are in clear violation of the embargo imposed by the Bombay High Court *vide* its order dated 25th January, 1999. Not only do these actions contravene the said judicial directions, but they also result in the unjust enrichment of a wrongdoer for his own defaults. It is also pointed out that the P.A. (*i.e.,* Predecessor of the Special Committee) did not pay C.R. Bhansali and his group/sister companies, despite them being substantial investors in the Arihant Mangal Growth scheme on the same principle.

ii. That CRB's nominee was wrongly appointed by the Court on the Special Committee, and in fact the Ex-Management was almost running the affairs of the Special Committee.

iii. The collusion between Ex-Management, CRB and its group companies, and the Special Committee is clear from various facts such as:

   a. Some of the Counsels who used to represent the Ex-Management were thereafter engaged to represent the Special Committee as well.

   b. The premises where the Special Committee was functioning was also under the control of Mr. CR Bhansali. All the staff were provided by Mr. CR Bhansali.

   c. The nominees on the Special Committee *i.e,* Mr. M D Kanther and Dr. A.A. Sisodia were both Directors in CRB group companies and sister concerns who have also received payments from the sister companies

iv. There is no transparency in the distribution of funds made by the Special Committee. The Provisional Administrator used to file a balance sheet on a quarterly basis, but the Special Committee did not. The interim reports filed by the Special Committee do not reveal any specific details of the persons/entities to whom the payments were made and the extent of redemption of units in respect thereof. The interim report, under the '*Works Executed*' section, only provides the total number of units/unit-holders redeemed and the total amount disbursed in that regard.

In view thereof, the application *inter alia* prays for the conduct of a forensic audit of the records of all the works executed by the Special Committee from 2013 till date.

36. Following the application made by Rommel, SEBI filed an application, being ***Co. Appl. 420/2022,*** seeking a final extension of one year for the purpose of winding up the scheme and carrying out all pending tasks, with a further prayer for the dissolution of the Special Committee thereafter. The primary ground urged by SEBI in support of the application was that the Special Committee was originally envisaged to complete the residual work within a period of one year. However, despite the lapse of several years, the Committee had repeatedly sought and obtained extensions from 2013 to 2022, without fully discharging the responsibilities entrusted to it. The following were the extensions granted by the various orders:

S.No	***Date of the Order***	***Period of Extension Granted***
i.	*29th May, 2013*	*Initially set up for 1 year*
ii.	*13th May, 2014*	*6 months extension.*

iii.	*21st November, 2014*	*12 months extension*
iv.	*6th November, 2015*	*12 months extension*
v.	*5th December, 2016*	*6 months extension*
vi.	*23rd May, 2017*	*6 months extension*
vii.	*20th November, 2017*	*12 months extension*
viii.	*16th November, 2018*	*9 months extension*
ix.	*14th August, 2019*	*12 months extension*
x.	*14th August, 2020*	*12 months extension*
xi.	*25th August, 2021*	*9 months extension*
xii.	*13th May, 2022*	*6 months extension*
xiii.	*22nd November, 2022*	*6 months extension.*

37. SEBI also informed the Court that the previous extension of 6 months granted to the Special Committee *vide* order dated 22nd November, 2022 was coming to an end on 22nd May, 2023. The Special Committee, till then, had redeemed 15,70,15,800 units and has disbursed payments of ₹211,65,44,184/- at ₹13.84 per unit to the unit holders. The Special Committee had funds of ₹113 crores, including ₹19 crores in separate FDRs. The sum of ₹94 crores remains unclaimed. As stated above, the prayer was for the Special Committee to be directed to complete its tasks and also for the Special Committee to be dissolved thereafter.

38. On the other hand, the Special Committee had also filed an application, being ***Co. Appl. No. 351/2023,*** again seeking extension of the mandate of the Committee for 12 months from 28th May, 2023.

39. Upon hearing the parties and considering these allegations levelled against the Special Committee, *vide* order dated 17th August, 2023, this Court passed the following order:

"……..

*3. **CO.APPL. 420/2022** has been filed by the Securities & Exchange Board of India (SEBI) seeking directions for dissolution of the Special Committee constituted by the Court to wind up the affairs of the Company under liquidation and for allowing SEBI to complete the outstanding tasks of the Committee. The said Committee consists of the following three persons: namely,*

i. Mr. S.K. Tandon, Retd. ADJ (Chairperson);

ii. Mr. S.C. Das, Former Executive Director, SEBI (Member) and;

iii. Dr. A.A. Sisodia (Member).

4. The stand of SEBI is that though the Special Committee was initially appointed only for a period of 12 months vide order dated 29th May, 2013, its term has been repeatedly extended. In terms of the last extension given to the Special Committee, the tenure of the Committee has ended on 28th May, 2023.

5. It is submitted by Mr. Saurabh Kirpal, ld. Sr. Counsel for the Committee, that IA 351/2023 has been filed by the Special Committee seeking another extension of twelve months. In the said application, the stand of the Committee is that there are certain unit holders who are yet to be disbursed the amounts. The application further states that funds to the tune of approximately Rs.120 crores are lying with the Committee. The same is also clearly earning a substantial amount of interest on a monthly basis.

*6. **Considering the nature of contentions that have been raised in the applications filed by the SEBI as also the averments made by the SEBI, it is deemed appropriate to direct the Committee to transfer the entire fund lying with the Committee, which is stated to be to the tune of approximately Rs.120 crore, to the Registrar General of this Court within a period of two weeks.***

*7. **The Special Committee is entitled to retain a sum of Rs.1 Crore at the discretion of the Committee for day-***

to-day expenses. All the remaining funds shall stand transferred.

8. For the said purpose, Mr. Tandon, Retd. ADJ along with Mr. Sisodia, shall meet the Registrar General and give a full statement of account of all the FDs, amounts lying in various bank accounts and bank statements to the Registrar General who would calculate the entire amount. The Registrar General is free to take the assistance of any other official of this Court for the purposes of calculation etc. , if needed.

9. It is clarified that after today, no monetary transactions shall be carried out till the amount is determined by the Registrar General.

10. The meeting with the Registrar General shall be held on 23rd August, 2023 at 11:00 am. After calculation is done, the entire amount shall be deposited by the Committee by 5th September 2023. The amount so deposited shall be retained in an account of the Registrar General specially dedicated for 'CRB Trustee Ltd. a/c CRB Mutual Fund'. The amount shall be retained in an FDR, on auto renewal mode.

11. List before the Court for receiving the report of the Registrar General on 12th September, 2023.

12. In addition, after depositing the sum with the Registrar General 's account, the Chairperson of the Committee shall also file a report before this Court giving the following details:

i) A complete chart of disbursements made till date which as per the rough calculation submitted by the Committee to the Court, is to the tune of Rs.211 crore.

ii) Details of expenses incurred by the Committee in terms of office, rent, staff and other expenses*."*

40. Pursuant to the directions issued *vide* order dated 17th August, 2023, the sum of ₹122,86,05,000/- was transferred to the Worthy Registrar General of Delhi High Court and the same was deposited in an account titled "***The***

Registrar General, Delhi High Court a/c CRB Trustee Ltd. a/c CRB Mutual Fund," bearing account no. ***15530110167656*** and IFSC code ***UCBA0001553.*** In the said sum, Rs. 21,12,66,885/- was earmarked for Rommel in view of the *status quo* ordered by the Supreme Court *vide* order dated 7th September, 2021 in ***SLP No. 5159/2021***. Further, a sum of Rs. 99,99,526.55/- was permitted to be retained with the Special Committee to manage its expenses.

41. On 12th September, 2023, bearing in mind the allegations made against the Special Committee and Ex-Management, the Court re-constituted the Special Committee with only two members in the following terms: -

> *"14. Considering this position as also considering the fact that a substantial amount disbursement has already been made by the Special Committee**, it is deemed appropriate that until further orders, the Special Committee shall now consist only of the following members:***
>
> ***i. Mr. S.K. Tandon, retired AD] (Chairperson)***
>
> ***ii. Mr. S.C. Das, Ex-Executive Director of SEBI (Member).***
>
> ***15. Mr. A.A. Sisodia shall no longer function as a member of the Special Committee. Mr. Tandon is free to engage his own staff for the purpose of conducting affairs of the Special Committee and shall not allow any interference by Mr. Bhansali or any of his family members or officials***.
>
> *16. Insofar as the records of the Special Committee are concerned, the same shall be in the exclusive possession of Mr. S.K. Tandon, Chairman of the Special Committee."*

In addition, the Court *vide* the same order also appointed a Local Commissioner for replacing the locks of the office of the Special Committee

and the keys of the said premises was handed only to the Chairman. With regard to the data which was sought *vide* order dated 17th August, 2023, it was clarified that the names of the beneficiaries to whom disbursements have been made and the bank account statements shall also be filed. Lastly, learned Counsel for Rommel and SEBI were allowed to inspect the data that was to be submitted by the Special Committee; however, they were directed that their findings would not be shared.

42. Upon inspecting the data submitted by the Special Committee, Rommel filed a preliminary report dated 30th October, 2023, pointing out various irregularities in the functioning of the Special Committee. The Special Committee filed written submissions dated 5th December, 2023, taking the following position:

- That there was no order restricting disbursements to the ex-management, group companies or family members; and
- That the amounts have been released to Mr. C.R. Bhansali, Ms. Manjula Bhansali & Mr. Fateh Chand Bhansali.

43. Whereas Rommel's stand in terms of the preliminary report dated 30th October, 2023 was that there were 40 entities to whom payments were made, details of which are as under:-

Sr. No.	***Sr. No. mentioned in the List***	***Name of the alleged unit holder/ disbursee***	***Amount disbursed***	***Pg No. Of the List***
1	*2139*	*CHAIN ROOP BHANSALI*	*13,48,000*	*@ 126*
2	*3201*	*FATEHCHAND BHANSALI*	*13,48,000*	*@ 189*
3	*6658*	*MANJULA BHANSALI*	*13,48,000*	*@ 392*
4	*11018*	*SANGEETA JAIN*	*1,88,04,600*	*@ 649*
5	*13206*	*SWETA JAIN*	*1,34,80,000*	*@ 777*
6	*1574*	*BANWARI DEVI BHANSALI*	*9,48,000*	*@ 93*

7	1864	BILL FINANCE CORPORATION LTD	5,25,72,000	@ 110
8	1965	BILL FINANCE CORPORATION LTD	6,73,32,600	@ 110
9	2445	CRAVEX IMPEX & CONSULTANTS PVT LTD	1,34,80,000	@ 144
10	3517	GLOBAL FINANCE CORPORATION LTD	13,48,00,000	@ 207
11	3633	GREENQUEST TRADE ASSOCIATION LTD	13,46,00,000	@ 214
12	3771	HAENGNAM RNT STONE WARE LTD	1,34,77,304	@ 222
13	4237	JAI HIND MARMO PVT LTD	6,73,32,600	@ 250
14	4392	JAYANT SECURITIES PVT. LTD	3,37,67,400	@ 259
15	4491	JINPRABHU INNFASTRUCTURE DEVELOPMENTS LTD	4,04,40,000	@ 265
16	4492	JIN PRABHU SECURITIES PVT LTD.	5,39,20,000	@ 265
17	5383	KIEV FINANCE LTD	8,76,20,000	@ 317
18	7750	NAV SURYA HOLDING (P) LTD	1,34,80,000	@ 456
19	8898	PRAMUKH SOFT TECHNOLOGIES PVT. LTD.	2,82,40,600	@ 524
20	10329	RAVITEJ EXPORTS LTD	6,74,00,000	@ 608
21	12043	SHREE TULSI ONLINE COM LTD	3,77,44,000	@ 709
22	12175	SIDH PROPERTIES LTD	67,40,000	@ 717
23	12199	SIL LEASING & INDUSTRIAL FINANCE P. LTD	2,56,79,400	@ 718
24	12366	SPECTRUM EQUITY LTD	6,74,00,000	@728
25	13485	TOPSEY IMPEX PVT LTD.	1,34,80,000	@749
26	13575	TSW INFOTECH LTD	3,37,00,000	@ 796
27	14575	ZERRY EXIM PVT LTD	1,34,80,000	@ 858
28	702	ANJANA DEVI	1,48,28,000	@ 42
29	1434	BABULAL L SHAH	1,07,84,000	@ 85
30	1438	BABULAL SHAH HUF	2,68,92,600	@ 85

31	*2916*	*DIPIKA PREMCHAND SHAH*	*1,28,06,000*	*@ 172*
32	*9086*	*PREMCHAND LAL CHAND SHAH*	*1,15,25,400*	*@ 535*
33	*9115*	*PRITI B SHAH*	*1,01,10,000*	*@ 537*
34	*8468*	*PARUL B SHAH*	*1,21,32,000*	*@ 499*
35	*5755*	*LADBEN PREMCHAND SHAH*	*1,28,06,000*	*@ 339*
36	*13709*	*USHABEN ANIL KUMAR SHAH*	*1,21,32,000*	*@ 807*
37	*14335*	*VINOD KUMAR BOTHRA*	*1,61,08,600*	*@ 844*
38	*9642*	*RAJASTHAN HORTICULTURE PVT. LTD.*	*6,74,00,000*	*@ 568*
39	*8091*	*ODESSY TRADE AND LEASING PVT. LTD.*	*1,34,80,000*	*@ 477*
40	*13308*	*T. SPRITUAL WORLD LTD*	*5,38,90,344*	*@ 783*

44. The allegations *vide* the Preliminary Report, therefore, was that a total of Rs.131.90 crores (Approx.) was paid to C.R. Bhansali, his family members, relatives, group companies and sister concerns (hereinafter collectively '*CRB Group'*). Further, Mr. S.C.Das, who was the SEBI nominee in the Special Committee, stated that he attended meetings in Delhi of the Special Committee only twice a month. The Committee was managed on a day-to-day basis by the Chairman and Mr. Sisodia, who was the nominee of the Ex-Management. In view thereof, the Court *vide* order dated 7th December, 2023 directed the Special Committee to file an affidavit clarifying the following contentions:-

> *"23. Therefore, considering the above allegations and counter-allegations, let an affidavit be placed on record by the Special Committee stating:*

a. The manner, in which the approval for these disbursements were given by the Special Committee, shall also be placed on record by way of an affidavit.

b. Whether any of the above persons and entities (as mentioned in paragraph 18 above) are connected to CRB Group of companies as well as Mr. C. R Bhansali and/or his relatives,

c. Whether any verification was conducted prior to releasing these amounts to these unit holders mentioned in paragraph 18 above and,

d. Whether any leave was sought from the Court prior to release of the said amounts to the unit holders."

45. Further, considering the allegations raised as to the collusion between the committee members and Mr. C.R. Bhansali, notice was issued for the appearances of Mr. C. R. Bhansali and Mr. A.A. Sisodia. The custody of the records was then handed over to the Local Commissioner – Ms. Ruchi Sindhwani, and access was permitted only under her supervision.

46. Mr. C. R. Bhansali appeared before the Court on 18th January, 2024. His statement is extremely relevant for this case and is extracted below:-

"I am a Chartered Accountant by profession and currently practice on a smaller scale due to my age. My office is located at my residence itself.

My mother's name is Ms. Bhanwari Devi Bhansali, and my wife is Ms. Manjula Bhansali. I have two sons, namely, Mr. Manish Jain and Mr. Piyush Jain, both of whom are MBA graduates. They provide their own consultancy services.

My father, Mr. Fateh Chand Bhansali passed away approximately four years ago. Ms. Sangeeta Jain is my sister, and Ms. Sweta Jain is my brother's daughter-in-law. I am aware of Bill Finance

Corporation Ltd. My father promoted this company. I am not a Director of this company, but it is managed by me and even instructions are also given by me for the operations of the company.

Cravetex Impex and Consultants Pvt. Ltd. is a business-associate company. We have a say in this company and we give instructions to this company for conducting its business. I can file the list of shareholders and promoters Cravetex Impex and Consultants Pvt. Ltd. Since some of the shareholders of that company are from my family, therefore, I exercise control over that company. I can file the list of shareholders of Cravetex Impex and Consultants Pvt. Ltd. (hereinafter, 'Cravetex') on record.

(Mr. C. R. Bhansali is directed to file on record a complete list of shareholders of Cravetex Impex and Consultants Pvt. Ltd.)

The full name of Mr. Sisodia, who was appointed as a member in the Special Committee is Mr. Alam Ali Sisodia. We recommended the name of Mr. Sisodia in the place of Mr. M.D. Kanther sometime in 2013. I had known Mr. Sisodia for five to six years before recommending his name for the Special Committee. He is also an Advocate. He used to provide legal advice to us. He also served as an Independent Director in two companies, viz.:

i. T. Spiritual World Ltd.

ii. TSW Infotech Ltd.

However, he resigned from these companies before joining the Special Committee.

I am willing to disclose the list of companies in which Mr. Sisodia was an Independent Director by way of an affidavit.

The allegations made by Rommel Investment Pvt. Ltd. against me or the Special Committee are false. I am willing to file an affidavit disclosing my relationship with all the individuals and companies named in the order dated 7th December, 2023, if any.

Most of the companies were original subscribers of the CRB Mutual Fund and, therefore, the amounts have been disbursed to the unit holders. More than 19,000 unitholders applied on my behalf. A lot of individuals trusted me and, therefore, they had invested. My relationship with the individuals and persons set out in the chart contained in paragraph 20 of the order dated 7th December, 2023 is as under:

Sr. No.	***Name of the alleged unitholder/ disburse***	***Statement made***
1)	*CHAIN ROOP BHANSALI*	*I am a Chartered Accountant by profession and currently practice on a smaller scale due to my age. My office is located at my residence itself.*
2)	*FATEHCHAND BHANSALI*	*He is my father, passed away approximately four years ago*
3)	*MANJULA BHANSALI*	*She is my wife*
4)	*SANGEETA JAIN*	*She is my sister*
5)	*SWETA JAIN*	*She is my brother's daughter in law*
6)	*BHANWARI DEVI BHANSALI*	*She is my mother*

7)	*BILL FINANCE CORPORATION LTD.*	*I am aware of Bill Finance Corporation Ltd. My father promoted this company. I am not a director of this company, but it is managed by me and even instructions are also given by me for the operations of the company.*
8)	*BILL FINANCE CORPORATION LTD.*	*I am aware of Bill Finance Corporation Ltd. My father promoted this company. I am not a director of this company, but it is managed by me and even instructions are also given by me for the operations of the company.*
9)	*CRAVETEX IMPEX & CONSULTANTS PVT LTD*	*This company is our business-associate. Some of the shareholders are from my family and therefore I exercise control.*
10)	*GLOBAL FINANCE CORPORATION LTD*	*This company is our business-associate.*
11)	*GREENQUEST TRADE ASSOCIATION LTD*	*I was a Director in this company, but I resigned before the Special Committee was formed. I have direct control on the operations of the company, because it was promoted by my father.*
12)	*HAENGNAM RNT STONEWARE LTD*	*This company is our business-associate.*
13)	*JAI HIND MARMO PVTLTD*	*This company is our business-associate.*
14)	*JAYANT SECURITIES PVT.LTD*	*I exercise direct control. This company must have been promoted by my father or me.*

15)	*JINPRABHU INNFASTRUCTURE DEVELOPMENTS LTD*	*I exercise direct control.*
16)	*JIN PRABHU SECURITIESPVT LTD.*	*I exercise direct control.*
17)	*KIEV FINANCE LTD*	*This company is our business-associate.*
18)	*NAV SURYA HOLDING (P)LTD*	*This company is our business-associate.*
19)	*PRAMUKH SOFT TECHNOLOGIES PVT. LTD.*	*This company is our business-associate.*
20)	*RAVITEJ EXPORTS LTD*	*This company is our business-associate.*
21)	*SHREE TULSI ONLINE COM LTD*	*This company is our business-associate.*
22)	*SIDH PROPERTIES LTD*	*This company is our business-associate.*
23)	*SIL LEASING & INDUSTRIAL FINANCE P.LTD*	*This company is our business-associate.*
24)	*SPECTRUM EQUITY LTD*	*This company is our business-associate.*
25)	*TOPSEY IMPEX PVT LTD.*	*This company is our business-associate.*
26)	*TSW INFOTECH LTD*	*I exercise direct control.*
27)	*ZERRY EXIM PVT LTD*	*This company is our business-associate.*
28)	*ANJANA DEVI*	*I do not have any connection with this person.*
29)	*BABULAL L SHAH*	*I do not have any connection with this person.*
30)	*BABULAL SHAH HUF*	*I do not have any connection with this entity.*
31)	*DIPIKA PREMCHAND SHAH*	*I do not have any connection with this person.*
32)	*PREMCHAND LAL CHANDSHAH*	*I do not have any connection with this person.*

33)	*PRITI B SHAH*	*I do not have any connection with this person.*
34)	*PARUL B SHAH*	*I do not have any connection with this person.*
35)	*LADBEN PREMCHANDSHAH*	*I do not have any connection with this person.*
36)	*USHABEN ANIL KUMAR SHAH*	*I am not aware of Ms. Ushaben Anil Kumar Shah. I do not have any connection with this person.*
37)	*VINOD KUMAR BOTHRA*	*Mr. Vinod Kumar Bothra is a close friend of mine.*
38)	*RAJASTHAN HORTICULTURE PVT. LTD.*	*This company is our business-associate.*
39)	*ODESSY TRADE AND LEASING PVT. LTD.*	*This company is our business-associate.*
40)	*T. SPRITUAL WORLD LTD*	*I exercise direct control.*

47. Mr. A.A. Sisodia also appeared on 18th January, 2024 and gave the following statement.

> *" I have been associated with Mr. C.R. Bhansali and his family for more than fifteen years. I was practising as a lawyer at the time when I met with Mr. C.R. Bhansali. Currently, I am practising as a lawyer. I am enrolled with the Bar Council of Delhi and my enrolment number is D/1252/2001*
>
> *I was appointed as a member of the Special Committee in 2014. Mr. C.R. Bhansali suggested that I become a member of the Special Committee.* ***Prior to becoming a member of the Special Committee, I was an Independent Director of two of the companies, namely, T.S.W. Infotech Limited and T. Spiritual World Limited. The other directors/shareholders in these two companies were the relatives of Mr. C.R. Bhansali. I***

had resigned as Director from these two companies in 2014.

Apart from the above I also used to give legal consultancy services to Mr. C.R. Bhansali.

I did not inform the Chairperson of the Committee, Mr. SK Tandon, - that these two companies namely, T.S.W. Infotech Limited and T. Spiritual World Limited were connected with Mr. C.R. Bhansali. *The everyday affairs of the Committee were being managed from the office of the Committee in which there were employees, including a Chartered Accountant and also one clerk. The said Chartered Accountant was Mr. Kapil Goel. He was not connected to Mr. C.R. Bhansali.*

I was not a signatory to the bank account of the Special Committee. It was the Chairman, Mr. Tandon and Mr. S.C. Das. The money used to be sent to the Kotak Mahindra Bank in the CMS account. All the three members of the Committee would approve the particular sheet of payment giving the details of the amount to be credited to the Kotak Mahindra Bank account and further to the subscribers through the Registrar and Share Transfer Agent. The Registrar and Share Transfer Agent in this case was MAS Services Limited. MAS Services Limited was appointed by the Committee prior to my appointment. MAS Services Limited is an independent third-party Registrar and Share Transfer Agent and is registered with SEBI.

As per my knowledge MAS Services Limited is not connected to any of the companies listed in paragraph 20 of order dated 7th December, 2023 or to Mr. C.R. Bhansali. All the decisions taken by the Committee were unanimous and were taken by the Chairperson, Mr. Das and myself. The Special Committee used to meet when Mr. Das would come to Delhi and then decide as to what all functions are to be performed. The Committee had submitted 34 interim reports and copies of the same

were also given to SEBI. An internal auditor was also appointed to audit the accounts of the Committee."

48. A perusal of the above statements would show that Mr. C. R. Bhansali admitted that he had suggested Mr. A.A. Sisodia's name as a member of the Special Committee. He also admitted that Mr. Sisodia was an advocate who used to provide legal consultancy to him and also that Mr. A.A. Sisodia was an independent director of two companies belonging to the CRB Group.

49. Mr. C.R. Bhansali's stand was that all the unit holders who have been disbursed monies were original subscribers of the CRB Mutual Fund and therefore, disbursement to them was not irregular or unlawful. Mr. Bhansali clarified the relationship with all the entities who had received payments from the Special Committee.

50. Mr. A.A. Sisodia admitted that he had not informed the Chairman of the Special Committee that he was a director in two companies belonging to the CRB Group, which were also disbursed money by the Special Committee. It, therefore, becomes clear that even the Court was not informed about this fact at the time when Mr. A.A. Sisodia was nominated to the Special Committee.

51. In the backdrop of the facts which were revealed during the Court proceedings, a fresh application was filed by the SEBI, being ***Co. Appl. No. 506/2024,*** seeking the following prayers:-

"A. Allow the present application and pass appropriate directions and/ or orders dissolving the Special Committee;

B. Pass appropriate directions and/or orders declaring the Arihant Mangal Scheme of CRB Mutual Fund as wound up;

C. ***Pass appropriate directions and/or orders permitting the Petitioner/SEBI to replace the Special Committee in the litigations which are pending adjudication before this Hon'ble Court, in place of Special Committee and to appropriately defend the interest of all the unit holders and securities market;***

D. ***Pass appropriate directions appointing a forensic auditor to conduct a forensic audit of all the records, bank accounts, documents etc. pertaining to the Arihan Mangal Mutual Fund Scheme and the Special Committee and thereafter, submit a report to this Hon'ble Court in a time bound manner;***

E. ***Pass appropriate direction that after receipt of the report of the forensic auditor, all the records and documents maintained by the Special Committee may be transferred to a Registrar and Transfer Agent/Share Transfer Agent, to be appointed by AMFI in consultation with the Petitioner/SEBI;***

F. ***Pass appropriate directions and/or orders to deposit before this Hon'ble Court the amount of Rs. 131.90 Crores disbursed to person and entities as set out in para 20 of order dated 07.12.2023 and any other amount disbursed illegally including any amount which may come to light in pursuance of the report of forensic auditor;***

G. Pass appropriate directions with respect to retaining the amount lying with the Registrar General and any other amount which may come before this Hon'ble Court and a subsequent direction that apart from the claims pending before various forums, no fresh claims may be admitted and that pursuant to the disbursals of such claims, suitable directions, may be issued for depositing the remaining amount with the IPEF as per the SEBI (Investor Protection and Education Fund) Regulations, 2009;

> *H. Pass such order (s) as this Hon'ble Court may deem fit and proper in the facts and circumstances of the case and in the interest of justice."*

52. In the said application, on 2nd August, 2024, the Court, upon considering SEBI's suggestion to substitute a Special Cell under the direct supervision of SEBI in place of the Special Committee, directed SEBI to give the following details:-

> *"5. SEBI is directed to place before the Court, an affidavit detailing the following aspects by 10th September 2024: -*
>
> *(i) The manner in which SEBI would deal with the depositors/investors, whose claims may have been rejected by the Special Committee,*
>
> *(ii) The manner in which it would deal with the depositors/investors, who may file further claims or whose claims are still pending.*
>
> *(iii) The manner in which the funds deposited with the worthy Registrar General would be utilized, if transferred to SEBI, and the Registrar and Transfer agents ('RTA ') or any other organisation, which would be in charge of the same."*

53. An affidavit was filed by the SEBI on 10th September, 2024, in response to the order dated 02nd August, 2024. The relevant portion of the same is set out below:-

> *"5. With respect to the directions of this Hon'ble Court dated 02.08.2024, SEBI submits as under:*
>
> *(i) The manner in which SEBI would deal with the depositors/investors, whose claims may have been rejected by the Special Committee; and*

(ii) The manner in which it would deal with the depositors/investors, who may file further claims or whose claims are still pending.

Both the aforesaid directions are dealt in the manner hereinbelow:

(a) It is submitted that the aforesaid task would be taken under the supervision of the Cell in terms of the SOP, which would abide by the cut off date fixed by this Hon'ble Court i.e. 18.07.2017, in terms of Order dated 18.07.2017.

(b) The SEBI would deal with the pending litigations, arising out of rejection of claims by the Special Committee and the same will be dealt in accordance with the directions issued by this Hon'ble Court.

6. With respect to direction no.3, it is submitted as under: (iii) The manner in which the funds deposited with the worthy Registrar General would be utilized, if transferred to SEBI, and the Registrar and Transfer agents (RTA) or any other organisation, which would be in charge of the same.

(a) As submitted in preceding paragraphs, SEBI would open an Escrow Account for transfer of funds from the worthy Registrar General and the same will be subsequently dealt in terms of the SOP.

(b) The expenses incurred by SEBI in the present case, may be allowed to be appropriated from the said fund.

7. In view of the submissions set out hereinabove, it is most humbly submitted that this Hon'ble Court be pleased to take the present Affidavit on record and pass appropriate directions on SEBI' s prayer in CA 506 of 2024."

54. To seek further clarity on the functioning of the Special Cell, SEBI, the Court *vide* order dated 5th April, 2025 had directed SEBI to file a Standard Operating Procedure (hereinafter '*SOP*') as well. Pursuant thereto, an SOP was filed by SEBI on 16th May, 2025 wherein it states that if the functioning of the Special Committee is handed over to SEBI, it would constitute a Special Cell which would function as under:-

> *"a. The Special Cell ('Cell') (as stated in the Affidavit of SEBI dated 10.09.2024) would be established by SEBI and headed by an Officer not below the rank of Deputy General Manager ('DGM') for carrying out the entire process transparently and in conformity with the directions issued by this Hon'ble Court.*
>
> *b. The said Special Cell (as per the directions of this Hon'ble Court) shall appoint a Qualified Registrar and Transfer Agent ('QRTA'), for handling verification, data management, and fund disbursal activities from the list already annexed with the Affidavit dated September 10, 2024. A list of QRTA for ready reference is annexed herewith as Annexure - A.*
>
> *c. The Special Cell being in-charge would co-ordinate with QRTA for handling the pending and unresolved issues related to the CRB case including claim processing and verification) and to provide reports regarding reconciliation of funds, etc.*
>
> *d. The Special Cell may seek assistance of Experts) for any necessary activity, verification of fund requirements raised by the QRTA, to provide report regarding reconciliation of funds etc.*
>
> *e. An interest-bearing dedicated Bank Account is proposed to be opened by the Special Cell and funds currently held with the Worthy Registrar General of this*

Hon'ble Court may be transferred to this dedicated Bank Account with the kind permission of this Hon'ble Court.

f. Pursuant to the completion of Forensic Audit (as proposed in Affidavit of SEBI dated 10.09.2025), the Special Cell would take the following steps:

(i) take over the documents/ records and accounts;
(ii) co-ordinate with QRTA to take appropriate actions based on the findings and recommendations in the Forensic Auditor's report.
(iii) take steps to digitize, catalogue and securely store these with the QRTA, in a searchable format for the purpose of dealing with any claim or verification of unit holders, as per the directions of this Hon'ble Court;
(iv) take stock of unresolved issues in 34th Interim Report of the Special Committee;
(v) proceed with all pending work except ongoing litigation;
(vi) take steps to close all bank accounts previously opened by the Special Committee;
(vii) co-ordinate with QRTA and in accordance with SEBI (Mutual Funds) Regulations, 1996, shall determine Net Asset Value ('NAV') for the purpose of distribution;
(viii) file a winding up report, thereby only awaiting the outcome of pending litigations.

A list of SEBI empanelled forensic auditors is annexed herewith as Annexure - B.
g. In respect of any unit holder's claim (as permitted by this Hon'ble Court), the QRTA shall analyze, verify, and scrutinize such claims and associated documents, and

submit a detailed report to the Special Cell within 30 days of receipt.

h. Such report would be considered by the Special Cell for deciding on the proposal by the QRTA, within 30 days from the receipt of the said order of Special Cell shall be final.

i. If the report of QRTA is accepted by the Special Cell, the Special Cell shall coordinate with QRTA for disbursal of payment from the dedicated Bank Account to the unit holder.

j. The Special Cell and QRTA shall strictly adhere to the terms of this SOP."

55. In addition, SEBI has also stated that it would take over the litigations from the Special Committee. SEBI would also deal with the applications filed on or before the cut-off date *i.e.,* 18th July, 2017, and the expenses would be incurred with the approval of the Court.

56. On 17th May, 2025, when the arguments were concluded, certain queries were put to SEBI. In response to which, the following answers were given:

S. No.	***Query***	***Response of SEBI***
1.	*Who would constitute the Special Cell with the name and designation.*	*Special Cell in the first instance, consist of three of Officers from SEBI, one of whom viz. Shri S. Vijayarangam, Deputy General Manager, SEBI would head the Special Cell. The other members of the Special Cell would be of the grade Assistant Manager or above*
2.	*How many persons will constitute the Special Cell as per the SOP.*	*The Special Cell would consist of three Officers from SEBI. Further, the composition of the Special Cell would be*

		reviewed after commencement of its work after Forensic Audit.
3.	*Who will be in control of the bank account consisting of the money which is to be transferred from the Registrar General's account.*	*The Special Cell will control the designated bank account and approve all payments to be made there from. Thereafter, in terms of the Delegation of Power within SEBI, the Competent Authority viz. Executive Director (Treasury and Accounts Department) would nominate two authorised signatories, who will be responsible for the release of payments and cheques will be signed jointly by them.*
4.	*To whom will the reports of disbursal and the expenses incurred be submitted to.*	*As the proposed Special Cell would be established within the dealing Department of SEBI, the Organisational hierarchy is proposed to be followed as per which the reports of disbursal and the expenses incurred would first be submitted to the current Head of the Department i.e. Chief General Manager, then to the Executive Director, (Investment Department) Management SEBI and thereafter to the WTM, SEBI.*
5.	*Who will be the supervising authority of the Special Cell.*	*The Special Cell will be under overall supervision of Shri Amarjeet Singh, the Whole Time Member, SEBI (appointed under Section 4(1)(d) of the SEBI Act, 1992).*

57. Thereafter, written submissions were filed by all the parties, and Judgment was reserved in ***Co.Appl. 420/2022***, ***351/2023***, ***546/2023***, ***37-39/2024***, ***203-04/2024***, ***506/2024, 403-4/2025*** on 22nd May, 2025.

Submissions on behalf of Parties

58. Mr. Pratap Venugopal, ld Senior Counsel, appeared on behalf of SEBI and Mr. Sandeep Sethi, ld Senior Counsel, appeared on behalf of the Special Committee. Mr. Pinaki Mishra, ld Senior Counsel made submissions on behalf of the Ex-Management and Mr. Vivek Sibal, ld Senior Counsel, made

submissions specifically on behalf of CRB Asset Management Company. Mr. Avneesh Garg appeared on behalf of Rommel Investments Private Ltd.

Submissions on behalf of SEBI

59. Mr. Pratap Venugopal, ld. Senior Counsel appearing on behalf of SEBI, strongly opposes the grant of any further extension to the tenure of the Special Committee. He submits that the Arihant Mangal Growth Scheme ought to be formally declared as wound up, and that the Special Committee be dissolved. The responsibility for completing the remaining tasks and defending the pending litigations, it is contended, should be entrusted to a Special Cell to be constituted under the direct supervision of SEBI, in accordance with the SOP placed on record. It is also SEBI's stand that ₹131.9 Crores (Approx.) disbursed by the Special Committee to the CRB Group was in violation of the embargo imposed by the order dated 25th January, 1999, and is, therefore, liable to be recovered. Lastly, in view of the serious allegations concerning the functioning of the Special Committee, SEBI submits that a forensic audit of the records and actions of the Special Committee is warranted.

60. It is submitted that the Court *vide* order dated 29th May, 2013, had constituted a Special Committee and envisioned it to operate for a term of 1 year, to carry out the work of the Trustees of the CRB Trustee Ltd. and to wind up the Arihant Mangal Scheme of CRB Mutual Fund, in terms of the provisions of 1996 Regulations. However, the said mandate was not completed within the said period and repeated extensions were sought and granted to this Committee on various occasions, including *vide* order dated 13th May, 2014, 6th November, 2014, 21st November, 2014, 16th November, 2018, 14th August, 2019 and 14th August, 2020. The said extensions were

granted without any objection from the SEBI, except the extension granted *vide* order dated 23rd May, 2017, and 25th August, 2021, both of which were objected to by SEBI. Despite the multiple extensions, certain tasks remain incomplete, as recorded in the 34th Interim Report of the Special Committee dated 10th April, 2023. The pending work includes:

(a) Adjudication of various applications pending before this Court arising out of rejected claims;

(b) Redemption of units and disbursal of payments to unit holders;

(c) Publication of further newspaper advertisements in respect of unclaimed redemptions amounting to approximately ₹95 crores concerning 9,900 unit holders;

(d) Disposal of pending certification cases;

(e) Consideration of certification applications received after the prescribed cut-off date of 18th July, 2017;

(f) Issuance of duplicate share certificates, and attending to audit and tax-related matters;

(g) Completion of statutory compliances;

(h) Sale of shares, including both physical and dematerialised holdings.

61. It is pointed out that the Special Committee had, as early as 2017, acknowledged in ***Co. Appl. 1028/2017*** that 90% of its mandate, as envisaged in the order dated 29th May, 2013, had already been completed. In this background, the learned Senior Counsel emphasised that the cost of these continued extensions and delays is ultimately being borne by the corpus belonging to the unit holders and therefore, such extensions ought not to be permitted any further.

62. Thereafter, it was also contended that the Special Committee has turned a blind eye towards the order dated 25th January, 1999 of the Bombay High Court inasmuch as payments have been made to C.R. Bhansali, his family members and entities associated or connected with him or his group companies (40 entities). The Special Committee has pleaded merger of the order of the Bombay High Court with the final order of this Court. However, these directions have neither been deleted nor modified, and the same continues to be in force. Elaborating on the submission, learned Senior Counsel contends that the Doctrine of Merger has no application in the present case, as the issue in question was never put to rest, owing to the fact that the Scheme has not yet been formally wound up. Accordingly, the order passed by the Bombay High Court dated 25th January 1999 continues to be binding on the members of the Special Committee. To further support this contention, learned Senior Counsel draws attention to the Paragraph 18(xxii) of order dated 29th May 2013, whereby the Committee was constituted with a specific and unequivocal mandate to prepare and submit a winding-up report upon completion of its assigned functions, in accordance with the 1996 Regulations which was not submitted in this case. Therefore, the issue concerning the disposal of assets and distribution to unit holders remains alive.

63. It was further submitted that although the P.A., in ***Co. Appl. 1143/2009***, had initially sought permission to make payments to **all unit holders holding less than 1 lakh units**, he has, in the rejoinder, clarified that the said scheme shall incorporate the embargo imposed by the Bombay High Court *vide* order dated 25th January, 1999, restraining any payments to Mr. C.R. Bhansali, his group companies, and sister concerns.

64. It is contended that the Special Committee has failed to act as a 'Trustee' in the best interest of the unit holders. Elaborating upon the same, it is submitted that the objective of the Special Committee was only to wind up the Mutual Fund Scheme, namely Arihant Mangal Growth Scheme and to carry out functions as 'Trustee' in furtherance of the Mutual Fund Scheme as was originally floated. In this regard, it is submitted that the Special Committee in its 1st Interim Report submitted before this Court on 07th September, 2013, had categorically admitted as under:

> "*... to carry out the functions of the Trustee and to proceed to wind up the Scheme in terms of the Regulations 41 and 42 of the Securities Exchange Board of India (Mutual Funds) Regulations, 1996...*"

Further, the order dated 25th January, 1999, passed by the Bombay High Court while examining the position of the P.A., who was the predecessor of Special Committee, held as under:

> *"9. ..., we are of the prima facie view that he would be in the position of a Trustee within the meaning of Section 3 read with Section 34 of the Indian Trust Act."*

65. Despite the fiduciary role entrusted to it, the Special Committee, in a complete lack of transparency, failed to disclose any specific details regarding the unit holders to whom payments had been made, in any of its interim reports. Particularly, both SEBI and this Court were kept uninformed of the payments being made to the CRB Group. It was only pursuant to the order dated 17th August 2023 that the distribution charts, containing the complete breakup of disbursements made, were placed on record. Learned Senior Counsel Mr. Venugopal has emphasised this lack of disclosure as the principle

reason for SEBI's delayed objection to the extension of the tenure of the Special Committee.

66. On the same lines, it is also contended that no accounts were furnished by the Special Committee for the sum of ₹1 crore, which was permitted to be retained by the Committee *vide* order dated 17th August, 2023 until the Court had directed it to file an affidavit regarding the same. Such a lack of transparency, according to learned Senior Counsel, was in clear violation of its fiduciary duties and against the interests of the unit holders

67. Similarly, the Special Committee has disbursed funds to unit holders at Net Asset Value (hereinafter '*NAV*') at ₹6.48 on 01st April, 2015. It has further disbursed funds to the very same unit holders on 3 occasions at a provisional NAV of ₹1/- per unit and further disbursals at ₹4 per unit, without prior intimation to SEBI or this Court. Such repeated disbursals, according to SEBI, are detrimental to the interests of unit holders, especially unit holders/ investors whose applications are still pending before this Court. In the light of these irregularities of the Committee and the fact that substantial work has already been concluded, it is submitted that the application of the SEBI, *i.e.,* ***Co. Appl. 506/2024,*** deserves to be allowed. It is also highlighted that the cutoff date has also been fixed by this Court as 18th July, 2017, and no claims post the said date would be liable to be entertained. Under these circumstances, the learned Senior Counsel has taken the Court through prayers made by SEBI and prays that the said application be allowed.

68. Lastly it is submitted that despite expiry of its mandate on 28th May, 2023, the Special Committee has entertained, investigated, examined and rejected the claim of one of the claimant, *i.e.,* M/s NCM International *vide*

order dated 23rd November, 2023, which shows complete disregard to the proceedings of this Court.

69. In view of the above submissions, SEBI primarily seeks the following reliefs:

- ***Co.Appl.No. 506/2024*** be allowed, and the Special Committee be replaced by the Special Cell to be constituted by SEBI in accordance with the SOP placed on record;
- A forensic audit of all records and transactions undertaken by the Special Committee be directed; and
- Lastly, SEBI seeks recovery of the allegedly illicit payments amounting to ₹131.90 crores (Approx.) disbursed to the CRB Group.

Submissions on behalf of M/s Rommel Investment Pvt. Ltd.

70. Mr. Avneesh Garg, ld. Counsel, appearing on behalf of M/s. Rommel Investment Pvt. Ltd. made various submissions highlighting the suspicious circumstances under which the Special Committee was functioning, and the undue influence allegedly exercised by Mr. C.R. Bhansali over its affairs. Further *vide* the inspection report dated 30th October, 2023, Rommel has also flagged that payments to the tune of ₹131.90 crores (Approx.) have been made to the CRB Group, which is in flagrant violation of the Bombay High Court order dated 25th January, 2025. In view thereof, it is his submission that the Special Committee has lost its reliability and thereby deserves to be restrained from dealing with the liquidation or any other ancillary aspects of the CRB mutual fund. Further learned Counsel also prays to direct an inquiry into the affairs of the Special Committee, including by way of a forensic audit and recovery of the amounts disbursed to the CRB Group.

71. The following facts and records, according to learned Counsel Mr. Garg, show direct and impermissible influence of Mr. C.R. Bhansali over the Special Committee:

(i) It was C.R. Bhansali only who, while opposing the functioning of the P.A. and despite having been deleted in the Trust Petition, continued to participate in the proceedings. It was Mr. C.R. Bhansali who sought the appointment of a Special Committee with one of its Members as his nominee;

(ii) Immediately on its appointment, the Special Committee appoints C.R. Bhansali and his wife, Manjula Jain, as the directors of CRB Asset Management Co. Ltd.

(iii) The records of the mutual fund were kept under the supervision of the staff employed by C.R. Bhansali only;

(iv) The Special Committee appoints the same very Counsel who has been representing C.R. Bhansali and his group of companies in the winding up petition as well as in all other litigations for the past two decades;

(v) The application for impleadment, being ***Co.Appl. 1152/2009***, filed under the hands of C.R. Bhansali through the same Counsel, was withdrawn on 17th May, 2013, *i.e.*, just prior to the appointment of the Special Committee;

(vi) Despite not being a party in the trust petition, C.R. Bhansali participated in the proceedings through the same Counsel and his junior counsel, Mr. M.D. Kanther was even appointed as one of the three Members of the Special Committee;

(vii) A perusal of para 16 of the Order dated 29th May, 2013 would show that the records of the P.A. were kept under the supervision of the employees of C.R. Bhansali himself;

(viii) Even before the order dated 29th May, 2013, C.R. Bhansali has arranged for the office premises for the purpose of Special Committee;

(ix) After the demise of M.D. Kanther, Mr. Alam Ali Sisodia is inducted into the Committee. It was submitted that he has been penalised by SEBI itself on an earlier occasion;

(x) Since its inception, the Special Committee has not disclosed the details of the persons to whom it has been disbursing the monies realised from the mutual fund assets. None of the Reports (more than 30) filed so far contain any such details;

(xi) Further, in the said reply to the ***Co.Appl. No.737/2021***, the Special Committee also seeks to 'defend' C.R. Bhansali and his companies by stating as follows:

> *"j) the contents of Para 5(j) of the application are wrong and denied. The allegation that fraud has been committed by CRB Group & its promoters in the Petition filed by RBI before this Hon'ble Court has till date not been adjudicated. To the best of the knowledge of the non-applicant none of the allegations contained in the para under reply have been adjudicated and therefore, no reliance can be placed on the same. It is submitted that order dated 22/5/1997 was an ex-parte order appointing the Official Liquidator attached to this Hon'ble Court as the Provisional Liquidator of CRB Capital Markets Ltd. The committee derives the information from the record maintained by it. ..."*

72. Thereafter, the fact that disbursements to the extent of Rs. 131.9 crores (approx.) have been made to the CRB Group is not disputed by the Special Committee or the Ex-Management. Therefore, the continued functioning of the Special Committee is liable to be restrained.

73. Insofar as the *locus standi* of Rommel in the present proceedings is concerned, learned Counsel places reliance on the *status quo* orders passed by the Supreme Court on 12th April, 2021 and 7th September, 2021. It is submitted that, in view of the ongoing dispute regarding the title over the subject RIL shares, which is presently pending adjudication before the Mumbai Courts, the Supreme Court directed that *status quo* be maintained during the pendency of ***Civil Appeal No. 1 of 2020*** before this Court. Accordingly, it is Rommel's stand that it is entitled to secure its interest against the alleged irregularities in the functioning of the Special Committee, until ***Civil Appeal No. 1 of 2020*** is finally adjudicated.

74. In view of the above submissions, Rommel prays that ***Co. Appl. No. 403 of 2025*** be allowed, and an appropriate direction be issued for recovery of the amounts disbursed by the Special Committee, during its tenure, to Mr. C.R. Bhansali and his related entities.

Submissions on behalf of the Special Committee

75. Mr. Sandeep Sethi, learned Senior Counsel appearing on behalf of the Special Committee, at the outset, clarifies that the Committee has no objection if it is replaced; however, he submits that the Committee has discharged its functions with utmost diligence, impartiality, and in strict adherence to its mandate. It is further contended that, in view of the substantial progress made, and the Committee's continued familiarity with the underlying transactions

and scope of work, a further extension of its tenure is fully justified. With respect to the disbursement of funds to the CRB Group, it is the Committee's stand that no judicial directions have been violated. It is submitted that the final order dated 29th May, 2013, *vide* which the Special Committee was constituted and its scope of functioning was delineated, did not impose any embargo on making payments to the CRB Group. In view of the above, the learned Senior Counsel argues that there is no justification for either directing a forensic audit of the records of the Committee or recovering the amounts already disbursed.

76. With respect to the allegations about repeated extensions sought by the Special Committee, it is submitted that the nature and volume of the task entrusted to the Committee was extensive and complex. It is further pointed out that SEBI did not raise any objection to 10 out of the 12 extensions that were sought by the Committee. The following is a list of applications through which such extensions were sought and granted, and objections raised if any.

S. No.	**Applications seeking extension of tenure**	**Orders and Objections, if any, raised.**
1.	***Co.Appl. 2638/2014***	**No objection raised by SEBI** - Extension granted for a period of 12 months *vide* order dated 21st November, 2014.
2.	***Co.Appl. 3361/2015***	**No objection raised by SEBI** - Extension granted for a period of 12 months *vide* order dated 6th November, 2015.
3.	***Co.Appl. 4735/2015***	**No objection raised by SEBI** - Extension granted for a period of 6 months *vide* order dated 5th December, 2016.

4.	***Co.Appl . 1028/2017***	**No objection raised by SEBI** - Extension granted for a period of 6 months *vide* order dated 23rd May, 2017.
5.	***Co.Appl . 1845/2017***	**SEBI partly objected and requested to grant an extension only for 3 months** – Extension for a period of 12 months was granted as a final opportunity *vide* order dated 20th November, 2017.
6.	***Co.Appl . 1290/2018***	**None appeared for SEBI** - Extension granted for a period of 9 months *vide* order dated 16th November, 2018.
7.	***Co.Appl . 813/2019***	**No objection raised by SEBI** - Extension granted for a period of 12 months *vide* order dated 14th August, 2019.
8.	***Co.Appl . 449/2020***	**No objection raised by SEBI** - Extension for a period of 12 months *vide* order dated 14th August, 2020.
9.	***Co.Appl .507/2021***	**No objection raised by SEBI** – Extension for a period of 9 months granted *vide* order dated 25th August, 2021.
10	***Co.Appl . 307/2022***	**No objection raised by SEBI** - Extension granted for a period of 6 months *vide* order dated 13th May, 2022.
11	***Co.Appl . 684/2022***	**No objection raised by SEBI** - Extension granted for a period of 6 months *vide* order dated 22nd November, 2022.
12	***Co.Appl . 351/2023***	Pending Adjudication - ***Co.Appl . 420/2022*** has been filed seeking to grant a final extension of 6 months and thereafter dissolve the committee.

77. In light of the above, Mr. Sethi, learned Senior Counsel, submits that SEBI is now estopped from relying upon the grant of extensions as a ground to seek replacement of the Special Committee.

78. Insofar as the violation of the order dated 25th January, 1999 is concerned, it is submitted that the same was only an interim order passed by the Bombay High Court, which subsequently merged into the final order dated 29th March, 2013, passed by the Delhi High Court. In support of this, Mr. Sethi points out that the Bombay High Court in its order clearly observes that the scheme granting similar reliefs is contemplated in the scheme put forth by the P.A.

79. It is also contended that the final order dated 29th May, 2013 was a consent order passed in agreement with all the parties, including SEBI, which consciously omitted placing any restrictions on making disbursements to CRB Group, unlike in the order dated 25th January, 1999. It is submitted that this Court found that there were material changes in circumstances and consequently, a final order came to be passed. Therefore, SEBI is estopped from going behind the order dated 29th May, 2013, to argue that the interim order dated 25th January, 1999, survived despite the passing of the final order dated 29th May, 2013.

80. The Special Committee relies on the following cases to contend that an interim order cannot continue in the face and tenure of a final order.

- ***South Easter Coalfields Limited Vs. State of MP & Others*** reported as (2003) 8 SCC 648;
- ***BPL Limited Vs. R. Sudhakar & Others*** reported as (2004) 7 SCC 219;
- ***State of West Bengal & others Vs. Banibrata Ghosh & Others*** reported as (2009) 3 SCC 250;

- ***Kalabharati Advertising Vs. Hemant Vimalnath Narichania & Others*** reported as (2010) 9 SCC 437;
- ***Kanwar Singh Saini Vs. High Court of Delhi*** reported as (2012) 4 SCC 307 &
- ***Bhikchand Vs. Shambai Dhanraj Gugale*** reported as 2024 SCC OnLine SC 929.

81. Further, with respect to the subsequent contradictory positions adopted by SEBI, Mr. Sethi draws the Court's attention to SEBI's reply filed in ***Co. Appl. 1143/2009***, wherein no objection was raised by it to the disbursement of payments to ***all unit holders***, including entities belonging to the CRB Group. In fact, it advocated payments being made to all unit holders on a *pro-rata* basis. For ease of convenience, the relevant part of SEBI's reply has been extracted below:

> *"11. The Non-Applicant herein is not opposing the modification of the order dated 25.01.1999 to the extent that the mode of payment to the unit holders of the Respondent company would be such which shall be the fair and just and would not cause serious prejudice to the unit holders.* ***It is submitted that all the unit holders be paid on a pro-rata basis out of the present liquid assets of the Respondent Company and thereafter, if and when the fixed assets of the Respondent Company are disposed off, the balance payments be made to all the unit holders in proportion.*** *Alternatively, the fixed assets be disposed off first and then all the unit holders be paid thereafter in equal proportion and in an equitable manner out of the total proceeds available with the Provisional Administrator.*
> *12. It is stated that all the unit holders of the Respondent Company should be treated equally, irrespective of the number of the units they are holding. The prayers made*

in the captioned Application under reply are being opposed to the said extent"

82. Thereafter, SEBI did not raise any objection to the functioning of the Special Committee until the filing of Rommel's application in 2021, despite its nominee. S.C. Das, being a part of the Committee throughout. The interim reports filed by the Committee were duly served upon the learned Counsel representing SEBI in the present proceedings. In addition, SEBI's nominee is stated to have personally communicated with the Northern Regional Office of SEBI on multiple occasions via email, enclosing copies of the Interim Reports submitted before this Court. Further, he has, in fact, filed an affidavit dated 10th May, 2025 stating his position, which is annexed with ***Co.Appl. 380/2025***. In the said affidavit, Mr. Das has stated that he has, all along, been a joint account holder of the Committee after the demise of Mr. M.D. Kanther since June, 2014. Mr. Das has also affirmed that he has been a joint signatory in the bank accounts, and all the reports filed before this Court were approved by him as well, along with the other members of the Committee. He also states that he has been in regular touch with SEBI from time to time for various purposes. In view of the above, it is contended that SEBI was at all times fully aware of the functioning and actions of the Special Committee and, therefore, is estopped from taking a contrary position at this stage.

83. Insofar as the prayer for Forensic Audit is concerned, it is the Special Committee's stand that an auditor was already appointed, and he has been auditing its accounts from time to time. Seeking a Forensic Audit without any substantial reason is only going to deplete the resources available in the corpus of the Mutual Fund and cause unnecessary delay in the matter.

84. Answering the allegation in respect of -

(i) repeated payments being made to the same set of unit holders and the same being detrimental to the interest of all the unit holders,

(ii) non-disclosure of the methods of calculating or arriving at the NAV,

Mr. Sethi submits that the same is devoid of any merit and deserves to be rejected. It is submitted that the provisional NAV was computed strictly in accordance with the SEBI Guidelines and the 1996 Regulations. The NAV has been declared on five occasions in the following terms:

(i) On 1st April, 2015 - Rs. 6.48 per Unit

(ii) On 9th December, 2017 - Re. 1 per Unit

(iii) On 10th September, 2018 - Re. 1 per Unit

(iv) On 15th February, 2019 - Re. 1 per Unit

(v) On 10th March, 2021- Rs. 4 per unit

85. Further elaborating on the rationale behind making payments in intervals, it is submitted that the disbursements are being effected in phases because the funds become available to the Committee at different points in time owing to the gradual and progressive realisation of assets of the Mutual funds. Consequently, repeated payments are being made to the same set of unit holders in accordance with the provisional NAVs declared from time to time. The mandate of the Special Committee was **"to distribute the sale proceeds thereof to all the unit holders at the Net Asset Value (NAV), which is to be ascertained by the committee after following the prescribed procedure in terms of provisions of the aforesaid SEBI (Mutual Funds) Regulations, 1996"**. Since monies have been paid to only the unit holders, it is obvious that repeated disbursals to the same unit holders shall be made whenever the subsequent provisional NAV is announced. However, it is

submitted that no outsider other than unit holders have been paid any amount whatsoever.

86. Insofar as the allegation regarding the invalidity of the order dated 29th November, 2023, *vide* which the claim of M/s NCM International was rejected, is concerned, it is submitted that the said allegation is completely misplaced. Though the last extension provided to the Committee lapsed on 28th May, 2023, further extension was kept pending adjudication until order dated 07th December, 2023.

87. The Special Committee continued to function as usual until the passing of the order dated 07th December, 2023, whereby the Committee was directed to be rendered defunct, and its premises were sealed, with the keys being handed over to the Local Commissioner. The relevant extract from the said order is reproduced hereunder:

> *"30. In view of the above position, Mr. Tandon, the head the Special Committee shall hand over the keys to the premises of the Special Committee, where the records relating to CRB Mutud Fund are stored, to the Ms. Ruchi Sindhwani, the Local Commissioner who was appointed in this matter. Ms. Sindhwani shall visit the Special Committee's office and any other premises where the records are located and take charge of the same. Local Commissioner is free to change the locks of the premises and deposit one set of keys with the Court. The same shall be retained by the Registrar (Company Court). The second set of keys shall remain with the Local Commissioner. If the records have to be accessed for any purpose by Mr. Tandon or counsels for Rommel, the Local Commissioner- Ms. Ruchi Sindhwani shall be contacted and any perusal or inspection of the records shall take place in the presence of the Local Commissioner."*

In view thereof, it is submitted that the order dated 29th November, 2023 passed by the Committee in the matter of NCM International was well within its rights and during the existence of the mandate of the Special Committee.

88. Lastly, while opposing the prayers made in ***Co. Appl. 506/2024***, Mr. Sethi submits that the Association of Mutual Funds in India (hereinafter '*AMFI*'), to which SEBI seeks to transfer the responsibility of defending the pending proceedings, is merely a self-regulatory body comprising Asset Management Companies. It is submitted that such an entity, which functions on a cooperative model through various standing committees and working groups, cannot be vested with the responsibility of defending cases on behalf of the Special Committee. It is further contended that the prayer seeking transfer of unclaimed funds to the *Investor Protection and Education Fund* (hereinafter '*IPEF'*) also lacks legal foundation, inasmuch as the 1996 Regulations does not contemplate any procedure or mechanism to deal with unclaimed redemption amount.

89. Insofar as the work undertaken by the Special Committee is concerned, it is submitted that a total sum of approximately ₹350 crores was realised by the Committee through the sale of all assets of the Mutual Fund. Out of this, an amount of ₹211,65,55,560 has been disbursed to approximately 5,000 unit holders. The unclaimed redemption amount stands at ₹95,40,51,044, corresponding to 7,22,34,100 units, in respect of which 9,860 unit holders did not approach the Committee by the prescribed cut-off date. It is further submitted that, out of a total of 22,92,51,100 units issued to 19,396 unit holders, payments have already been made to around 10,000 unit holders. Consequently, 15,70,17,000 units have been discharged. In contrast, it is pointed out that the Provisional Administrator appointed by the Bombay High

Court had only disbursed approximately ₹1 crore, at the rate of ₹4.95 per unit, to 4,800 small unit holders.

90. Insofar as the expenses incurred by the Special Committee are concerned, the Inspection Report dated 30th October, 2023, submitted by Rommel, records that Disbursement charts reveal that a total sum of ₹8,81,77,902/- was expended by the Committee during the period from 29th May, 2013 to 30th October, 2023. Further, in compliance with the directions issued by this Court *vide* order dated 2nd August, 2024, the Committee furnished the following tabulated details with respect to the utilisation of the corpus of ₹1 crore, which had been granted by the Court *vide* its order dated 17th August, 2023.

S. No.	**Expenses Head**	**Amount Paid (₹)**	**Amount Outstanding (₹) as on 10/09/2024**
1.	Local Commissioners Fee in terms of order dated 12/09/2023	1,50,000.00	
2.	Rent for office Premises	1,62,000.00	4,05,000.00
3.	Internet/Telephone Bill	-	At Actual
4.	Office Electricity Expense		At Actual
5.	Internal/Statutory Audit Fee	1,78,200.00	
6.	Registrar of Companies Fee	13,800.00	
7.	TDS Deposited	2,99,685.00	
8.	SMC Global De-mat Charges	1,210.88	
9.	MAS Services Ltd. (Transfer Agent Expenses)	61,065.00	1,35,753.00
10.	Staff Salary	4,08,000.00	
11.	Members Fee in terms of order dated 29/05/2013 and as amended pursuant to order dated 12/09/2023	9,22,500.00	16,75,000.00

12.	Legal Expenses	15,20,100.00	35,97,000.00
13.	Bank Charges	26.12	
14.	Cash Withdrawal for Petty Expenses	1,50,000.00	
15.	Total	38,66,587.00	
16.	Bank Balance	65,00,103.25	
17.	**Grand Total**	**1,03,66,690.25**	**58,12,753.00**
18.	Interest earned in the Bank	3,67,314.00	

Submissions on behalf of the Ex-Management

91. Mr. Pinaki Mishra and Mr. Vivek Sibal, ld. Senior Counsels, made submissions on behalf of the Ex-Management and CRB Asset Management Company, respectively. It is submitted that the argument of SEBI is predicated on the allegation that the Committee has not acted in terms of the order passed by the Bombay High Court and has failed to pay all unit holders. It is further alleged that entities connected with the promoters of CRB (C.R. Bhansali) have wrongly been paid. In respect of the allegation regarding unit holders connected to Mr. Bhansali being wrongly paid, Mr. Sibal submits that there was no embargo on making payment to them upon winding up of the Scheme, either in law or in the order dated 29th May, 2013 passed by this Court. The order passed by the Bombay High Court on January 25, 1999, was an interlocutory order which has no relation to the winding up of and final distribution of funds under the Scheme. In fact, it is the entitlement of all unit holders (including those connected to C.R. Bhansali) to get back the funds invested by them in the Scheme, *pro rata* with all other unit holders.

92. It is further the stand of the Ex-Management that there is no allegation that the connected unit holders did not actually bring in the funds for the

purchase of units, or that there was any violation of any law by them in subscribing to the units. Neither is there any allegation to the effect that they played any fraud while investing the funds. In the absence of any allegation of wrongdoing committed by them, there is no merit in the submission that the unit holders connected to C.R. Bhansali were wrongly paid by the Committee

93. Mr. Sibal further submits that the Arihant Mangal Growth Scheme was directed by this Court to be wound up by the Special Committee in terms of order of 29th May, 2013 in accordance with Regulations 41 and 43 of the said 1996 Regulations. It is submitted that in the event of any failure to wind up the scheme in the manner contemplated under the said Regulations, as was directed by this Court, the remedy would be to take action against the mutual fund as provided under Regulation 68 of Chapter IX of the 1996 Regulations. Secondly, a mutual fund which contravenes any of the provisions of the said Regulations is to be dealt with in the manner provided in SEBI (Procedure for Holding Enquiry by Enquiry Officer and Imposing Penalty) Regulations, 2002. The SEBI Act, 1992 and the 1996 Regulations constitute a complete code for the winding up of a mutual fund, including dealing with exigencies of default in respect thereof. The learned Company Court has no jurisdiction to deal with matters which fall within the jurisdictional domain of SEBI under the 1996 Regulations.

94. Insofar as the prayer for the scheme to be declared wound up, it is submitted that the said prayer is in the teeth of the 1996 Regulations which clearly stipulates a mutual fund scheme would cease to exist only after receipt of a report under Regulation 41 (3) of the 1996 Regulations and the Board/SEBI is satisfied that all steps for the winding up of the scheme have

been complied with. The said report under Regulation 41(3) of the 1996 Regulations, according to the Ex-Management, can only be sent after the disposal of all assets of the scheme and the distribution to all unit holders in accordance with Regulation 41(2) of the 1996 Regulations. In the present case, admittedly, the funds lying with the mutual fund are yet to be distributed to the unit holders. Therefore, there is no question of declaring the Arihant Mangal Scheme as wound up as prayed for by SEBI.

95. It is further submitted that the declaration that the scheme has ceased to exist can only be made by SEBI, that too only after all conditions precedent under Regulation 41 are satisfied fully, and not by this Court. Thus, it is submitted that this Court has no jurisdiction to grant the aforesaid prayers to either dissolve the Special Committee or to wind up the scheme.

96. In view of the aforesaid submissions, it is submitted that the application filed by SEBI being ***Co.Appl. No. 506/2024*** is liable to be dismissed as not maintainable and even otherwise on merits.

97. Insofar as M/s Rommel is concerned, Mr. Pinaki Mishra learned Senior Counsel, questions its *locus standi* in the present petition. In this regard, he relies upon the order dated 5th December, 2019 passed by the ld. Single Judge of this Court to submit that the entire argument of Rommel is based on the 1,02,000 shares of the Reliance, which were sold and Rs. 80 crores were realised. Rommel tried to stake a claim in respect of the said shares, which was rejected by the ld. Single Judge *vide* order dated 5th December, 2019 as Rommel was unable to substantiate its claim.

Analysis and findings

Co. Appl. No. 420/2022, 506/2024 and 403/2025

98. These are applications filed by SEBI and Rommel primarily seeking the following directions from the Court:

(i) Not to extend the tenure of the Special Committee;

(ii) To conduct a forensic audit of all the records of the Special Committee;

(iii) To replace the Special Committee with the Special Cell, SEBI which shall be constituted under the SOP placed on record; and

(iv) To recover the disbursements made by the Special Committee to the CRB group.

Considering that these applications collectively encapsulate the principal contentions raised by the parties in the present case, the Court deems it appropriate to take up and adjudicate upon the said applications first. The narration of the events above would show that the entire mutual fund - Arihant Mangal Growth Scheme, which was a scheme floated by the Ex-Management[1], was found to be ridden with irregularities, which eventually led to regulatory action being initiated by both SEBI and the RBI.

99. The Bombay High Court, way back in 1997, appointed Mr. MLT Fernandez as a Provisional Administrator (*hereinafter 'P.A.'*) to take over and manage the CRB Mutual Fund. Subsequently, a premature payment scheme was approved by the said High Court on 29th January, 1999. Thereafter, the matter was transferred from the Bombay High Court to the Delhi High Court

[1] Respondent No.2 (CRB Trustees) & Respondent No.3 (CRB Asset Management Company)

in 2008. The P.A. had, thereafter, moved an application, being ***Co.Appl. 1143/2009***, seeking to make further payments and the said application culminated in the order dated 29th May, 2013, constituting a Special Committee. The Special Committee was constituted to act in the capacity of a *'Trustee'* with the primary mandate of liquidating assets and paying the unit holders. In the initial order passed by the Bombay High Court dated 25th January, 1999, there was a specific embargo against any payments being released to the CRB Group. However, for whatever reason, the said embargo was not repeated in the order dated 29th May, 2013 though, in the rejoinder filed by the P.A., the intention appeared to be that no payment ought to be made to the CRB Group.

100. The Special Committee has been functioning for more than a decade, and the total disbursals made by the Special Committee are to the tune of ₹211 crores approximately. The facts which have now been revealed show that out of ₹211 crores, a substantial amount of ₹131.9 crores (Approx.) has been paid to individuals from the CRB families, the CRB Group companies and related entities.

101. In these circumstances, SEBI and Rommel seek the above prayers on various grounds, including but not limited to the fact that the Special Committee has failed to act as a Trustee in the best interest of all the unit holders. For the sake of convenience, the submissions of SEBI and Rommel are collectively summarized below:

(a) The Special Committee was initially envisioned to complete its mandate within a period of one year. However, even after 12 years, repeated extensions are being sought, despite having admitted way back in 2017 that nearly 90% of the work was already complete. This,

according to SEBI, imposes an undue burden on the investor corpus and defeats the objective of timely resolution;

(b) The Committee, by making payments to the CRB group, has clearly violated the embargo in the order dated 25th January 1999. It is respectfully submitted that although the final order dated 29 May 2013 does not expressly impose any embargo, the fact that the scheme has not yet been wound up in accordance with paragraph 18(xxii) of the said order implies that the cause of action relating to the disposal of assets and the distribution to unit holders still subsists. In the absence of any express revocation of the embargo imposed by the interim order dated 25 January 1999, which pertains to the same subject matter, it is submitted that the said embargo continues to remain in force and is binding;

(c) The Committee failed to discharge its role as a trustee in the best interest of all the unit holders, despite being expressly entrusted with the said responsibility. The same is *inter alia* evident from the following conduct:

i. Not disclosing the identity of recipients, including payments made to CRB in its various interim reports to the Court; and

ii. Failing to furnish details of expenses incurred by the Committee before and after the order dated 17th August 2023.

(d) The Committee's repeated payments to the same set of unit holders based on NAV, according to SEBI, are detrimental to the broader pool of investors;

(e) The Committee continues to function beyond its sanctioned tenure and has unlawfully rejected the claim of NCM International, even though

the last extension granted *vide* order dated 22nd November, 2022, had expired on 28th May, 2023;

(f) Lastly, there are various suspicious circumstances under which the Special Committee has been functioning that are highlighted by Rommel *vide* its submissions.

102. Special Committee's counter submissions in respect of the above contentions and suggested alternatives to the Special Committee are summarized below:

(a) The extensions granted to the Committee were mostly at SEBI's instance. SEBI is therefore estopped from citing such extensions as grounds for seeking the Committee's replacement;

(b) There is no violation of the order dated 25th January, 1999. The same merged into the final order dated 29th May, 2013, in which the Court consciously did not place any embargo on making disbursements to CRB group;

(c) Contrary to its present objections, SEBI, *vide* its reply in ***Co.Appl. 1143/2009,*** had itself recommended payments to be made to all unit holders, including the CRB Group, on a *pro rata* basis. SEBI is, thus, precluded from disputing such disbursements now;

(d) SEBI was at all times aware of the functioning of the Committee, particularly as its nominee, Mr. S.C. Das, was an active member of the Committee and maintained regular contact with SEBI. In support of this contention, reliance is placed on the affidavit filed by Mr. S.C. Das in ***Co.Appl. 380/2025***, wherein he states:

(i) He became a joint account holder and signatory of the Committee's bank accounts following the demise of M.D. Kanther in June 2014; and

(ii) He remained in continuous communication with SEBI through emails and other correspondence.

(e) Insofar as the phased manner of disbursements in terms of NAV is concerned, it is completely in compliance with the directions of the Court *vide* the final order dated 29th May, 2013 and the 1996 Regulations;

(f) The rejection of M/s NCM International's claim was well within the Committee's authority, as the said decision was taken on 29th November 2023, prior to the Court's order dated 7th December 2023, *vide* which the Committee was declared defunct;

(g) Lastly, challenging the alternatives suggested by SEBI, it was submitted that :

(i) AMFI, which is a self-regulatory body functioning on a cooperative model through various standing committees and working groups, cannot be vested with the responsibility of defending cases on behalf of the Special Committee.

(ii) The prayer seeking transfer of unclaimed funds to the *Investor Protection and Education Fund* also lacks legal foundation, inasmuch as the 1996 Regulations does not contemplate any procedure or mechanism to deal with unclaimed redemption amount.

103. Finally, the Ex-Management, over and above common grounds already raised by the Special Committee, had also raised a preliminary objection on

the maintainability of the present case. It was submitted that the SEBI Act, 1992 and the 1996 Regulations form a complete code governing mutual funds. Therefore, matters relating to winding-up fall exclusively within the domain of SEBI, and not the jurisdiction of the Company Court. Further, any failure to wind up the scheme as per the 1996 Regulations must be addressed under Regulation 68 of the 1996 Regulations or through the SEBI (Enquiry and Penalty) Regulations, 2002.

Preliminary Objections and Respective Findings

104. Before examining the merits of the applications, the Court deems it appropriate to first address certain preliminary issues raised by some of the parties.

105. At the outset, it is clarified that the objection regarding the SEBI Act, 1992 and 1996 Regulations being a complete code excluding this Court's jurisdiction, lacks any merit, as the Special Committee itself was constituted by an order of this Court. Having participated in the proceedings over an extended period and having accepted the authority of the Committee so constituted, the Ex-Management cannot now be permitted to turn around and challenge the very jurisdiction under which the Committee was formed. The principle of estoppel would clearly apply to bar such a contention.

106. Furthermore, it is pertinent to note that the present petition, being ***Co. Pet. 379 of 2009*** (earlier registered as ***Trust Petition No. 3 of 1997***), was initially instituted by SEBI before the Bombay High Court and has subsequently been heard before this Court owing to the fact that neither the SEBI Act, 1992 nor the 1996 Regulations expressly confer upon SEBI the

authority to appoint or replace trustees in cases of disqualification. This position has, in fact, been clarified in the pleadings in the following terms: –

> *"16. The Petitioner submits that in the interest of and on behalf of all the unit holders of the said scheme the Petitioner is approaching this Hon'ble Court under the provisions of the Indian Trust Act, 1882 and as a regulatory body authorised under Section 11B of the said Act to protect of the interest of the investors, for appropriate orders and reliefs by this Hon'ble Court in its inherent-and-extraordinary jurisdiction. The Petitioner submits that under the provisions of the said Act the Petitioner is duty bound to protect the interests of the investors including the unit holders. The Petitioner is bound as a matter of public duty to protect the interest of and to act for and on behalf of the beneficiaries of a scheme of the CRB Mutual Fund.* ***The Petitioner submits that pursuant to Section 11B of the said Act the Petitioner has authority to give appropriate directions for preventing the affairs of the intermediary and other persons from being conducted in a manner detrimental to the interest of the investors or securities or to secure the proper management of an intermediary.*** ***However the Petitioner apprehends that it may be contended that the Petitioner is not empowered either under the said Act or the said Regulation to appoint Trustees for the purpose of administration and management of the Trust of any mutual funds. The Petitioner submits that it has no other adequate alternative remedy available to it and the relief's claimed herein if granted will be complete.*** *The Petitioner therefore submits that it is in the interest of justice and fair pray that this Hon'ble Court may be pleased to grant interim and ad-interim reliefs as prayed for by the Petitioner without notice to Respondent Nos 2 to 8 in view of the peculiar nature of these and in view of the serious allegations levelled against Respondent No 1."*

107. For the sake of ready reference, the relevant provisions in this regard, being

(i) Sections 11 and 11B of the SEBI Act of 1992,

(ii) Sections 73 and 74 of the Indian Trusts Act of 1882,

are extracted below:

> ***Section 11. Functions of Board***.
> ***"(1) Subject to the provisions of this Act, it shall be the duty of the Board to protect the interests of investors in securities and to promote the development of, and to regulate the securities market, by such measures as it thinks fit.***
> *(2) Without prejudice to the generality of the foregoing provisions, the measures referred to therein may provide for—*
>
> **********
>
> *(b)* ***registering and regulating*** *the working of stock brokers, sub-brokers, share transfer agents, bankers to an issue****, trustees of trust deeds****, registrars to an issue, merchant bankers, underwriters, portfolio managers, investment advisers and such other intermediaries who may be associated with securities markets in any manner;*
>
> ***Section 11B.***
> ***"Power to issue directions****. – Save as otherwise provided in section 11, if after making or causing to be made an enquiry, the Board is satisfied that it is necessary,—*
> *(i) in the interest of investors, or orderly development of securities market; or*
> *(ii) to prevent the affairs of any intermediary or other persons referred to in section 12 being conducted in a manner detrimental to the interest of investors or securities market; or*
> *(iii) to secure the proper management of any such intermediary or person,*

it may issue such directions,—

(a) to any person or class of persons referred to in section 12, or associated with the securities market; or

(b) to any company in respect of matters specified in section 11A, as may be appropriate in the interests of investors in securities and the securities market.]

36[Explanation.—For the removal of doubts, it is hereby declared that the power to issue directions under this section shall include and always be deemed to have been included the power to direct any person, who made profit or averted loss by indulging in any transaction or activity in contravention of the provisions of this Act or regulations made thereunder, to disgorge an amount equivalent to the wrongful gain made or loss averted by such contravention.]"

108. A collective reading of the provisions reveals that, beyond the general powers, SEBI's authority is confined to the registration and regulation of trustees under a trust deed, and does not extend to the appointment or substitution of such trustees in the event of disqualification. Whereas on the other hand, the 1996 Regulations mandate that Mutual Funds be constituted in the form of trusts, and the appointment of trustees is governed by the provisions of the Indian Trusts Act, 1882. The said act empowers the Principal Civil Courts with Original Jurisdiction the power to appoint trustee in the following terms:

"Section 73. Appointment of new trustees on death, etc*.—Whenever any person appointed a trustee disclaims, or any trustee, either original or substituted, dies, or is for a continuous period of six months absent from 1[India], or leaves 1[India] for the purpose of residing abroad, or is declared an insolvent, or* ***desires to be discharged from the trust, or refuses or becomes, in the opinion of a principal Civil Court of original***

jurisdiction, unfit or personally incapable to act in the trust, or accepts an inconsistent trust, *a new trustee may be appointed in his place by—*
(a) the person nominated for that purpose by the instrument of trust (if any), or
(b) if there be no such person, or no such person able and willing to act, the author of the trust if he be alive and competent to contract, or the surviving or continuing trustees or trustee for the time being, or legal representative of the last surviving and continuing trustee, or (with the consent of the Court) the retiring trustees, if they all retire simultaneously, or (with the like consent) the last retiring trustee.

Every such appointment shall be by writing under the hand of the person making it. On an appointment of a new trustee the number of trustees may be increased.

The Official Trustee may, with his consent and by the order of the Court, be appointed under this section, in any case in which only one trustee is to be appointed and such trustee is to be the sole trustee.

The provisions of this section relative to a trustee who is dead include the case of a person nominated trustee in a will but dying before the testator, and those relative to a continuing trustee include a refusing or retiring trustee if willing to act in the execution of the power.

***Section 74. Appointment by Court**. — **Whenever any such vacancy or disqualification occurs and it is found impracticable to appoint a new trustee under section 73, the beneficiary may, without instituting a suit, apply by petition to a principal Civil Court of original jurisdiction for the appointment of a trustee or a new trustee, and the Court may appoint a trustee or a new trustee accordingly**.*

109. A perusal of the above provision makes it abundantly clear that the Company Court exercising company jurisdiction is a Court exercising original

jurisdiction and, in fact, has the power to appoint new trustees if the prior trustee, in the opinion of the Court, has become unfit or personally incapable of acting in the trust

110. Moreover, the RBI's petition, being ***Co.Pet 191/1997***, for winding up was already pending before this Court. The Supreme Court directed the ***Trust Petition 3/1997*** pending before the Bombay High Court to be listed along with the said RBI petition *vide* order dated 13th August, 2007 in ***TP(Civil) 756/2004***. The said transfer order is extracted below for ready reference:

> *"Heard learned counsel for the parties.*
>
> *In the facts and circumstances of the case, Trust Petition No.3 of 1997, titled as Securities and Exchange Board of India vs. CRB Capital Markets Ltd. & Ors. , pending before the High Court of Judicature at Bombay is transferred to the Delhi High Court. The transfer petition is, accordingly, allowed."*

111. Further, the order dated 25th January, 1999 as well as order dated 29th May, 2013 clearly recognise the Provisional Administrator and his successor, the Special Committee, to have been constituted to function in the capacity of a trustee, respectively.

112. In light of these provisions, pleadings and orders cited above, read with the inherent powers conferred upon it under Rule 9 of the Companies (Court) Rules 1959, this Court has no hesitation in holding that it possesses jurisdiction to substitute the Special Committee and to define the scope of its mandate. Furthermore, once a Committee is constituted by the Company Court for effecting disbursals and overseeing compliance with regulatory obligations, it becomes subject to the continuing supervisory jurisdiction of the Court, particularly in a case involving the protection of investor interest

in a winding up process. Thus, the preliminary objection regarding the lack of jurisdiction is devoid of any merit.

113. Insofar as the objections to the *locus standi* of Rommel are concerned, this Court has not gone into the same except to the extent of the allegations made by Rommel in respect of the functioning of the Special Committee in order to unearth the complete facts. The facts placed by Rommel are important and significant especially to see the conduct of the Special Committee. So irrespective of whether Rommel has locus or not, these facts which are part of the record of this Court or that of the Special Committee appointed by this Court, have a bearing on the application moved by SEBI. The same therefore deserve consideration. However, it is also relevant to note that Rommel's *locus standi* has been partially recognized by the Supreme Court in its orders dated 12th April, 2021 and 7th September, 2021, which are extracted above. In view thereof, an amount to the extent of ₹21,12,66,885/- has been earmarked for Rommel in the remaining corpus of ₹122,86,05,000/- that has been lying deposited with the Registrar General, pursuant to the directions in the order dated 17th August, 2023.

114. The contention that disbursements were made to the same set of unit holders, based on the Net Asset Value (NAV), operates to the detriment of the wider class of unit holders is misconceived and untenable. Firstly, such disbursements were carried out strictly in compliance with the directions issued by this Court, particularly as stipulated in paragraph 18(xii) of the order dated 29th May, 2013. Secondly, neither the 1996 Regulations nor any other regulatory instrument issued by SEBI prohibits the adoption of such a mechanism. In the absence of any regulatory embargo and in view of express

judicial sanction, no prejudice can be said to have been caused to the remaining unit holders.

115. Insofar as the rejection of M/s NCM International's claim is concerned, this Court concurs with SEBI's submission. The rejection order dated 29th November 2023 was passed at a time when the tenure of the Special Committee had already lapsed, and ***Co.Appl. 351/2023*** seeking its extension was still pending consideration. In the absence of any subsisting order extending the Committee's mandate, its actions cannot be retrospectively validated. Accordingly, the said rejection order is set aside, and the claim of M/s NCM International shall be remitted for fresh consideration to the authority that may be designated in accordance with the present judgment.

Case on Merits – Applicability of Doctrine of Merger

116. Coming to the merits of the applications, one of the primary points of contention was whether, in the facts and circumstances of the present case, the interim order dated 25th January, 1999, particularly the embargo placed against making payments to the CRB group, can be construed to have merged into the final order dated 29th May, 2013 which is silent on the said aspect.

117. Considering that the Doctrine of Merger lies at the core of the present controversy, the Court, at this juncture, deems it appropriate to delve into judicial precedents that illustrate the scope and exceptions to the said Doctrine. In ***Kalabharati Advertising v. Hemant Vimalnath Narichania, (2010) 9 SCC 437***, the Supreme Court dealt with an SLP against an interim order passed in a writ petition filed by certain society members challenging a contract granted by the concerned society to the Appellant(Advertiser) for installing advertisement hoardings. The subject hoardings had already been

approved by a Committee under the Mumbai Municipal Corporation. During the pendency of the members' writ, the impugned interim order was passed permitting the Municipal Corporation to unilaterally review the Appellant's approval without giving the Appellant a second hearing. Pursuant to the review, the approval was cancelled, and subsequently the Petitioners/members withdrew their case, effectively perpetuating the interim order. Against this backdrop, the Court applied the Doctrine of Merger, and held that the Petitioners could not benefit from their own wrong and manipulate interim orders to their advantage in the following terms:

> *"15.* ***No litigant can derive any benefit from the mere pendency of a cases in a court of law, as the interim order always merges into the final order to be passed in the case and if the case is ultimately dismissed, the interim order stands nullified automatically. A party cannot be allowed to take any benefit of his own wrongs by getting an interim order and thereafter blame the court****. The fact that the case is found, ultimately, devoid of any merit, or the party withdrew the writ petition, shows that a frivolous writ petition had been filed.* ***The maxim actus curiae neminem gravabit, which means that the act of the court shall prejudice no one, becomes applicable in such a case.*** *In such a situation the court is under an obligation to undo the wrong done to a party by the act of the court.* ***Thus, any undeserved or unfair advantage gained by a party invoking the jurisdiction of the court must be neutralised, as the institution of litigation cannot be permitted to confer any advantage on a party by the delayed action of the court...****"*

118. The above ruling makes it clear that the Court therein has used the Doctrine of Merger as a means to uphold the principles of equity such as –

- '***Commodum exinjuria sua nemo habere debet',*** meaning Convenience cannot accrue to a party from his own wrong; and
- '***Actus curiae neminem gravabit',*** meaning the act of the Court shall prejudice no one.

Accordingly, the judgment not only establishes the primacy of the said principles of equity but also affirms that the application of the Doctrine of Merger must be harmonized with overriding principles of equity. **In essence, the doctrine in its application must also yield to foundational equitable considerations in appropriate circumstances.** In other words, it can be said that the Doctrine of Merger is subject to the said principles of equity.

119. Similarly, the Full Bench of the Punjab and Haryana High Court in ***Parkash Singh v. Joint Development Commissioner, 2013 SCC OnLine P&H 26809,*** while answering a reference from the Division Bench, explained the rationale, scope and applicability of the said Doctrine in the following terms:

> ***"84. The doctrine of merger postulates that an order passed by a Court or a Tribunal shall merge into the order passed by a superior forum whatever be the nature of the order, passed by the superior forum. The doctrine of merger is not universal in its application and admits to certain significant exceptions particularly in cases where the writ petitions or the special leave petitions were dismissed without assigning any reason or on the ground of laches or alternative remedy etc. The doctrine of merger would apply only where the High Court or the Supreme Court have examined the matter on merits and while so doing have held that the impugned order is within jurisdiction but where no such adjudication is discernible, an order passed by a lower court or***

> ***Tribunal, which is without jurisdiction cannot be said to have merged in an order passed by the High Court or the Hon'ble Supreme Court, so as to prohibit the jurisdictional forum entertaining a dispute on a question of title.*** *The doctrine of merger, cannot cure a nullity or a lack of jurisdiction, nor can, in our considered opinion, the law of precedence in the hierarchy of courts, cure an order that is void in its inception and nonest in its operation.*
>
> ***85. The doctrines of resjudicata and merger are doctrines of public policy coined to confer finality to legal proceedings and cannot be invoked to confer legitimacy on orders that are limited in their jurisdictional ambit to prohibit the jurisdictional forum deciding a question of title.*** *If, however, the writ petitions or the special leave petitions are dismissed after examining the merits or after considering the provisions of the Punjab Village Common Lands (Regulation) Act, etc. or after holding that the Director Consolidation had jurisdiction to decide the dispute, the order passed by the Director Consolidation shall be deemed to have merged in orders passed by the High Court or the Supreme Court, thereby prohibiting the Collector or the appropriate forum, from considering or deciding an application on a question of title. We, therefore, have no hesitation in holding that the doctrine of merger would only apply where the writ petitions and the special leave petitions have been dismissed by assigning reasons for dismissal of the writ petition and the special leave petition."*

As per the above decision of the Full Bench, the Doctrine of Merger is not universal in its application and admits to certain significant exceptions. Particularly, when the final order is dismissed **without assigning any reason** or on the ground of laches or alternative remedy. The said doctrine cannot also be used to attach legitimacy to acts or conduct which is otherwise not valid.

120. Similarly, the Supreme Court has also clarified in a number of Judgments, including in ***Commissioner of Central Excise, Delhi v. Pearl Drinks Limited. (2010) 11 SCC 153*** that the Doctrine of Merger is not one of rigid and universal application. Its applicability, the Court held, depends upon the nature of jurisdiction exercised and the content and subject matter of challenge laid or capable of being laid. The relevant portions are extracted below:

> *"11. Appearing for the appellant Mr. Gourab Banerjee, learned Additional Solicitor General argued that the Tribunal had fallen in a palpable error in applying the doctrine of merger and dismissing the appeal filed by the Revenue. It was submitted that the doctrine of merger had no application to a case like the one at hand where the content and the subject-matter of challenge in the two proceedings, namely, the appeal filed by the assessee and that filed by the Revenue were totally different. Reliance in support was placed bythe learned counsel upon the decision of this court in Kunhayammed v. State of Kerala. Reliance was also placed upon the decision of this court in Mauria Udyog Ltd. v. CCE to contend that the doctrine of merger is not a doctrine of universal application and that the difference in the subject-matter or the content of the proceedings could take a decision inter se parties out of the purview of the said doctrine.*
>
> *12. On behalf of the respondent company it was per contra argued that the order passed by the adjudicating authority could not be split into two and that the doctrine of merger applied no matter the issues which arose for determination in the two appeals were distinctly different.*
>
> **********

> *16. No reference to the pronouncement of this Court on the subject can be complete without a reference to the decision of this court in Kunhayammed case and Mauria case In Kunhayammed case a three-Judge Bench of this Court reviewed the decisions rendered on the subject and summed up its conclusions in para 44 of this decision. One of the said conclusions apposite to the case at hand is in the following words : (SCC p. 384)*
>
> > *"**44. To sum up, our conclusions are: (iii) The doctrine of merger is not a doctrine of universal or unlimited application. It will depend on the nature of jurisdiction exercised by the superior forum and the content or subject-matter of challenge laid or capable of being laid shall be determinative of the applicability of merger. The superior jurisdiction should be capable of reversing, modifying or affirming the order put in issue before it. Under Article 136 of the Constitution the Supreme Court may reverse, modify or affirm the judgment, decree or order appealed against while exercising its appellate jurisdiction and not while exercising the discretionary jurisdiction disposing of petition for special leave to appeal. The doctrine of merger can therefore be applied to the former and not to the latter.**"*
>
> *17. There is, in the light of the above pronouncements, no gainsaying that the doctrine of merger will depend largely on the nature of the jurisdiction exercised by the superior court and the content or the subject-matter of challenge laid or capable of being laid before it."*

121. A joint reading of the above decisions reveals that while an interim order generally merges into the final order under the Doctrine of Merger, the application of the Doctrine, in itself, is not **universal or absolute.** The application of the said Doctrine is subject to significant exceptions such as

- Principles of Equity;
- When the final order is non-speaking or dismissed in limine;
- The nature of jurisdiction exercised by the superior forum and the content or subject matter of the challenge/dispute.

122. On the other hand, Indian Courts have, through a number of decisions, recognised and given effect to foundational principles of equity within the framework of Indian jurisprudence. Notably, the following maxims have been repeatedly affirmed:

• ***Nullus commodum capere potest de injuria sua propria*** – no one can derive an advantage from their own wrong; and

• ***Commodum ex injuria sua nemo habere debet*** – no party should be permitted to benefit from a wrong of their own making.

These principles serve as critical safeguards against the abuse of process and ensure that procedural or substantive lapses do not result in unjust enrichment or inequitable outcomes.

123. The Supreme Court, *vide* the decision in ***Eureka Forbes Ltd. v. Allahabad Bank*** in ***Civil Appeal No. 4029 of 2010 (at SLP (C) No. 3883 of 2008),*** establishing the said principle, has held as under:

> *"36. The purpose was also to prevent wrong doers from taking advantage of their wrong/mistakes, whether permissible in law or otherwise. These preventive measures are required to be applied with care and purposefully in accordance with law to ensure that the mischief, if not entirely extinguished, is curbed.*
>
> *37. The maxim nullus commodum capere potest de injuria sua propria has a clear mandate of law that, a person who by manipulation of a process frustrates the*

legal rights of others, should not be permitted to take advantage of his wrong or manipulations. In the present case respondent Nos. 2 and 3 and the appellant have acted together while disposing off the hypothecated goods, and now, they cannot be permitted to turn back to argue, that since the goods have been sold, liability cannot be fastened upon respondent Nos. 2 and 3 and in any case on the appellant."

124. It is therefore the settled legal position that the Court is duty-bound to harmonise the principles of judicial comity with equitable doctrines so as to prevent abuse of process and ensure that no party unjustly benefits from procedural lapses or silence in final adjudication. It is in this understanding of the Doctrine that the present case deserves to be adjudged.

125. That being said, it is relevant to note at this point that several allegations and consequent proceedings are pending against Mr. C.R. Bhansali and the CRB Group, wherein they are alleged to have played a central role in the diversion and misappropriation of public funds under the guise of wealth management schemes, including mutual funds. Details of some of these cases are extracted below:

S. No	**Case Details**	**Name**	**Forum and Status**
1.	*Co. Pet No. 191/1997*	RBI vs CRB Capital Markets Ltd.	Delhi High Court - Pending
2.	*Co. Pet No. 280 /1997*	PNB Capital Services Ltd. vs M/s. CRB Corporation Ltd.	Delhi High Court - Pending
3.	*Co. Pet. No. 251/2002*	CRB Capital Markets Ltd vs Reserve Bank of India	Delhi High Court - Pending
4.	*Co. Pet. No. 379/2009*	SEBI vs CRB Capital Markets Ltd.	Delhi High Court - Present case

5.	*Comm. Suit No. 225/2016*	M/s. Rommel Investment Private Ltd. vs National Stock Exchange of India & Ors.	Bombay High Court - Disposed of by transferring the case to Mumbai City Civil Court

126. The Special Committee, being the sole body representing and defending the interests of CRB Mutual Fund in various proceedings, was all along aware of the facts leading to the dissolution of the mutual fund, *i.e.,* irregularities which were alleged by SEBI, RBI and other banks/financial Institutions apart from the investors/unit holders.

127. The initial Bombay High Court order dated 25th January, 1999 had an express embargo on any payments being made to the CRB Group. The relevant portion of the said order, for ready reference, is extracted below:

> *"6. The scheme for premature payment takes into account the interest of the small investors and the payment is to be made on the basis of certain principles which are enunciated in the said scheme namely:*
>
> *(i) premature payment to allay fears of unit holders.*
>
> *(ii) payment to all unit holders- both individual and non-individual who have responded to the postcard dated1.1.98*
>
> *(iii) payment at NAV of ₹4.95 as on 31.3.97*
>
> *(iv) payment up to 10,000 units per holder*
>
> *(v) utilisation of available liquid funds for payment at first stage*
>
> *(vi) sale of securities to affect payment at second/ third stages.*
>
> *However, the scheme makes it clear that at the first stage, it was propose that all 10,126 unit holders who had responded to the postcard dated 1st Jan 1998 be paid up to and including 300 units each at NAV of ₹4.95,*

which would entail an outgo of ₹100.74 lakhs as under:

Holding units up to	*Number of responding unit holders*	*Fund required Rs. lakh*
100	*4002*	*19.81*
200	*2022*	*20.02*
300 and beyond	*4102*	*60.91*
	10126	*100.74*

7. ***The scheme for repayment further makes it clear in para 20 of Exh B to the affidavit that all group/ associate companies of Respondent no.1 viz. CRB capital markets Limited (under provisional liquidation) should be excluded and the reference is made to the order passed by Delhi High Court identifying as many as 133, such companies which falls under the category of group/associate companies of respondent No.1. Secondly, all individuals who are related to the promoter Mr CR Bhansali as mentioned in the list of Exh C are to be excluded.*** *Thirdly, the unit holder who holds more than one Folio number/unit certificates would be repaired only in respect of one Folio/unit certificate. So, as to ensure that a holder does not get paid for more than 10,000 or 300/ 100 units. The affidavit also set out the elaborate procedure for payment. However, presently, we are only concerned with the relief in terms of prayer clause (a) as reproduced in para four above*

8. Having heard both the learned counsel, it is not possible to find any infirmity in the scheme which ensures some relief to the small investors who have invested their life, savings and hard and money on the temptation of earning interest at the rate of3 to 4% per month. What they would be getting is not even 50% of the amount invested by them.

***

10. As far as merits of the chamber summons are concerned, while the interest of the other investors also need protection, we are only passing an order in terms of prayer clause (a) of the chamber of summons, which is for the first time being limited to protecting the interest of the investors to the limited extent of 300 units held by them through they may be holding units up to 10,000. The premature repayment scheme does contemplate granting similar relief being granted in future. In our view having regard to the principles adopted while preparing the scheme for premature repayment, no objection can be taken to the limited relief that is being granted to the investors. They do not even get 50% of what they had invested. We make it clear that the premature repayment scheme is to pay all the unit holders up to 300 units which include 10126 unit holders who have responded to the postcard dated 1st Jan 1998 even if they are holding units up to 10,000. However, repayment is confined only up up to 300 units at the NAV of ₹4.95 per unit of ₹10.

*11**. In the circumstances, the chamber summons is made absolute in terms of prayer clause (a) . However, we make it clear that while granting the relief in terms of prayer clause.(a) we are granting approval to the draft of premature repayment scheme, which is annexed as. Exh. B of the affidavit in support dated 20 July 1998 made by Mr MLT Fernandes.** Further make it clear that that the player clause of Exh. B namely para 24 is granted under this order only in so far as clause(i) (iv) & (v) are concerned. Rest of the clauses viz. (ii) (iii) and (vi) of prayer clause 24 of Exh. B are not granted under this order. Chamber summons is disposed of accordingly with no orders as to costs."*

128. However, a bare perusal of the final order dated 29th May, 2013, reveals that, surprisingly, none of the parties raised the issue concerning the embargo

imposed by the interim order. In fact, the embargo imposed by the Bombay High Court, as was being agitated by the P.A., even in the pleadings, appears to have gone unnoticed. The reasons why SEBI & the P.A. did not highlight the same is unclear. It is possible that parties may have proceeded on the assumption that the said embargo would continue to operate. As a result, the final order remains silent on this aspect and does not contain any discussion signifying an intention to modify or lift the earlier embargo. In effect, there is neither an express affirmation nor an implied setting aside of the interim restraint against payments being released to CRB and connected individuals and entities.

129. While it is clear from the record that the order dated 29th May, 2013 did not explicitly bar disbursal to the CRB Group, the fact that the entire controversy arose due to allegations against the CRB Group could not have been lost sight of, that too by the Special Committee, chaired by a Retd. District Judge. Therefore, following the above rationale and considering the fact that -

i. The final order does not provide any reason to lift the embargo and

ii. A party cannot be allowed to benefit from its own mistake,

This Court is inclined to hold that in the present circumstances of the case, the Doctrine of Merger shall not be applicable and the embargo imposed by the interim order dated 25th January, 1999, cannot be construed to have merged into the final order dated 29th May, 2013.

Propriety of the Functioning of the Special Committee

130. Next, the Court would like to address the challenges raised to the functioning of the Special Committee, *inter alia*, the legitimacy of the act of transferring a substantial portion of the investment corpus to the CRB group i.e., out of the total recovered corpus of **Rs. 211,65,47,028/-**, a sum of ₹ **131.90 Crores (Approx.)** *i.e.,* **62.32% (Approx.)** has been paid over the years to the CRB Group. Given its fiduciary duties as a trustee and the clear mandate to act in the best interest of the unit holders, the Special Committee, at the very least, was expected to exercise a high degree of caution, particularly when dealing with disbursements in favour of individuals or entities directly connected to the Ex-Management against whom serious legal action has been initiated and a specific embargo had been placed by the Bombay High Court.

131. However, it is both surprising and disconcerting to see that the Special Committee, rather than seeking appropriate clarifications or directions from this Court, particularly in light of the serious allegations levelled by SEBI and the RBI, chose to act unilaterally and proceeded to effect disbursals in favour of entities belonging to the CRB Group. Such an approach demonstrates a troubling disregard for the underlying purpose for which the Committee was constituted, as well as for the broader concerns of transparency and accountability. The act of effecting substantial payments to individuals and entities who are alleged to have played a central role in the collapse of the Scheme, without even seeking clarification or prior leave of this Court, not only reflects a lapse in judgment but also constitutes a fundamental dereliction of duty, whether such omission was deliberate or out of sheer callousness. It is highly possible that the nominee of the CRB Group on the Special Committee may have been instrumental in such payments, but the others,

including the Chairman, could not have turned a blind eye. Both the Chairman and SEBI's nominee had a fiduciary duty to investors and to the Court which they unfortunately failed to perform.

132. Under such circumstances, at the cost of reiteration, the Court finds it appropriate to make it clear that the Committee's payments to CRB Group demonstrate a troubling disregard for the underlying purpose for which the Special Committee was constituted i.e.,

(i) to safeguard the interests of the innocent unit holders and

(ii) to ensure that the winding up of the Scheme was carried out in a fair, transparent, and impartial manner.

133. Further, other circumstances surrounding the functioning of the Committee indicate that the CRB Group exercised significant influence over the affairs of the Committee. This is evidenced, *inter alia*, from the following circumstances:

- Since its inception, the failure of the Special Committee to disclose the details of the persons entities to whom it has been disbursing the monies realised from the mutual fund assets. In fact, none of the Reports (more than 30) filed so far contain any such details, and it is a matter of record that the same was revealed only pursuant to an order dated 17th August, 2023;
- The presence of a nominee connected to the CRB Group on the Committee, who, without disclosure to the Court, used to hold the position of Director in CRB Group companies. This fact was not brought to the knowledge of the Court by even the Chairman of the Committee or by the SEBI nominee;

- The Special Committee appoints the same Counsel who has been representing C.R. Bhansali and his group of companies in the winding up petition as well as in all other litigations for the past two decades;
- After the demise of M.D. Kanther, Mr. Alam Ali Sisodia, an ex-director of CRB Group of Companies is inducted into the Committee, who, uninformed to the Court, is a person who has been penalised by SEBI itself on an earlier occasion.
- The use of premises arranged by the CRB Group for the Committee's operations, and the deputation of staff by the CRB Group for the Committee's functioning.

Thus, in effect, the functioning of the Special Committee was being closely monitored and may have been supervised and controlled tacitly by the CRB Group.

134. Unfortunately, over the last 10-12 years, SEBI which had its Nominee on the Board also turned a blind eye to the said circumstances and to the functioning of the Committee. It is only upon Rommel's intervention and the consequent order of this Court dated 17th August, 2023, directing that the details of all the disbursements be submitted in the form of a complete chart, that volumes of materials were placed on record, disclosing the actual extent of disbursements made. This was further confirmed by Mr. C. R. Bhansali, who appeared in Court and admitted that a substantial amount of the money had been received by him, his family members, the CRB group of companies, and its sister concerns.

135. It is also noticed that out of the ₹211 crores(approx.) disbursed by the Committee, only ₹79 crores (approx.) have been disbursed to non-CRB companies, individuals and entities. Though there were some individual

investors in the mutual funds who were initially paid some money by Mr. Fernandez, the Provisional Administrator, there are a large number of individual unit holders who have not even approached the Special Committee for redeeming their units, and the value of the said units, as per the calculated NAV, is to the tune of ₹90 crores.

136. In the above circumstances, this Court is of the opinion that the priority of the Special Committee ought to have been to firstly disburse to individuals, small unit holders & non CRB corporate entities and thereafter by way of abundant caution approach the Court seeking clarification as to whether any disbursements ought to be made to the CRB Group or not. However, on the contrary, the Special Committee has remained silent over the years, even before this Court, by not highlighting the fact that such substantial sums have been paid to the CRB Group. The Special Committee not only had a duty but an obligation to function as a Trustee of the investors and the Court and NOT as a Trustee of the CRB group and its family members.

Objections Concerning the Proposed Mode of Disposal of Unclaimed Redemption Amounts

137. Lastly, the Special Committee had raised certain contentions in respect of the absence of provisions under the SEBI Act, 1992, to deal with unclaimed redemption amounts that arise from Mutual Funds. However, contrary to this submission, it is noted that SEBI Act 1992 *vide* Section 11 provides for the same in the following terms:

> *"(5)* ***The amount disgorged, pursuant to a direction issued, under section 11B of this Act*** *or section 12A of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or section 19 of the Depositories Act, 1996 (22 of 1996), 2[or under a settlement made under section 15JB*

> *or section 23JA of the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or section 19-IA of the Depositories Act, 1996 (22 of 1996)] as the case may be,* ***shall be credited to the Investor Protection and Education Fund established by the Board and such amount shall be utilised by the Board in accordance with the regulations made under this Act.]***

138. Further, the SEBI has also issued the following circulars on the said subject matter:

(i) ***Circular MFD/CIR/ 9 /120 /2000*** dated November 24, 2000. Relevant portions of this same are extracted below:

> *"The Mutual Fund Advisory Committee, in its meeting held on October 20, 2000 has made certain recommendations. After examining these recommendations, it has been decided that all mutual funds should take steps to implement the following guidelines. These guidelines are being issued in accordance with the provisions of Regulation 77 of SEBI (Mutual Funds) Regulations, 1996.*
>
> **********
>
> *3. Unclaimed redemption amount.*
> ***It has been decided that the unclaimed redemption and dividend amounts may be deployed by the mutual funds in call money market or money market instruments only and the investors who claim these amounts during a period of three years from the due date shall be paid at the prevailing Net Asset Value. After a period of three years, this amount can be transferred to a pool account and the investors can claim the amount at NAV prevailing at the end of the third year. The income earned on such funds can be used for the purpose of investor education.*** *It should be specifically noted that the AMC should make a continuous effort to remind the investors through letters to take their unclaimed amounts. Further, the investment*

management fee charged by the AMC for managing unclaimed amounts shall not exceed 50 basis points. For the schemes to be launched in the future, disclosures on the above provisions should be made in the offer documents. Also, the information on amount unclaimed and number of such investors for each scheme shall be disclosed in the annual report."

(ii) The above Circular was amended by Circular ***SEBI/HO/IMD/DF2/CIR/P/2016/37*** dated 25th February, 2016 which reads as under:

"Please refer to SEBI circular dated November 24, 2000 on treatment of unclaimed redemption and dividend amounts. In partial modification of the aforementioned circular, it has been decided that:

1. The unclaimed redemption and dividend amounts, that are currently allowed to be deployed only in call money market or money market instruments, shall also be allowed to be invested in a separate plan of Liquid scheme / Money Market Mutual Fund scheme floated by Mutual Funds specifically for deployment of the unclaimed amounts. AMCs shall not be permitted to charge any exit load in this plan and TER (Total Expense Ratio) of such plan shall be capped at 50 bps.

2. To ensure Mutual Funds play a pro-active role in tracing the rightful owner of the unclaimed amounts:

a. Mutual Funds shall be required to provide on their website, the list of names and addresses of investors in whose folios there are unclaimed amounts.

b. AMFI shall also provide on its website, the consolidated list of investors across Mutual Fund industry, in whose folios there are unclaimed amounts. The information provided herein shall contain name of investor, address of investor and name of Mutual Fund/s with whom unclaimed amount lies.

c. Information at point A2(a) & A2(b) above may be obtained by investor only upon providing his proper

credentials (like PAN, date of birth, etc.) along-with adequate security control measures being put in place by Mutual Fund / AMFI.

d. The website of Mutual Funds and AMFI shall also provide information on the process of claiming the unclaimed amount and the necessary forms / documents required for the same.

e. Further, the information on unclaimed amount along-with its prevailing value (based on income earned on deployment of such unclaimed amount), shall be separately disclosed to investors through the periodic statement of accounts / Consolidated Account Statement sent to the investors.

3. Investors who claim the unclaimed amounts during a period of three years from the due date shall be paid initial unclaimed amount along-with the income earned on its deployment. Investors, who claim these amounts after 3 years, shall be paid initial unclaimed amount along-with the income earned on its deployment till the end of the third year. After the third year, the income earned on such unclaimed amounts shall be used for the purpose of investor education."

139. The above provision and the circulars make it evident that residual amounts disgorged pursuant to a direction under Section 11B are required to be credited to the Investor Protection and Education Fund ('IPEF') and utilised for the purpose of investor education. Moreover, specifically in respect of incomes from the unclaimed redemption amounts from a Mutual Fund, after the three-year period shall be used to investor education. Following the above provisions, the Court has no doubt in holding that the Investor Protection and Education Fund, constituted on 23rd July 2007 under Section 125 of the Companies Act, 2013 read with the SEBI (Investor

Protection and Education Fund) Regulations, 2009 shall be the appropriate body to which such transfer ought to be effected.

Conclusions and Reliefs

140. Under these facts and circumstances, this Court, arrives at the following conclusions and issues the ensuing directions:

FORENSIC AUDIT BY SEBI

(a) In view of the circumstances highlighted in these proceedings and the manner of distribution adopted by the Special Committee, the Court finds it appropriate to permit the SEBI to conduct of a Forensic Audit of all the records, bank accounts, documents *etc.,* pertaining to the Arihant Mangal Growth Scheme and the Special Committee in accordance with law by exercising its powers under Section 11 and 11B of the SEBI Act. Accordingly, SEBI is directed to take over all the records of the Special Committee, presently under the lock and key put by the Local Commissioner. Considering the inordinate delay already caused in the process, the audit shall be completed within a period of **three months** from the date of this judgment. If the audit is not completed within the said period, no further extension shall be liable to be granted and the conclusions of the Audit, even if tentative, shall be placed before SEBI.

CONSTITUTION OF A SPECIAL CELL

(b) The functioning of the Special Committee henceforth is handed over to a Special Cell of SEBI, which is the Sectoral Regulator. The mandate of the Special Cell of SEBI shall be as under:-

(i) The Special Cell (*hereinafter* ***'the Cell'***) would be established by SEBI to replace the Special Committee which shall consist of the following members:-

- An official not below the level of Deputy General Manager, SEBI/ Chairperson acting as the chairman of the Cell;
- Two officials not below the grade of Assistant Manager, SEBI;

for carrying out the entire process transparently and in conformity with the directions issued by this Court.

(ii) The Cell, in consultation with AMFI, shall appoint a Qualified Registrar and Transfer Agent *(hereinafter 'QRTA')* for handling verification, data management, and fund disbursal activities from the list of QRTAs annexed with the Affidavit dated September 10, 2024.

(iii) The Special Cell may seek the assistance of Experts for any necessary activity, including for verification of fund requirements raised by the QRTA, to provide a report regarding reconciliation of funds, etc.

(iv) The amount of ₹122,86,05,000/- presently lying with the Registrar General, in the account bearing account no. ***15530110167656*** and IFSC code ***UCBA0001553***, along with interest which has accrued thereon, shall, after excluding (1) the sum earmarked for Rommel and (2) the requisite taxes, including TDS, and the premature penalty, if any, be transferred to an **Escrow account of SEBI.** For ready reference, the complete statement of amounts retained by the Worthy Registrar General, along with the interest accrued thereon, excluding the amounts earmarked for Rommel, is extracted below:

(1)	(2)	(3)
Principal Amount initially transferred to the Registrar General (excluding the amounts earmarked for Rommel)	**Interest Accrued on the principal amount in column (1) as of 19th August, 2025**	**Total Amount as on [Column (1) + Column (2)] as of 19th August, 2025**
₹101,78,41,035.37/- (*i.e.,* total amount transferred being ₹1,22,86,05,000 – Amount earmarked for Rommel being ₹21,13,71,324.63)	**₹13, 28,06,884/-**	**₹115,06,47,919.37/-** (Subject to the requisite taxes, including TDS, and the premature penalty, if any)

For ready reference, the detailed statement of the accounts has been attached as annexure-I to this judgment.

The SEBI shall, in turn, transfer the amount received to the designated bank account of the Special Cell upon the same being set up. The funds so received shall thereafter be utilised for discharging the mandate of the Special Cell, including for effecting payments to successful applicants. An interest-bearing dedicated Bank Account shall be opened by the Special Cell, which shall be under its exclusive control. The release of any payments and signing of cheques made under the designated bank shall be dealt with by two authorized signatories who shall be nominated by the Executive Director, Treasuries and Accounts Department, SEBI, respectively.

(v) The Special Cell, upon being set up, would take the following steps:

(1) Take over all documents, records, and bank accounts and other accounts of the Special Committee, including the bank account containing the unutilized portion of the ₹1 crore allocated to it for covering its expenses pursuant to the order dated 17th August, 2023. However, it is clarified, the amount lying therein shall be utilised towards the mandate of the Special Cell only after discharging all outstanding liabilities of the Committee;

(2) Coordinate with the QRTA, upon its appointment, to take appropriate action based on the findings and recommendations in the Forensic Auditor's report. It is further clarified that if, pursuant to the forensic audit, the Special Cell identifies any legal violations committed by the Special Committee, it shall be at liberty to proceed in accordance with law.

(3) Take steps to digitise, catalogue and securely store these with the QRTA, in a searchable format for the purpose of dealing with any claim or verification of unit holders;

(4) Take stock of unresolved issues, all the pending work and ongoing litigation in terms of 34th Interim Report of the Special Committee. It is made clear that the Cell shall, thereafter, bear full responsibility for completing all pending work and addressing unresolved issues

pertaining to the CRB Mutual Funds, including claim processing and verification, preparation of reports on fund reconciliation, and representation in all ongoing litigation.

(5) Proceed to take over and complete all pending work left unfinished by the Special Committee, as identified in the 34th Interim Report, except in relation to those applicants whose claims are presently the subject matter of ongoing litigation.

(6) Take steps to close all bank accounts previously opened and operated by the Special Committee. The concerned banks shall extend full cooperation in facilitating such closure.

(7) Coordinate with QRTA and determine Net Asset Value in accordance with 1996 Regulations for the purpose of distribution of the remaining funds to the eligible applicants;

(vi) Insofar as dealing with the claims of unit holders is concerned, the QRTA, upon receiving any claims of the unit holders, shall analyze, verify, and scrutinise such claims and associated documents, and submit a detailed report to the Special Cell within 30 days of receipt. The Special Cell shall consider the report submitted by the QRTA and take a decision on the proposal within 30 days of its receipt. The decision of the Special Cell in this regard shall be final. If the report of QRTA is accepted by the Special Cell, the Special Cell shall coordinate with QRTA for disbursal of payment from the dedicated Bank Account to the unit holder.

(vii) As a part of statutory compliance, the Special Cell shall continue to -

(1) File Audited Annual Accounts as required under Section 137 of the Companies Act, 2013,

(2) File Annual Returns as required under Section 92 of the Companies Act, 2013 before the Registrar of Companies.

(3) Maintain records, Registers, Forms, Returns, *etc.,* as are required to be maintained under the relevant provisions of the Companies Act, 2013.

(4) File Income Tax or any other Returns, Forms, *etc.,* of CRB Asset Management Company Limited and CRB Trustee Limited as required under Section 139 and other applicable Provisions of the Income Tax Act, 1961.

(viii) The Special Cell shall function in the capacity of a Trustee, acting at all times in the best interest of all unit holders. The Special Cell and the QRTA shall strictly adhere to the directions contained in this judgment, as well as the provisions of the SEBI Act and all applicable rules, regulations, and guidelines framed thereunder.

(ix) The Special Cell shall represent CRB Trustee Ltd. and CRB Asset Management Co. Ltd in all the pending litigations and any future litigation, including appeal, revisions against orders passed by Income Tax, SEBI and/ or any other statutory authority.

(x) The Special Cell shall obtain internal audit reports at regular intervals from independent auditors appointed by the Special Cell.

(xi) The Special Cell shall also hold meetings as may be deemed fit and proper, and maintain records of the decisions and the minutes of the meetings.

(xii) The Special Cell shall be funded from the Investor Corpus. At the time of its establishment, SEBI shall determine and allocate a specific amount from the Investor Corpus, to be exclusively earmarked for meeting the expenses of the Special Cell.

(xiii) The mandate of the Cell shall be completed and the scheme ought to be wound up in terms of Regulations 41 and 42 of the 1996 Regulations within a period of **one year from the date of pronouncement of this judgement**. The Forensic Audit Report, as mentioned in Paragraph 140(a), shall be placed before SEBI within a period not exceeding **three months** from the date of pronouncement of this judgment. Considering the inordinate delay that has already been caused in the present case, it is further clarified that no further extension for winding up the Scheme shall be liable to be granted beyond the stipulated period of **one year** calculated from the relevant date.

(xiv) The Special Cell shall also undertake the following work of the Committee, which is stated to require urgent attention:-

(1) filing of annual financial returns.

(2) getting statutory audit conducted.

(3) compliance with any statutory authorities.

(4) filing of Income Tax Returns and TDS Returns.

(xv) If there are any ambiguities or clarifications that are required, the same shall be sought from this Court.

(c) No further payments shall be made in favour of C.R. Bhansali, individuals and entities related to him as identified in the order dated 7th December, 2023 or any other such persons/entities that may be identified by SEBI in the future., till the forensic Audit is completed. Post the Audit, SEBI shall take a decision as to whether any payment is to be made to CRB Group or any decision is to be taken for recovery of payments already made.

(d) Insofar as non-CRB unit holders are concerned, the SEBI is free to consider if the cut-off date for applying for redemption deserves to be extended. A total of 34 applications are stated to have been received by the Special Committee, valued at ₹13.50 crores. After due verification, SEBI is free to release this amount, *via* the Special Cell, in favour of these unit holders who are non-CRB unit holders.

(e) The reports of disbursal and expenses incurred by the Cell shall be submitted to and reviewed at regular intervals by the Head of Department, *i.e.,* the Chief General Manager and the Executive Director, Investment Management Department, SEBI. Further, as suggested by SEBI, the Special Cell shall be under the overall supervision of the Whole Time Members, SEBI appoints under Section 4(1)(d) of the SEBI Act, 1992.

(f) Insofar as the amounts earmarked for Rommel is concerned, the same shall continue to be retained with the Registrar General of this Court in a fixed deposit on auto-renewal mode, which shall be released subject to the outcome of the civil suit pending before the Mumbai Courts and ***Company Appeal 1/2020*** pending before ld. Division Bench of this Court. For ready reference, the statement of amounts earmarked for Rommel, along with the interest accrued thereon, which is retained by the Worthy Registrar General, is extracted below:

(1)	(2)	(3)
Principal Amount initially transferred to the Registrar General on behalf of earmarked for Rommel	**Interest Accrued on the principal amount in column (1) as of 19th August, 2025**	**Total Amount as on [Column (1) + Column (2)] as of 19th August, 2025**
₹ 21,13,71, 324.63 /-	₹ 2, 82,32,827/-	₹ 23,96,04,151.63/-

For ready reference, the detailed statement of the accounts has been attached as annexure-I to this judgment.

REFUND BY CRB GROUP

(g) In as much as the prayer to recover the disbursements made by the Special Committee to the CRB group is concerned, upon conducting the forensic audit, if any violations are identified, SEBI is given liberty to proceed in accordance with law.

UNCLAIMED REDEMPTION AMOUNTS

(h) Insofar as unclaimed amounts are concerned, they are to the tune of ₹95,40,51,044, corresponding to 7,22,34,100 units, in respect of which 9,860 unit holders. In view of the above said circulars dated 24th November, 2000 and 25th February, 2016 and considering the fact that the three-year period stipulated in both the Circulars has lapsed long back, the Court deems it appropriate to direct the entire corpus of unclaimed redemption amounts, subject the decision of SEBI to extend the deadline for accepting applications, to be transferred to *Investor Protection and Education Fund* set up under

Section 125 of the Companies Act, 2013 read with SEBI(*Investor Protection and Education Fund) Regulations, 2009* to be utilized for investor education after a period of **one year from the establishment of Special Cell**. Some reasonable amount may be retained for expenses and for defending litigation.

(i) The Local Commissioner, Ms. Ruchi Sindhwani shall hand over the records to the Officials of SEBI as may be nominated for taking over the records in the presence of an official nominated by the Worthy Registrar General on 10th September, 2025. The keys shall, therefore, be returned to the Local Commissioner by the Worthy Registrar General to enable the said transfer of records.

141. The applications are disposed of in the above terms.

Co. Appl. No. 351/2023

142. This is an application filed by the Special Committee seeking extension of its tenure.

143. In view of the order passed above, the application is infructuous and is, accordingly, disposed of.

Co. Appl. No. 546/2023

144. This is an application filed by the Special Committee seeking permission to deal with unclaimed amounts and for permission to prosecute the existing cases.

145. In view of the order passed above, the application is infructuous and is, accordingly, disposed of.

Co. Appl. Nos.37 & 38/2024

146. These are applications moved by Sh. Anil Kumar Chander Prakash Shah and his wife to argue that they are in no way connected to the CRB Group.

147. These applications shall be considered by the Special Cell.

Co. Appl. No. 39/2024

148. This is an application seeking recall of order dated 07th December, 2023 and for the transfer of funds lying with the Registrar General to the Special Committee.

149. In view of the order passed above, the application is infructuous and is, accordingly, disposed of

Co. Appl. No. 203/2024

150. This is an application seeking modification of 18th January, 2024 seeking some clarifications regarding the manner in which the Court has recorded certain facts.

151. The application is allowed, and the clarifications in terms of the prayer in the application are hereby directed.

Co. Appl. No. 204/2024

152. This is an application seeking directions to the Local Commissioner to open the premises of the Special Committee for access of certain records.

153. In view of the order passed above, the application is infructuous and is, accordingly, disposed of in the above terms.

Co. Appl. No. 404/2025

154. This is an application filed by Rommel seeking hearing in ***Co. Appl. No.737/2021.***

155. In ***Co. Appl. No.737/2021***, a forensic audit has been sought by Rommel against the Special Committee. *Vide* order dated 17th May, 2025, the said application has already been listed before the Roster Bench. In any event, by this order forensic Audit has been directed.

156. In view of the order passed today in ***Co. Appl. Nos.420 & 506 and 403/2025***, this application does not survive.

PRATHIBA M. SINGH
JUDGE

SEPTEMBER 01, 2025/*dj/kk/Ar.*

Annexure-I

The following details have been obtained from the UCO Bank, Delhi High Court branch (as on 19.08.2025)

Original principal amount deposited in Co.Pet. 379/2009 by the Special Committee as per letter dated 31.08.2023 (A)	Interest accrued on the original principal amount deposited in savings bank A/c (B)	Details of the amounts converted into 12 FDRs			Interest accrued on the FDR (as on 19.8.2025) (F)	Maturity/ present value of the FDR (as on 19.8.2025) {Subject to TDS & Premature penalty, if any.} (G)	Remarks (H)
		No.	FDR bearing A/c no. & dated (D)	Principal amount of the FDR (E)			
Rs.1,22,86,05,000/- (In the savings bank account opened in the name of "**The Registrar General, Delhi High Court a/c CRB Trustee Ltd. a/c CRB Mutual Fund**" having **Account No. 15530110167656** and **IFSC Code-UCBA0001553** in Co.Pet. 379/2009)	**Rs.6,07,360/-**	1	15530311580881 dated 5.9.2023	Rs.21,13,71,324.63/-*	Rs.2,82,32,827/-	**Rs.23,96,04,151.63/-**	Amount in respect of 19 FDRs/e-FDRs of 04 banks earmarked to Rommel Investment Private Limited as per the order of the Hon'ble Supreme Court in SLP No. 5159/2021 *Original principal amount of Rs.21,12,66,885/- + Interest amount of Rs.1,04,439.63/- accrued on the savings bank A/c
			Total Maturity/present value of the abovementioned FDR {as on 19.8.2025, subject to TDS & Premature penalty, if any} = **Rs.23,96,04,151.63/-**				
		2	15530311580973 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**	
		3	15530311580980 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**	

4	155303115809 66 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**		
5	155303115809 59 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**		
6	155303115809 42 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**		
7	155303115809 35 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**		
8	155303115809 28 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**		
9	155303115809 11 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**		
10	155303115809 04 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**		
11	155303115808 98 dated 5.9.2023	Rs.10,00,00,000/-	Rs.1,30,78,719/-	**Rs.11,30,78,719/-**		
12	155303115809 97 dated 5.9.2023	Rs.1,78,41,035.37/-^				
		Total Principal amount of **11 FDRs mentioned @ Sl. nos. 2 to 12 = Rs.1,01,78,41,035.37/-****	Total interest accrued on 11 FDRs mentioned @ Sl. nos. 2 to 12 = **Rs.13,28,06,884/-**	Total Maturity/Present value of 11 FDRs mentioned @ Sl. nos. 2 to 12 = **Rs.1,15,06,47,919.37/-** {as on 19.8.2025, subject to TDS & Premature penalty, if any}	^Original principal amount of Rs.1,73,38,115/- + Interest amount of Rs.5,02,920.37/- accrued on the savings bank A/c	
		(**Original principal amount of Rs.1,01,73,38,115/- + Interest amount of Rs.5,02,920.37/- accrued on the savings bank A/c)	Grand total interest accrued on all the 12 FDRs = **Rs.16,10,39,711/-**	Grand total Maturity/Present value of all the 12 FDRs = **Rs.1,39,02,52,071/-** {as on 19.8.2025, subject to TDS & Premature penalty, if any}		
		Grand total principal amount of all the 12 FDRs= **Rs.1,22,92,12,360/-**^^ (^^Original principal amount of **Rs.1,22,86,05,000/-** + Interest amount of **Rs.6,07,360/-** accrued on the savings bank A/c)				