

NATIONAL COMPANY LAW TRIBUNAL, MUMBAI BENCH

COURT III

4. C.A.(CAA)/10/MB/2023

CORAM: SH. H. V. SUBBA RAO, MEMBER (J)
MS. MADHU SINHA, MEMBER (T)

ORDER SHEET OF THE HEARING OF MUMBAI BENCH OF THE NATIONAL
COMPANY LAW TRIBUNAL ON **12.01.2023**

NAME OF THE PARTIES: Edelweiss Financial Services Limited.

SECTION 230-232, 234 OF COMPANIES ACT, 2013

ORDER

Mr. Gaurav Joshi, Senior Advocate a/w Mr. Peshwan Jehangir, Mr. Mehul Shah, Mr. Anindya Basarkod, Mr. Aman Yagnik, Mr. Rushabh Gala, Ms. Roselin Alex and Ms. Dhruvi Dharia i/b Khaitan & Co, Advocates for the Applicant Companies are present through virtual hearing.

C.A.(CAA)/10/MB/2023

Heard the counsel appearing for the Petitioner and the above Company
Application is **allowed. Detail order would follow:**

Sd/-
MADHU SINHA
Member (Technical)
//SGP//

Sd/-
H. V. SUBBA RAO
Member (Judicial)

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL,
COURT – III, MUMBAI BENCH**

CA (CAA) No. 10/MB/2023

**IN THE MATTER OF SECTIONS 230 TO
232 READ WITH SECTION 52 AND OTHER
APPLICABLE PROVISIONS OF THE
COMPANIES ACT, 2013**

AND

**IN THE MATTER OF SCHEME OF
ARRANGEMENT BETWEEN EDELWEISS
FINANCIAL SERVICES LIMITED AND
NUVAMA WEALTH MANAGEMENT
LIMITED (FORMERLY KNOWN AS
EDELWEISS SECURITIES LIMITED) AND
THEIR RESPECTIVE SHAREHOLDERS AND
CREDITORS**

Edelweiss Financial Services Limited, a public)
company incorporated under the provisions of)
the Companies Act, 1956 having corporate)
identity number L99999MH1995PLC094641)
and having its registered office at Edelweiss)
House, Off. C.S.T. Road, Kalina, Mumbai - 400)
098, Maharashtra)

) ...First Applicant Company / Demerged
Company

Nuvama Wealth Management Limited)
(formerly known as Edelweiss Securities)
Limited), a public company incorporated)
under the provisions of the Companies Act,)
1956 and having its corporate identity number)
U67110MH1993PLC344634 and registered)
office at Edelweiss House, Off CST Road,)
Kalina, Mumbai – 400 098, Maharashtra) ...Second Applicant Company /
) Resulting Company

*Collectively referred to as “**Applicant Companies**”*

Order delivered on: 12.01.2023

Coram:

Shri H. V. Subba Rao, Hon’ble Member (Judicial)

Ms. Madhu Sinha, Hon’ble Member (Technical)

Appearances (via videoconferencing)

For the Applicant Companies : Mr. Gaurav Joshi, Senior Advocate a/w
Mr. Peshwan Jehangir, Mr. Mehul Shah, Mr.
Anindya Basarkod, Mr. Aman Yagnik, Mr.
Rushabh Gala, Ms. Roselin Alex and Ms.
Dhruvi Dharia i/b Khaitan & Co, Advocates for
the Applicant Companies

ORDER

1. The Bench is convened by video conference on 12 January 2023.

1.1. Edelweiss Financial Services Limited (hereinafter referred to as the “**First Applicant Company / Demerged Company**”) and Nuvama Wealth Management Limited (hereinafter referred to as the “**Second Applicant Company / Resulting Company**”) are entering into a scheme of arrangement. For the sake of convenience, the First Applicant Company, and the Second Applicant Company may be collectively referred to as “**Applicant Companies**” wherever required. The said Scheme of Arrangement between the First Applicant Company and the Second Applicant Company and their respective shareholders and creditors (“**Scheme**”) *inter alia* provides for the:

- a. Demerger, transfer and vesting of the Demerged Undertaking (*as defined in the Scheme*) from the First Applicant Company into the Second Applicant Company on a going concern basis; and
- b. Reduction of the capital of the Second Applicant Company.

The Scheme also provides for various other matters consequent and incidental thereto.

2. The registered offices of the Applicant Companies are situated in Mumbai, Maharashtra and hence the subject matter of the Company Scheme Application is within the jurisdiction of the National Company Law Tribunal, Mumbai Bench.

3. Learned Counsel for the Applicant Companies submits that the circumstances and/or reasons and/or grounds that have necessitated and/or justified the Scheme and some of the major benefits which would accrue from the Scheme are extracted from the Scheme and stated below:

RATIONALE FOR THE SCHEME

1. *The Demerged Company and the Resulting Company seek to reorganise their respective businesses, by transfer of the*

Demerged Undertaking from the Demerged Company to the Resulting Company, so as to consolidate the wealth management business under one single entity (i.e. the Resulting Company).

2. *The demerger of the Demerged Undertaking from the Demerged Company to the Resulting Company will result in the equity shares of the Resulting Company becoming listed on the National Stock Exchange Limited and BSE Limited, with the Resulting Company focussing exclusively on wealth management business and capable of independent valuation and participation therein by any suitable investor interested in such businesses, in the future.*

3. *The proposed restructuring pursuant to the said Scheme is expected, inter alia, to result in following benefits:*

(i) value unlocking of wealth management business with ability to achieve valuation based on respective-risk return profile and cash flows;

(ii) attracting business specific investors and strategic partners and providing better flexibility in accessing capital, focused strategy and specialisation for sustained growth and thereby enable de-leveraging of the respective businesses in the longer-term;

(iii) segregation and unbundling of the wealth management business of the Demerged Company into the Resulting Company, will enable enhanced focus on the Demerged Company and the Resulting Company for exploiting opportunities in their respective business domains; and

(iv) focused management approach for pursuing the growth in the respective business' verticals and de-risk the businesses from each other.

The Scheme would be in the best interests of the shareholders, employees, creditors and other stakeholders of each of the Parties as it would result in enhancement of shareholder value, operational efficiencies and greater focus and would enable the management of each of the aforesaid companies to vigorously pursue revenue growth and expansion opportunities.

4. The Learned Counsel for the Applicant Companies states that the resolutions passed by the Board of Directors of the Applicant Companies at their respective meetings held on 13 May 2022 approved the Scheme. The Appointed Date fixed under the Scheme is the Effective Date (*as defined in Scheme*) or such other date, as may be decided by the Board of Directors of the Applicant Companies.

5. The consideration for the Scheme is as set out below:

For demerger of the Demerged Undertaking (*as defined in the Scheme*) from the First Applicant Company into the Second Applicant Company (Clause 7 of the Scheme):

*“Upon Part II of the Scheme coming into effect and in consideration of and subject to the provisions of this Scheme, the Resulting Company shall, without any further application, act, deed, consent, acts, instrument or deed, issue and allot 1,05,28,746 (One crore five lakhs twenty eight thousand seven hundred and forty six) fully paid up equity shares of INR 10 (Indian Rupees Ten) each of the Resulting Company (“**Resulting Company New Equity Shares**”), credited as fully paid up, to the equity shareholders of the Demerged Company whose name is recorded in the register of members/ records of the depository as members of the Demerged Company as on the Record Date, in each case, in proportion to the number of equity shares held by the shareholders in the Demerged Company.”*

6. As on 30 September 2022, the First Applicant Company had 2,22,960 equity shareholders holding 94,31,01,215 equity shares of the First Applicant Company. A meeting of the Equity Shareholders of the First Applicant Company be convened and held on 24th February 2023 at 4:00 p.m. through video conferencing or other audio-visual means, for the purpose of considering, and, if thought fit, approving, with or without modification(s), the proposed Scheme, wherein the Equity Shareholders of the First Applicant Company will be able to cast their votes electronically. In addition to the above, the First Applicant Company shall provide facility of remote e-voting to its Equity Shareholders to cast their votes.
7. As on 30 September 2022, the Second Applicant Company had 9 equity shareholders holding 3,50,42,200 equity shares of the Second Applicant Company. The Learned Counsel for the Second Applicant Company submits that the Second Applicant Company has received consent affidavits from all its Equity Shareholders, whereby they have given their consent and approval to the Scheme. The said consent affidavits of all the Equity Shareholders of the Second Applicant Company are annexed to the Company Scheme Application. Accordingly, the requirement to convene and hold meeting of the Equity Shareholders of the Second Applicant Company is dispensed with.
8. The Learned Senior Counsel for the Applicant Companies submits that there are no Preference Shareholders of the Applicant Companies as on the date of hearing of the present Company Scheme Application and therefore, the question of convening and holding the meeting of the Preference Shareholders of the Applicant Companies does not arise.

9. The Learned Counsel for the First Applicant Company submits that as on 30 September 2022, there are 2 Debenture Trustees representing 100% of the Secured Creditors of the First Applicant Company having an outstanding amounting to INR 2471,21,81,062. It is submitted that the First Applicant Company has obtained consents affidavits from both its Debenture Trustee representing 100% of the Secured Creditors, whereby they have given their consent and approval to the Scheme. The said consent affidavits of the 2 Debenture Trustees representing 100% Secured Creditors of the First Applicant Company are annexed to the Company Scheme Application. Accordingly, the requirement to convene and hold meeting of the Secured Creditors of the First Applicant Company is dispensed with.
10. The Learned Counsel for the Second Applicant Company submits that there are no Secured Creditors of the Second Applicant Company. Thus, the question of convening and holding a meeting of the Secured creditors of the Second Applicant Company to consider and approve the proposed Scheme does not arise.
11. The Learned Counsel for the First Applicant Company submits that as on 30 September 2022, there are 16 Unsecured Creditors of the First Applicant Company having value of INR 62,90,16,255. It is submitted that the First Applicant Company has obtained consents affidavits from its Unsecured Creditors representing more than 90% of the value, whereby they have given their consent and approval to the Scheme. The said consent affidavits of the Unsecured Creditors of the First Applicant Company are annexed to the Company Scheme. Accordingly, the requirement to convene and hold meeting of the Unsecured Creditors of the First Applicant Company is dispensed with.

12. The Learned Counsel for the Second Applicant Company submits that as on 30 September 2022, there are 16 Unsecured Creditors of the Second Applicant Company having an outstanding amount of INR 578,77,89,754. It is submitted that the Second Applicant Company has obtained consent affidavits from its Unsecured Creditors representing more than 90% of the value, whereby they have given their consent and approval to the Scheme. The said consent affidavits of the Unsecured Creditors of the Second Applicant Company are annexed to the Company Scheme Application. Accordingly, the requirement to convene and hold meeting of the Unsecured Creditors of the Second Applicant Company is dispensed with.

13. In terms of the meeting to be convened of Equity Shareholders of the First Applicant Company it is hereby directed as under:
 - i. At least 30 (Thirty) days before the meeting of the Equity Shareholders of the First Applicant Company to be held as aforesaid, notice convening the said meeting at the day, date and time as fixed in accordance with para no. (6) above, together with a copy of the Scheme, a copy of the Explanatory Statement required to be sent under Section 230(3) of the Companies Act, 2013 read with Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, shall be sent to the Equity Shareholders of the First Applicant Company, by electronic mail to their registered e-mail address, as per the records available with the First Applicant Company/ Depositories, in view of the ongoing COVID-19 pandemic and ongoing social distancing norms. The First Applicant Company, shall ensure that, the Equity Shareholders of the First Applicant Company whose e-mail address' are not available with the First Applicant Company or who have not received notice convening said meetings, can access / download

the said notices from the websites of the First Applicant Company viz. www.edelweissfin.com and on the websites of the Stock Exchanges, i.e., BSE Limited and National Stock Exchange of India Limited at www.bseindia.com and www.nseindia.com, respectively.

- ii. At least 30 (Thirty) days before the meeting of the Equity Shareholders of the First Applicant Company to be held as aforesaid, notice convening the said meeting, at the date and time fixed in accordance with para no. (6) above be published each in 'Business Standard' in English having nation-wide circulation, and 'Loksatta' in Marathi having circulation in Maharashtra, stating that copies of the Scheme and the said statement required to be furnished pursuant to Section 230(3) of the Companies Act, 2013 can be obtained free of charge from the registered office of the First Applicant Company, or by emailing the First Applicant Company at efsl.shareholders@edelweissfin.com.

14. The First Applicant Company undertakes to:

- (i) Issue notice convening meeting of the Equity Shareholders of the First Applicant Company as per Form No CAA.2 (Rule 6) of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016;
- (ii) Issue statement containing all the particulars as per Section 230 of the Companies Act, 2013;
- (iii) Advertise the notice convening meeting as per Form No. CAA.2 (Rule 7) of the Companies (Compromises, Arrangements, and Amalgamations) Rules, 2016; and

- (iv) Publish the notice convening the meeting of the Equity Shareholders of the First Applicant Company on the website of the First Applicant Company.

The undertaking is accepted.

15. Mr. Rashesh Shah, Chairman of First Applicant Company failing whom, Mr. Venkatchalam Ramaswamy, Vice-Chairman and Executive Director of First Applicant Company, is hereby appointed as the Chairperson for the meeting of the Equity Shareholders of the First Applicant Company.
16. Mr. B. Narasimhan, Proprietor - M/s. BN & Associates, Company Secretaries, failing him, Mr. Avinash Bagul, Partner - M/s. BNP & Associates, Company Secretaries, failing him, Mr. K. Venkataraman, Practicing Company Secretary, is hereby appointed as a Scrutinizer for the meetings of Equity Shareholders of the First Applicant Company.
17. The Chairperson appointed for the aforesaid meeting to issue notice of the meeting of the Equity Shareholders of the First Applicant Company referred above. The Chairperson shall have all powers under the Companies Act, 2013 read with Companies (Compromises, Arrangements and Amalgamations) Rules, 2016, as may be applicable for meeting of Equity Shareholders convened and held through video conferencing or other audio-visual mode, in relation to the conduct of the meeting including for deciding procedural questions that may arise at the meeting or at any adjournment thereof or any other matter including, any amendment to the Scheme or resolution, if any, proposed at the meeting by any Equity Shareholder(s).

18. The quorum for the aforesaid meeting of the Equity Shareholders of the First Applicant Company shall be as prescribed under Section 103(1) of the Companies Act, 2013 and would include Equity Shareholders present through video conferencing and/or other audio-visual means.
19. The value and number of the equity shares of each equity shareholder shall be in accordance with the books/ register of the First Applicant Company or depository records and where the entries in the books/ register/ depository records are disputed, the Chairperson appointed for the said meeting of the Equity Shareholders of the First Applicant Company shall determine the same and his decision in that behalf would be final.
20. The Chairperson shall file a compliance report not less than 7 days before the date fixed for holding of the meeting of the Equity Shareholders of the First Applicant Company and report to this Tribunal that the directions regarding the issue of notices and advertisements have been duly complied with, as per Rule 12 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.
21. The voting for the meeting of the Equity Shareholders of the First Applicant Company on the proposed Scheme shall be allowed electronically at the said meeting and through remote e-voting by Equity Shareholders, or by their respective authorized representative(s), as the case may be. The voting by authorized representative, in case of a body corporate be permitted, provided that the authorization duly signed by the person entitled to attend and vote at the meeting is filed with the First Applicant Company, in physical at its registered office or by electronic mode, at least 48 (Forty-Eight) hours before the aforesaid meeting, as

required under Rule 10 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.

22. The Chairperson shall report to this Tribunal, the result of the aforesaid meetings within 30 days of the conclusion of the said meeting of the Equity Shareholders of the First Applicant Company, and the said report shall be verified by his undertaking as per Rule 14 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016.
23. The Applicant Companies to serve notices upon:
- (i) The Central Government through office of the Regional Director, Western Region, Ministry of Corporate Affairs;
 - (ii) Registrar of Companies, Maharashtra, Mumbai;
 - (iii) Income Tax Department of the First Applicant Company at Central Circle 1(1), Mumbai, Room No: 903, 9th Floor, Pratishtha Bhavan, Old CGO Annexe, Maharishi Karve Road, Mumbai – 400020;
 - (iv) Income Tax Department of the Second Applicant Company at the Assistant Commissioner of Income-tax- Circle 4(1)(1), Room No. 640, 6th Floor, Aaykar Bhavan, Mahrishi Karve Road, Mumbai – 400 020;
 - (v) Goods and Services Tax Authority of the First Applicant Company at Deputy Commissioner of State Tax (E-624), LTU-02, (MUMBAI -LTU – 523), Cabin No.B-05, 4th Floor, GST Bhavan, Old Building, Balwant Singh Dhodhi Marg, Mazgaon, Mumbai- 400 010;
 - (vi) Goods and Services Tax Authority of the Second Applicant Company at Deputy Commissioner of State Tax (E-614), LTU-02, (MUMBAI - LTU – 515), Cabin No.C-04, 4th Floor, Old Building, GST Bhavan, Mazgaon, Mumbai- 400010;
 - (vii) BSE Limited;
 - (viii) National Stock Exchange of India Limited;
 - (ix) Securities and Exchange Board of India;

- (x) Metropolitan Stock Exchange of India Limited (only in case of Second Applicant Company);
- (xi) Multi Commodity Exchange of India Limited (only in case of Second Applicant Company);
- (xii) National Commodity and Derivatives Exchange Limited (NCDEX) (only in case of Second Applicant Company);
- (xiii) NSE Clearing Limited (only in case of Second Applicant Company);
- (xiv) Indian Clearing Corporation Limited (only in case of Second Applicant Company);
- (xv) Association of Mutual Funds of India (only in case of Second Applicant Company); and
- (xvi) Maharashtra Real Estate Regulatory Authority (only in case of Second Applicant Company),

pursuant to Section 230(5) of the Companies Act, 2013 read with Rule 8 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016. If no response is received by the Tribunal from such authorities within 30 (thirty) days of the date of receipt of the notice, it will be presumed that they have no objection to the Scheme as per Rule 8 of the Companies (Compromises, Arrangements, and Amalgamations) Rules, 2016.

24. The Applicant Companies shall file compliance report with the Registry with regard to the directions given in this Order in lieu of the customary affidavit of service, due to the current COVID-19 pandemic situation prevailing now.
25. The Applicant Companies shall host notices along with the copy of the Scheme on their respective websites, if any.

26. The Applicant Companies to file an affidavit of service and Compliance within 10 (ten) working days after serving to notice to all the regulatory authorities as stated above and do report to this Tribunal that the directions regarding the issue of notices have been duly complied with.

27. Ordered Accordingly.

Sd/-

Madhu Sinha
Member (Technical)

Sd/-

H. V. Subba Rao
Member (Judicial)