



FTIL CALLS THE MERGER ORDER HIGHLY DISAPPOINTING

Travesty of Justice for over 63,000 shareholders of FTIL: merger order violates the principle of Limited Liability

Mumbai, Friday 12, 2016: Financial Technologies (India) Ltd. (FTIL) is highly disappointed with the final order on the Amalgamation of NSEL with FTIL passed by the Ministry of Corporate Affairs, Government of India.

The said merger order has placed the interest of trading clients higher than that of the shareholders of a listed company. MCA has also chosen to ignore the thousands of representations made by the shareholders, its creditors and hundreds of employees of FTIL and NSEL.

FTIL Managing Director Mr. Prashant Desai said, "Pursuant to the Hon'ble Bombay High Court's Order, FTIL had represented its case in the hearing given by the MCA in October 2015 putting forth all its objections to the Draft Merger Order. The way the hearing went and the way thousands of shareholders, employees and creditors had objected to the proposed merger, we were hopeful that the MCA will take an objective view of the matter and withdraw the Draft Merger Order. Hence, the passing of the Merger Order today - while matters are sub-judice - is highly disappointing."

He further said, "As per Hon'ble Bombay High Court's earlier Order, there is an automatic stay of two weeks on the operation of the Merger Order. We will challenge the Merger Order before the Hon'ble High Court at the earliest, and are confident that justice will be done."

Mr Venkat Chary, Chairman, FTIL said, "the Merger Order is not adverse to just one company i.e. FTIL, but has much wider ramifications for Corporate India and the investment climate in the country as it seeks to destroy the Concept of Limited Liability. The precedent set today, will be misused by vested interests across India to file PILs seeking merger of financially weak or insolvent companies with their solvent parent or group companies, on the ground of public interest."

In the history of corporate India, for the first time a subsidiary company has been forcibly merged with its parent company through an executive fiat and this is a defeat of the fundamental edifice of Limited Liability concept in the Company Law.

MCA's own circular dated April 20, 2011, for compulsory merger of government companies under Section 396 of the Companies Act, 1956 requires that the companies concerned and an overwhelming majority of their shareholders and creditors must be consenting to the merger. Thus, this order on a sub judice matter not only breaches the concept of Limited Liability but also the constitutional rights of the 63,000 shareholders of FTIL.

The MCA issued the final merger order only on the basis of the recommendations made by the Forward Markets Commission. It may be pointed out that in the NSEL payment crisis, the entire money has been established to the 24 defaulters whereas no money trail has been traced to NSEL, FTIL and its promoters.

It is also surprising that no such action has been initiated either against the defaulters or against brokers who have been accused of client code modification and KYC manipulation by their own trading clients.

FTIL will challenge the Merger Order before the Hon'ble High Court at the earliest, and is confident that justice will be done

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