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NSDL says accounts of foreign funds invested in Adani companies are not frozen

The accounts of three foreign funds that are big stakeholders of Adani group companies are not frozen, a top official of the National Securities Depository Ltd (NSDL) informed the port-to-energy conglomerate. Reports of a freeze on the accounts sent shares of several Adani group companies tumbling on Monday.

"The status of demat accounts mentioned in your trail email are held in 'active' status in NSDL system," Rakesh Mehta, vice-president, NSDL told Adani officials. Mehta was referring specifically to the accounts of Albula Investment Fund, Cresta Fund and APMS Investment Fund, which together own shares worth more than Rs 43,500 crore in Adani Enterprises, Adani Green Energy, Adani Transmission, and Adani Total Gas.

Moneycontrol has reviewed the exchange of mails.

To be sure, the NSDL website still shows that the accounts of the three so-called foreign portfolio investors (FPIs) are frozen. But this punitive action pertains to older cases, NSDL officials told Moneycontrol, asking not to be named.

Separately, news agency Reuters quoted an unnamed NSDL official as saying the freeze is on accounts of the funds that hold certain other securities and is not new. "NSDL hasn't taken any action now," the source told Reuters.

The fact that a certain entity's account has been frozen by the regulator or the depository does not imply that all its shares or dealings in the Indian market have been suspended or frozen, according to market experts.

They cite the various instances of regulatory actions against brokerages wherein the proprietary dealings were banned and onboarding of new clients was also barred but existing clients could still use the broking platform to trade.

Further, while acting against alleged violators, the regulator often allows them the head room to sell their shares but bans them from taking fresh positions.

"While freezing of a demat account of a shareholder is done by SEBI under Section 11 and 11B of SEBI Act 1992, accounts of an intermediary such as FPI or its sub-accounts are frozen under SEBI (Intermediaries) Regulations, 2008," said Sumit Agrawal, Founder, Regstreet Law Advisors and a former SEBI officer.

"Both of these situations envisage a public order from the regulator on its website. Independent of SEBI directions or government or court order, depositories by themselves do not have powers to freeze holding of a shareholder except at the voluntary request of a DP or on the basis of the request received from the client when a public order may not be available," added Agrawal.

Stocks of Adani Group companies took a beating at the Benchmark BSE Sensex today with companies like Adani Ports closing 8.36 per cent down at Rs 768.70, Adani Power ending 4.99 per cent below at Rs 140.90 per share, respectively, among others.