

Focus on Defaulters, Not Skewering FTIL

New respect for FTIL shareholders is welcome

The government's moves on National Spot Exchange (NSEL) are baffling. On the one hand, it has sought three more months from the Bombay High Court to decide on the merger of the NSEL with its substantive owner, Financial Technologies India (FTIL), to review the objections of FTIL's shareholders. However, in parallel, the corporate affairs ministry has finalised the share-swap ratio for the merger being considered. Alongside, the government is also moving to supersede the present FTIL board, using extraordinary powers provided in the Companies Act. It is remarkable how the energies of the government are trained on eviscerating FTIL, rather than on recovering dues from the traders who defaulted on their contractual payment obligation, creating the crisis in the first place.

The culpability of the defaulting traders who carried out trades with fake warehouse receipts is undeniable. The Economic Offences Wing in Mumbai has frozen as-



sets of the defaulters, a high court-appointed committee has obtained formal acceptance of liability from defaulters to the tune of about half the outstanding dues and work continues on the remaining amount. So, the focus should be to liquidate the frozen assets of defaulters to recover the out-

standing dues of ₹5,600 crore. FTIL's settlement offer, for itself and the major brokers to together pony up ₹1,000 crore, to buy out the rights of small trading clients, who constitute 94% of traders who are owed money, might be a public relations exercise. But it makes eminent practical sense. This would effectively be a loan of ₹500 crore each from FTIL and the brokers to spare small traders the pain of having to wait for the recovery process to be completed to get their dues. The loan would be repaid when the recovery process is complete.

It is welcome that the government is taking time to consider the opposition of FTIL shareholders to the company's merger with NSEL. Such a merger would be arbitrary highhandedness by the state, while the larger good lies in speedy recovery of dues from the defaulters.