

## RBI finally asks Margardarshi Financiers, run by Press baron Ramoji Rao, to stop accepting public deposits; Funds to be transferred to Escrow account to refund depositors

**By TIOL News Service**

**NEW DELHI, DEC 01, 2006 : ONLY** a fortnight back TIOL had carried an 'Exclusive Story' headlined -

['How safe are public deposits with Press baron Ramoji Rao, HUF? Will MoF or RBI answer this question, Please?'](#)

. And we are happy to report tonight that the MoF has come out with an answer laced with details about the concrete steps taken. The MoF top brass had instructed the RBI to look into the complex-sounding issue and take appropriate steps.

And kudos to RBI for paying adequate heed to the outcry in the media. It is learnt that RBI had deputed its senior functionaries to hold meeting with the representatives of the Ramoji Rao, HUF. In the due course of meeting, the senior executives of the unincorporated body intimated the bank regulator that they had stopped accepting deposits, including renewal, from September 16, 2006.

The RBI has also given a few directions to safeguard the public deposits. The details are as follows :

- ++ It shall not accept any fresh deposits or renew matured deposits and thereby ensure that there is no violation of the RBI Act 1934;
- ++ Deposits are paid as and when deposits mature and any violation could attract attention under the provisions of the Andhra Pradesh Protection of Depositors of Financial Establishments Act 1999.
- ++ To put in a place a mechanism to monitor the assets of the HUF so they are not eroded compromising its capacity to discharge obligations to the depositors.

The Margardarshi Financiers, the flagship entity, has also agreed **to deposit an equivalent amount of unclaimed deposits in an ESCROW account** on the due date and utilize the disinvestment proceeds to meet the depositors' liability which are consistent with the three element approach.

The RBI is going to closely monitor the developments and take appropriate action as and when considered necessary.

What led to this controversy was the outcry that Ramoji Rao, HUF is an unincorporated body and it cannot accept public deposits in violation of Section 45S of the RBI Act 1934. The relevant Section prohibits partnerships firms or any unincorporated body of individuals from accepting any deposits from the public unless it is from relatives. It was alleged that the Margardarsi Financiers had raised a huge sum of deposit from the public as on 31st March 2005 and had reported accumulated losses.

Though none doubts the creditworthiness of Ramoji Rao, HUF which enjoys better credibility than many NBFCs and banks but as per law it was not proper. TIOL had analysed the issue at length and the Government finally took measures in large public interests.