

**IDBI TRUSTEESHIP SERVICES LIMITED.**

**RELIANCE HOME FINANCE LIMITED – NCLAT APPEALS – STATUS  
REPORT.**

- i) BOB Vs. ITSL – Company Appeal (AT) 69/2021**
- ii) RHFL Vs. ITSL – Company Appeal (AT) 71/2021**
  - against the NCLT Order dated 21<sup>st</sup> June, 2021.**

The captioned appeals were listed today, 9 July, 2021 before the National Company Law Appellate Tribunal, New Delhi (“Tribunal”) at Serial Nos. 2, 5, 6 and 7. Solicitor General Mr. Tushar Mehta along with J Sagar Advocates appeared for Bank of Baroda (“BoB”), Senior Advocate Mr. Sudipto Sarkar along with Agarwal Law Associates appeared for Reliance Home Finance Limited (“RHFL”) and Senior Advocate Mr. Arun Kathpalia, Mr. Prateek Seksaria along with SAM Team appeared for on behalf of IDBI Trusteeship Services Limited (“ITSL”).

When the matter was called out, the Tribunal remarked that the pleadings be completed and the appeals be adjourned to a short date. However, Mr. Mehta appearing on behalf of BoB interjected and submitted as follows:

- 1) BoB represents a consortium of lenders that have an exposure of over INR 7000 Crores in RHFL;
- 2) Pursuant to the RBI Circular dated 7 July 2019 (“RBI Circular”), the lenders of RHFL have implemented a resolution plan and have selected Authum as the successful resolution applicant;
- 3) The NCLT in its order dated 21 June 2021 has incorrectly interpreted the term *may* as *shall*, as appearing in Section 71(10), Companies Act, 2013;
- 4) The NCLT incorrectly dismissed BoB’s intervention application by not considering its submissions;
- 5) While passing its final orders, NCLT has failed to consider Rule 73, NCLT Rules, 2016 which clearly states that the tribunal ought to consider the financial condition of the issuer company and the public interest;
- 6) The lenders of RHFL are banks and other financial institutions, whose interest has not been considered by the Hon’ble NCLT.

Mr. Kathpalia appearing on your behalf, in response thereto, submitted as follows:

- 1) Section 71(8), Companies Act, 2013 is the mandate of law which provides that every issuer company is under an obligation to redeem the debentures to its debenture holders under the terms and conditions of the debenture trust deed;

- 2) Section 71(10), Companies Act, 2013 is accordingly the remedy provided to the debenture holders/ debenture trustee to approach the NCLT when the issuer company defaults in making payment of principal amount/ interest to the debenture holders;
- 3) RHFL has admittedly defaulted in making payment to the debenture holders and the same is undisputed;
- 4) The only parties concerned in the litigation are the debenture holders, debenture trustee and the issuer company;
- 5) The debenture holders are not bound by the resolution plan undertaken by the lenders of RHFL since the RBI Circular is not applicable to majority of the debenture holders;
- 6) The debenture holders have an exposure of over 3000 crores;
- 7) BoB has absolutely no locus to intervene in the company petitions;
- 8) Moreover, BoB has not sought to challenge the order dated 27 May 2021 dismissing its intervention application.

The Tribunal noted the above submissions and was inclined to grant three weeks' time to complete the pleadings. At which time, Mr. Mehta argued that an interim stay on the impugned order is necessary to prevent any action on part of ITSL in furtherance to order dated 21 June 2021, to which Mr. Kathpalia vehemently objected and submitted that the time period towards payment of interest under the order dated 21 June 2021 is 2 months from the date of order, which expires on 21 August, 2021 and hence there is no requirement whatsoever for a stay or any status quo on the operation of order dated 21 June 2021. Thereafter, Mr. Mehta stated that the order directs payment "within" 2 months which includes any interregnum period, specifically till the next date of hearing. He further submitted that any action by ITSL to this effect will also prejudice the ongoing resolution proceedings of RHFL. At this point, Mr. Sarkar intervened and submitted that the resolution proceedings for RHFL ought to remain unaffected by the present order, specifically in larger public interest. Mr. Kathpalia reiterated his objections to the requirement of any stay/status-quo order.

Upon hearing the parties, the Tribunal directed ITSL to file its replies within 2 weeks from today, physically and rejoinders, if any, one week thereafter and adjourned the appeals to 10 August, high on board. The Tribunal further directed that until such next date of hearing, parties are required to maintain status quo as it exists today.