

IDBI Trusteeship Services Limited

Status Report – Reliance Home Finance Limited –

NCLT Petitions updates.

Reliance Home Finance Limited (“RHFL”) has issued Secured and Unsecured Non-Convertible Debentures (“NCDs”) aggregating to Rs.3500 Crores by way of Public Issue on January 2nd, 2017. IDBI Trusteeship Services Limited (“ITSL”) is acting as the Debenture Trustee for above referred NCDs.

1. Status as on 03.01.2020:-

The payment of interest and or redemption of principal was due on 03.01.2020 for ISIN No. INE217K07AB6, INE217K07AC4, INE217K07AD2, INE217K07AE0, INE217K07AF7, INE217K07AG5, INE217K08271 and INE217K08289. However, RHFL committed default in its payment obligations. ITSL has informed the default committed by RHFL to the Credit Rating Agencies and have hosted the press release on ITSL website (www.idbitrustee.com).

2. Status as on 04.01.2020:-

ITSL has issued Default Notices to the RHFL.

3. Status as on 09.01.2020:-

Pursuant to the default in payment of interest and redemption of principal due on 03.01.2020 committed by the RHFL, we have filed Two Company Petitions bearing no. 138 of 2020 and 139 of 2020 (“Petitions”) for Rs. 3500 Crores Public Issues (Secured and Unsecured) of RHFL, before Hon’ble National Company Law Tribunal (NCLT), Mumbai under Section 71(10) of the Companies Act, 2013 on 09.01.2020.

4. Status as on 15.01.2020:-

The Petitions were listed on 15.01.2020 before Hon’ble NCLT. The outcome of the hearing held on 15.01.2020 is as follows:-

“The Company Petition No. 138 of 2020 a/w Miscellaneous Application No. 114 of 2020 (*IDBI Trusteeship Services Ltd. v. Reliance Home Finance Limited*) and Company Petition No. 139 of 2020 a/w Miscellaneous Application No. 115 of 2020 (*IDBI Trusteeship Services Ltd. v. Reliance Home Finance & Anr.*) were listed today, 15 January 2020 before NCLT Court – I at serial nos. 17 and 18, respectively. The Senior Counsel appeared on behalf of ITSL and the Senior Advocate appeared on behalf of RHFL and a Counsel appeared on behalf of Reliance Capital Limited (“RCL”).

The Senior Counsel appearing on behalf of ITSL apprised the court of the facts and submitted as follows:

- 1) The present petitions have been filed by ITSL, for secured and unsecured debentures, in their capacity as a debenture trustee under Section 71(10) of Companies Act, 2013 for redemption of debentures due to various debenture holders;
- 2) On the date of redemption of debentures, i.e. 3 January 2020, RHFL failed to make payment of principal amount and interest due to the debenture holders;
- 3) ITSL represents various public including individual debenture holders who have subscribed to the debentures of RHFL;
- 4) As part of the secured debentures, there is a first ranking pari passu charge available on various trust properties;
- 5) RHFL failed to make payments of annual interest due to various debenture holders, therefore the entire amount including principal and interest become payable to the debenture holders;
- 6) RHFL has admittedly been making prejudicial payment of interests to banks, as directed by the lead bank to the inter-creditor agreement;
- 7) The inter-creditor agreement does not bind the debenture holders since the requisite consent to accede to the inter-creditor agreement has not been provided by ITSL;
- 8) Given the compelling facts and circumstances, the court should pass the order of making the entire payment of principal as well as interest; and
- 9) During such time that the final order is passed, Senior Counsel of ITSL requested the court to pass interim orders of injunction and disclosures.

After hearing the Senior Counsel of ITSL, the court observed that under Section 71(10), the court has to merely see the default and pass an order of payment. The court thereafter, sought response from the Respondents (RHFL) who sought court's permission to file replies to the petitions and applications. Senior Counsel of RHFL, in brief, submitted the following:

- 1) Orders have been passed by the Delhi High Court, Bombay High Court and Debt Recovery Tribunal restraining the Respondents from making payments to third parties;
- 2) Certain debenture holders of RHFL have acceded to the inter-creditor agreement;
- 3) The meeting conducted on 14 January 2020 has been adjourned to 31 January 2020;
- 4) RHFL is in the process of restructuring its debt and forbearance from the debenture holders, ITSL and the court is required to allow RHFL to restructure its debt;
- 5) RHFL has not paid any amounts to lenders in the past two months;
- 6) RHFL does not have the requisite the amounts to make payments to its debenture holders, therefore a resolution plan will be beneficial to all lenders and creditors including debenture holders; and
- 7) Time period of two weeks be granted to file their affidavits-in-reply.

The court observed that the arguments advanced on behalf of the Respondents are persuasive but not at all compelling. While the court agreed with the submissions made by Senior Counsel of ITSL, it decided to simplicitor adjourn the matter to 29 January 2020 while granting time to the Respondents to file the replies. The court observed that since it is now seized of the matter, it will pass appropriate orders, as and when required.

The matters will now be listed on **29 January 2020**.

5. Status as on 29.01.2020:-

The Petitions were listed on 29.01.2020 before Hon'ble NCLT. The outcome of the hearing held on 15.01.2020 is as follows:-

“The Company Petition No. 138 of 2020 a/w Miscellaneous Application No. 114 of 2020 (*IDBI Trusteeship Services Ltd. v. Reliance Home Finance Limited*) and Company Petition No. 139 of 2020 a/w Miscellaneous Application No. 115 of 2020 (*IDBI Trusteeship Services Ltd. v. Reliance Home Finance & Anr.*) were listed today, 29 January 2020 before NCLT Court – I at serial nos. 102 and 103, respectively. Senior Counsel appeared on behalf of IDBI Trusteeship Services Limited (“**ITSL**”) and Senior Advocate appeared on behalf of Reliance Home Finance Limited (“**RHF**”) and Reliance Capital Limited (“**RCL**”) (“**Respondents**”).

Senior Advocate appearing on behalf of the Respondents submitted that replies on behalf of Respondents to the Company Petitions a/w the Miscellaneous Applications will be filed during the course of the day, today.

Senior Counsel appearing on behalf of ITSL submitted as follows:

- 1) That the present dispute concerns an admitted default on part of RHFL;
- 2) That ITSL represents approx. 20,000 debenture holders holding NCDs aggregating to INR 3500 crores plus interest;
- 3) That the Hon'ble Tribunal direct RHFL to service its interest obligations towards all NCD holders; and
- 4) That the Company Petitions a/w Miscellaneous Applications be heard and disposed of at the next date of hearing.

After hearing the parties, the Hon'ble Tribunal adjourned the matter to 19 February 2020.

The matters will now be listed on **19 February 2020**”.

6. Status as on 19.02.2020:-

The Petitions were listed on 19.02.2020 before Hon'ble NCLT. The outcome of the hearing held on 19.02.2020 is as follows:-

“Counsel of ITSL informed the court that the captioned matters were filed under Section 71(10) of the Companies Act, 2013 and IDBI being a debenture trustee represents approximately 20,000 debenture holders claiming a sum of INR 3,500 Crores from RHFL. He informed the court that despite the earlier orders stating that the matter will be listed high on board, the same has been listed at the end. He informed the court that the matters are unlikely to reach today and bearing in mind the urgency in the matter, he submitted that the court assign a new date hearing in the matter. Upon inquiry, Counsel of ITSL

also informed the court that the Miscellaneous Applications have been filed by ITSL seeking interim reliefs.

After hearing the parties, the court was pleased to adjourn the matter and the same is scheduled to be listed on 12 March 2020 first on board.

The matter will now be listed on **12 March 2020 first on board**".

Further, Debenture holders are advised to visit our website <https://idbitrustee.com/navigation/media/rhfl-status-report-on-nclt-petition/> for future updates in the matter.

7. Status as on 12.03.2020:-

The Petitions were listed on 12.03.2020 before Hon'ble NCLT. The outcome of the hearing held on 12.03.2020 is as follows:-

Counsel appeared on behalf of the ITSL and Senior Counsel appeared on behalf of Reliance Home Finance Limited ("**Respondent No. 1**") and another Advocate appeared on behalf of Reliance Capital Limited ("**Respondent No. 2**").

When the matter was taken up, as the regular bench was not sitting and the matter was listed before an alternate bench, the court was not inclined to hear the matter and adjourn the same. However, Counsel of ITSL informed the court that there is urgency in the matter and made the following submissions:

- 1) The petitions have been filed under Section 71(10) of the Companies Act, 2013 on behalf of IDBI Trusteeship in its capacity as a debenture trustee representing approximately 20,000 debenture holders against Respondent No. 1 for redemption of debentures aggregating to INR 3,500 crores;
- 2) The present proceedings are summary in nature and under the provisions of Companies Act, 2013 and NCLT Rules, the NCLT is bound to pass appropriate orders within sixty days, which time has lapsed as of today.
- 3) Respondent No. 1 *vide* its letter dated 18 February 2020 has admitted its liability to pay an amount aggregating to INR 490 crores to individual debenture holders;
- 4) Respondent No. 1 *vide* its press release dated 10 March 2020 has admitted that it has liquid cash in hand amounting to INR 700 crores;
- 5) Given that Respondent No. 1 is willing to make payment of INR 490 crores to the debenture holders and has cash in hand of INR 700 crores, it is just that the NCLT at least direct the Respondent No. 1 to deposit the said amount with the NCLT;
- 6) The injunction granted by the Delhi High Court against Respondents do not assist Respondent No. 1 in so far as injunction is a right *in personam*. In view thereof, the NCLT pass similar orders of injunction as against the Respondents; and
- 7) The petitions be heard finally heard and disposed of by the NCLT.

Senior Counsel appearing on behalf of the Respondents submitted as follows:

- 1) The injunction granted by the Delhi High Court sufficiently protects the Applicant in the present proceedings;
- 2) In the event the order granted by the Delhi High Court is vacated, Respondent No. 1 shall give adequate notification to Applicant;
- 3) Various lenders and debenture holders have acceded to the inter-creditor agreement;
- 4) The Applicant represents only two of the ten debenture trust deeds entered into by Respondent No. 1;
- 5) The lenders and debenture holders who have acceded to the have an exposure of about INR 6760 crores and have restrained Respondent No. 1 from making further payments;
- 6) The amount payable to individual debenture holders is only INR 92 crores;
- 7) The petitions have been preferred pursuant to the accelerated amount flowing from the debenture trust deed;
- 8) Any order of injunction passed by the NCLT shall result into multiplicity of injunctions against the Respondents across forums in the country; and
- 9) Replies to the main petitions will be filed before the next date of hearing.

Counsel of ITSL thereafter made the following submissions:

- 1) The Respondents are seeking to mislead the NCLT by stating that the amount payable to individual debenture holders is only INR 92 crores, whereas by letter dated 18 February 2020 addressed to the Applicant, Respondent No. 1 admitted payment of INR 490 crores to individual debenture holders;
- 2) The petitions have been filed pursuant to Section 71(10) of the Companies Act, 2013 which clearly states that in the event of any default in payment of interest, the principal amount and all interests become due and payable forthwith; and
- 3) The NCLT should provide interim protection of injunction and/ or deposits of amount with the NCLT until the matters are finally heard and disposed of.

After hearing the parties, the NCLT recorded Respondents' statement that adequate notice shall be given to the Applicant in the event the order of injunction passed by the Hon'ble Delhi High Court is vacated and directed the Respondents to complete the pleadings before the next date of hearing when the matter will be heard finally. Accordingly, the court adjourned the matter to **30 March 2020** and directed that the matter be taken up high on board.

The matter will now be listed on **30 March 2020**.

Further, Debenture holders are advised to visit our website <https://idbitrustee.com/side-navigation/media/rhfl-status-report-on-nclt-petition/> for future updates in the matter.

8. Status as on 30.03.2020:-

The Company Petitions filed under Section 71(10) of the Companies Act, 2013 and the Miscellaneous Applications filed thereunder were scheduled to be listed before the NCLT. However, in view of Notice dated 30 March 2020 issued by the NCLT (due to COVID 19) , all matters scheduled to be listed from 23 March 2020 to 14 April 2020 shall be suitably listed from 15 April 2020 onwards. Accordingly, we will keep you posted on further listing and developments.

Further, Debenture holders are advised to visit our website <https://idbitrustee.com/side-navigation/media/rhfl-status-report-on-nclt-petition/> for future updates in the matter.