

17539/ITSL/OPR/2020-21.

12th August 2020

Courier/ E-mail

To,

- (1) **Bank of Baroda**
Corporate Financial Services Branch
3rd Floor, Samachar Marg
Mumbai - 400 001

(acting on behalf of the Lenders of RHFL
as mentioned in Schedule -1 of the Bid Document).
- (2) **Reliance Home Finance Limited,**
Reliance Centre, South Wing,
6th Floor, Off. Western Express Highway,
Santacruz (East), Mumbai – 400 055
- (3) **Reliance Capital Limited**
Reliance Centre, North Wing
6th Floor, Off. Western Express Highway
Santacruz (East), Mumbai – 400 055
- (4) **BOB Capital Market Limited**
1704, B Wing, 17th Floor, Parinee Crescenzo
Bandra Kurla Complex
Plot No. C38/39, G Block, Bandra, Mumbai 400051
- (5) **Ernst & Young LLP**
14th Floor, The Ruby, 29 Senapati Bapat Marg
Dadar (West), Mumbai 400 028

Re: (a) Invitation dated 29 July 2020 for expression of interest cum submission of resolution plan for Reliance Home Finance Limited (“RHFL”) (“**Invitation dated 29 July 2020**”); and
(b) Invitation dated 29 July 2020 of bids for RHFL (“**Bid Document**”).

Subject: Non-disclosure of material information in the Bid Document issued by Bank of Baroda.

Dear Sirs,

1. As you are aware, we, IDBI Trusteeship Services Limited (“ITSL”) are a public limited company incorporated under the Companies Act, 1956 and a debenture trustee registered under the Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993. ITSL, in its capacity as a debenture trustee, acts as a Debenture Trustee for the benefit of various debenture holders, to safeguard the rights and interests of the debenture holders of RHFL.

Page 1 of 4



2. RHFL, Reliance Capital Limited (“**RCL**”) and ITSL executed a debenture trust deed dated 2 January 2017 in respect of secured non-convertible debentures (“**Secured Debenture Trust Deed**”), wherein ITSL acts as a debenture trustee to the public issue of secured NCDs aggregating to INR 2618,27,41,000/- (Indian Rupees Two Thousand Six Hundred Eighteen Crores Twenty Sevens Lakhs Forty One Thousand only) issued by RHFL and subscribed by **18,959 debenture holders**.
3. Under the Secured Debenture Trust Deed, RHF and RCL have created the following charge in relation to the secured NCDs in favour of ITSL:
 - (a) First ranking *pari passu* hypothecation charge on all book debts and receivables of RHF, save and except for those book debts and receivables charged/ to be charged in favour of National Housing Bank (“**NHB**”) for refinance availed/ to be availed from NHB; and
 - (b) First ranking *pari passu* hypothecation charge on all present and future book debts and business receivables (including the current assets and investments) of RCL, except security created/ to be created towards securing term loans and cash credit limits.
4. Additionally, RHF and ITSL executed a debenture trust deed dated 2 January 2017 in respect of unsecured NCDs (“**Unsecured Debenture Trust Deed**”), wherein ITSL acts as a debenture trustee to the public issue of unsecured NCDs aggregating to INR 435,70,93,000/- (Indian Rupees Four Hundred Thirty Five Crores Seventy Lakhs Ninety Three Thousand only) issued by RHFL and subscribed by **1,348 debenture holders**.
5. Upon non-payment of principal amount and interest due and payable towards NCDs on 3 January 2020, ITSL in its capacity as a debenture trustee filed applications under section 71(10) of the Companies Act, 2013 before National Company Law Tribunal (“**NCLT**”), Mumbai for redemption of secured NCDs and unsecured NCDs (“**Company Petitions**”) and interim reliefs (“**Miscellaneous Applications**”). The Company Petitions and Miscellaneous Applications are pending before the Hon’ble NCLT.
6. We understand that *vide* Invitation dated 29 July 2020 and Bid Document, your good offices in the capacity of the Lead Banker to the consortium of lenders of RHFL has called upon bids from various bidders having adequate technical and financial capability to acquire the entire shareholding and business of RHFL as a going concern, *inter-alia*, including assets book, all rights, obligations, debts (secured and unsecured) titles, interests, assets, properties of RHFL.
7. You all are aware that ITSL has a first ranking *pari passu* hypothecation charge over book debts and receivables of RHFL and book debts and business receivables (including the current assets and investments) of RCL. It is unfortunate that Bank of Baroda has unilaterally initiated the procedure for sale of assets of RHFL, which have been charged in favour of ITSL for the benefit of **20,307** debenture holders, each of whom is a creditor/ lender in its own right with exposure to RHFL, without consent, prior consultation and representation of ITSL.
8. Upon a perusal of the Invitation dated 29 July 2020 and Bid Document, it becomes amply clear that the participation of debenture trustees of RHFL including ITSL in the distribution of the proceeds of sale of assets of RHFL has deliberately been excluded and solely restricted for the benefit of “*Lenders*”, as have been defined and specified in Annexure VIII of Bid Document. This is legally not permissible. The assets of RHFL are subject matter of the Company Petition pending before the Hon’ble NCLT and therefore, *sub-judice*.



9. Furthermore, we understand that the following facts have not been disclosed in the Invitation dated 29 July 2020 and Bid Document, which are available in the public domain and within all your knowledge:
- (a) Total financial indebtedness of RHFL including short term and long term debt is INR **13,004.19 Crores as on 31 March 2020;**
 - (b) Punjab National Bank has reported its loan exposure of approximately INR 80 Crores in RHFL as "***fraud account***" to Reserve Bank of India under Reserve Bank of India (Frauds classification and reporting by commercial banks and select FIs) Directions, 2016;
 - (c) Company Petitions preferred by ITSL seeking redemption of secured and unsecured NCDs aggregating to **INR 3327,07,89,019** Crores (Indian Rupees Three Thousand Three Hundred Twenty Seven Crores Seven Lakhs Eighty Nine Thousand and Nineteen only) are presently pending;
 - (d) Miscellaneous Applications preferred by ITSL seeking, *inter-alia*, attachment of properties of RHFL and RCL, appointment of receiver/ commission in relation to all properties of RHFL and RCL possessing all powers in respect of such properties, injunction restraining RHFL and RCL from making payments to any other creditor and disposing of/ alienating/ encumbering assets of RHFL and RCL and injunction restraining RHFL and RCL from passing any resolution of taking any action in derogation of rights of ITSL and NCD holders are presently pending;
 - (e) ITSL has a **first ranking pari passu hypothecation charge** over book debts and receivables of RHFL and book debts and business receivables (including the current assets and investments) of RCL; and
 - (f) In February 2020, RHFL had agreed to repay in parts the debenture holders amounting to INR 480.92 crore.
10. From the aforementioned, it becomes amply clear that despite you all being fully aware, the material and necessary information and facts have not been disclosed to the bidders in Invitation dated 29 July 2020 and Bid Document which amounts to making false representations to the public, and potential investors interested in acquiring the business of RHFL.
11. The action taken by Bank of Baroda is illegal and invalid and consequently, the Invitation and Bid Document are bad in law. Any actions taken pursuant to the Invitation and Bid Document will be void and we are putting you to strict notice of the same. In view of the misrepresentations and suppression of material facts in Invitation dated 29 July 2020 and Bid Document and the unilateral initiation of procedure of sale of business/assets of RHFL without the prior consent of ITSL and various NCD holders of RHFL, we state that the Invitation dated 29 July 2020 and Bid Document are illegal, vexatious, *mala fide* and not enforceable in law.
12. Further, in February 2020, RHFL had agreed to repay in parts the debenture holders amounting to INR 480.92 crore. Therefore, the cash amount of INR 480.92 crore, as available with RHFL has to be retained and utilized only for the benefit of the debenture holders. No other lender has no right over the same and RHFL is put to strict notice of the same. In addition to that, in case of receipt of any proceeds out of sale / acquisition / transfer or otherwise of any assets of RHFL or RCL by Bank of Baroda / RHF / RCL, Bank of Baroda / RHF / RCL shall be required to deposit / distribute with ITSL, for the benefit of Debenture Holders, amounts pro rata to the outstanding as that may be divided amongst all lenders on pari-passu basis.
13. In light of the facts and circumstances mentioned hereinabove, you are called upon to issue a necessary clarification within fifteen (15) days from the receipt of this letter and bring to the notice of the bidders/ public at large all the information which has been omitted as highlighted



above and specifically the facts relating to ITSL and debenture holders. Further, we call upon you to not take any such steps in derogation and violation of the rights of ITSL and NCD holders of RHFL.

14. You are aware that neither ITSL nor the debenture holders have acceded to the inter-creditor agreement to arrive at any debt resolution plan for RHFL. Any action taken or resolution passed pursuant to the ICA in derogation to the rights of the ITSL and the debenture holders is invalid, *non-est* and not binding on ITSL and the debenture holders. You will also appreciate that out of 3053,98,34,000 (Indian Rupees Three Thousand Fifty Three Crores Ninety Eight Lakhs Thirty Four Thousand only) of debentures (both secured and unsecured) as mentioned in paras 2 and 4 above, approximately Rs. 1389.8 crores are held by mutual funds alone who may have regulatory restrictions or conditions stipulated by SEBI prior to joining any ICA framework.
15. Needless to say it is the common objective and goal of every lender or debenture holder of RHFL, whether part of the ICA framework or not, to recover their respective outstanding dues in a timely and effective manner. We believe that the same can be achieved only if the lenders and debenture holders act in a collaborative and cooperative manner. To that effect a joint meeting between the Debenture Trustee and its committee members with Bank of Baroda, i.e. Lead Bank for all the lenders part of the ICA may be held to give an opportunity to each party to put forth their views. Any meeting of minds of debenture holders and yourself will eventually be in the interest of all parties concerned. Kindly let us know, within seven (7) business days from the receipt of this letter, if you desire to have such a meeting.
16. In any event, if the necessary clarifications as stated in para 13 above are not issued or a mutually agreed way forward arrived at in a proposed meeting as aforesaid within fifteen (15) days from the receipt of this letter, we will be constrained to take necessary legal action. We hope that ITSL/debenture holders committee members and Bank of Baroda (in its capacity as Lead Bank) are able to resolve this matter amicably.
17. This letter is without prejudice to our rights and remedies available under law, each of which are expressly reserved. This letter is also without prejudice to the pending Company Petitions before the Hon'ble NCLT.

Yours truly,

For IDBI Trusteeship Services Limited,



Authorized Signatory.