



GTL gets breather from HC on pledged shares

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Court says IFCI's move to convert pledged shares into equity was incorrect.

The Delhi High Court on Wednesday ruled that financial institution IFCI's move to convert pledged shares of telecom tower company GTL Infrastructure, into equity, was incorrect.

GTL, a promoter of GTL Infrastructure Ltd, had taken a loan of Rs 250 crore from IFCI and pledged 27 crore shares of GTL Infra with the institution accounting to 18 per cent stake. But after GTL and GTL Infrastructure's shares had plummeted recently, eroding the value of its pledge, the financial institution had converted these pledges into equity shares and sold five lakh shares in the market. GTL retaliated by taking the lender to court.

"The acts of the defendant (IFCI) by appropriation of 17.6 crore shares to himself without notice are not correct, and all other consequential acts in relation to the said shares were inconsequential as no such right of foreclosure subsists under the law and the defendant."

The judge quoted a previous judgment, which said a pledge was different from a mortgage and a pawnee has no right of foreclosure since he never had the absolute ownership at law. The judge recognised that GTL was obligated to only provide a security cover, and redemption if any, is available only after 36 months for one of the defendants.

"The said fact tilts the balance of convenience in favour of the defendants (IFCI) as they will be more inconvenienced in case the defendant is not allowed to proceed further legitimately in the transaction. The irreparable loss will also ensue to the defendant in case any embargo is put on the legitimate rights of the defendant as a pledgee of the shares as the event of default has already occurred," the judge said.

The court said GTL was entitled to take appropriate action under the law of tort and conversion, with regards to the shares which have already been sold. In simple terms, GTL can claim compensation or damages.

Even though IFCI management was not available for comment, GTL's Group Head-Legal & Risk Management Rahul Desai, said: "It has always been our view that the shares appropriated by IFCI to itself have been done in contravention to the law of pledge."

GTL Infra is in the process of restructuring its debt, after it accumulated a huge debt of around Rs 12,000 crore after its subsidiary GTL Infra bought the tower assets of Aircel for Rs 8,400 crore. GTL Ltd's shares closed at Rs 50 per share yesterday, and GTL Infra's stock closed at Rs 12 per share, according to data available on the Bombay Stock Exchange.