



India Court Rules In Favour Of GTL Infrastructure on Pledged Shares Sale Issue

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MUMBAI -(Dow Jones)- An Indian court has said that a sale of shares in GTL Infrastructure Ltd. (532775.BY) by lender IFCI Ltd. (500106.BY) is a violation of law, providing some relief to the debt-laden telecom tower company.

The case relates to the INR2.5 billion (\$54.75 million) debt taken by GTL Infrastructure unit Chennai Network Infrastructure Ltd. from Axis Bank Ltd. (532215.BY) and IFCI against securities which included founding company GTL Ltd.'s (500160.BY) shareholding in group company GTL Infrastructure.

The terms of the lending agreement required Chennai Infrastructure to maintain as security at least twice the loan amount in shares with the financial institution. When the value of these shares fell, the financial institution converted part of the collateral held with it into pledged shares and sold them in the open market, earning INR2.51 billion.

IFCI sold 200,000 shares in the telecom tower company on the open market on July 18 and July 19, and invoked 176.37 million pledged shares, GTL Infrastructure said in a regulatory filing on July 26.

The move by IFCI had heightened investor concerns that lenders may invoke shares held as collateral in order to meet margin calls.

GTL had pledged 273.7 million shares, or 78.9% of its holding in GTL Infrastructure, on July 13, the filing had said.

On July 21, GTL Infrastructure said its board has approved a proposal to restructure the company's debt and its Chief Executive A. Ravi has resigned citing personal reasons.

Earlier, the company said IFCI had acquired an 18.42% stake in GTL Infrastructure by taking over shares pledged with the financial institution.

"The debt has to be paid after the expiry period of 36 months by the defendant No.3 (Chennai Network) as prescribed in the agreement. Therefore, the defendant No.1 (IFCI) cannot ask the repayment of the loan prematurely," Justice Manmohan Singh of the Delhi High Court said.

The judge allowed GTL to seek civil damages from the lender for the sale of shares and allowed the rest of the shares (27.3 million) held as collateral to be termed as pledged shares with IFCI.

The financial institution has the right to sell these shares if Chennai Infrastructure fails to repay the loan, the judge said in his order.

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