

## IFCI's move on 17 crore escrowed GTL shares illegal: Delhi HC



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The Delhi High Court has held as "illegal" the move of financial institution IFCI Ltd to "forfeit" shares of GTL Infrastructure Ltd which were pledged as a security against a loan of Rs 250 crore.

"The forfeiture of the shares in the present case without notice is not permissible under the law of pledge which distinguishes the same from mortgage. Thus, the said act of the IFCI Ltd whereby on July 20, 2011 the it appropriates the proceeds of the 17,63,68,219 shares to itself is bad as it amounts to forfeiture which is impermissible under the law," Justice Manmohan Singh said.

The court's ruling came on a petition of GTL Ltd against IFCI's move to "forfeit", "realise", "appropriate" and "sell" escrowed shares on the ground that no notice was issued by the lending company before it opted to various measures to realise the loan advanced to Chennai Network Infrastructure Ltd (CNIL), a subsidiary of GTL Ltd, on July 12, 2010.

The High Court allowed the plea saying the provisions of the Contract Act make it mandatory to issue a notice before such sale of goods or shares.

It also held that since the appropriation of 17.63 crore shares was illegal, the status of IFCI towards those shares along with remaining 10 crore shares is still of a "pledgee".

The shares are open to redemption, sale and "all other consequential remedies under the law of pledge," it said

The court also termed as illegal the sale of around 5.05 lakh shares of GTL infrastructure by IFCI during July 18 to August 4, 2011 in open market.