



Indian Court Says IFCI's Appropriation of GTL Shares Not Correct

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Sept. 1 (Bloomberg) -- An Indian court has ruled that the appropriation of GTL Infrastructure Ltd.'s shares by state-owned IFCI Ltd. in July was an incorrect move as the lender didn't give prior notice before taking control of the stock pledged as collateral for a loan.

The IFCI's "appropriation of 176,368,219 shares to himself without notice is not correct," Judge Manmohan Singh wrote in the Aug. 29 interim order posted on the court's website. The lender is entitled to sell the shares after issuing a "valid notice", according to the order.

IFCI moved to take control of the shares after GTL Ltd., parent of the company that owns telecommunication towers used by mobile-phone operators, failed to pledge the required number of additional shares following a 58 percent decline in GTL Infrastructure's price. GTL had pledged about 29 percent of the unit's stake for a loan, according to a company statement.

"It has always been our view that the shares appropriated by IFCI to itself have been done in contravention to the law," Rahul Desai, head of legal at GTL said in an e-mail statement yesterday. The collateral security was to be kept in a non-disposal escrow account, according to the statement.

IFCI spokeswoman Pooja Mahajan and Anita Sahoo didn't respond to e-mails. Two calls made to their offices weren't answered.

IFCI started selling 200,000 GTL Infrastructure shares pledged by GTL on July 18, according to a July 26 filing to the stock exchange.

GTL rose 0.2 percent to 50.05 rupees at the 3:30 p.m. close of trading on Aug. 30 in Mumbai. GTL Infrastructure fell 0.8 percent to 12.4 rupees. The stock market was closed yesterday and today on account of religious holidays.

GTL said on July 27 that ICICI Bank Ltd. had taken over a 29 percent stake.

--With assistance from George Smith Alexander in Mumbai. Editor: Vipin Nair