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IL&FS moves NCLAT to halt PSU banks' 'wilful defaulter' action

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IL&FS moves NCLAT to stop banks' action

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The new board of debt-laden IL&FS has moved an urgent application before the National Company Law Appellate Tribunal to restrain 11 public sector banks from initiating proceedings to declare its group companies as “wilful defaulters”.

In its petition, IL&FS said it is aggrieved by the “blatant violation and disregard” of previous NCLAT orders by the lenders. IL&FS also charged banks with taking procedural action under the garb of RBI guidelines, and harassing the directors of IL&FS firms.

The banks are “issuing show cause notices, calling for a personal hearing before the wilful defaulter identification committee, threatening initiating criminal proceedings, including declaring IL&FS companies and current directors as wilful defaulters, and for issuing look out circulars,” it said.

“All such coercive actions or



IL&FS has urged NCLAT to restrain 11 banks.

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steps are attempts by the respondent banks to pressurize the IL&FS companies to directly or indirectly meet the debt demands, without having regard to the fact that the resolution/satisfaction of debts of all the creditors of the IL&FS companies is subjudice before this tribunal,” it submitted.

IL&FS has also prayed to restrain the banks from pursuing proceedings against “other IL&FS companies and/or their directors or officers appointed

after October 2018 by IL&FS’ new board.” Moreover, it has also made the banking sector regulator, the Reserve Bank of India a party, and requested the NCLAT to “pass an order directing respondent No. 12 (RBI) to direct respondent No. 1 to 11 (banks) restraining them from taking any coercive action against the applicants and other IL&FS companies.”

It also urged the NCLAT to direct banks “not take any coercive action during the pendency of the hearing and final disposal of the present application by the appellate tribunal.

The public sector banks that are party to the case include Central Bank of India, Bank of Baroda, Indian Bank, Canara Bank, Punjab National Bank, Indian Overseas Bank, State Bank of India, Bank of India, Jammu & Kashmir Bank, IDBI Bank and Union Bank of India.

According to IL&FS, the

banks are participating in the IL&FS resolution process to get their debts addressed and these parallel coercive steps are not only “squarely in the teeth” of the orders passed by NCLAT, but are likely result of either a selective reading of such orders, or an “uncoordinated mechanical attempt” at purportedly complying with

IL&FS has also charged banks of taking procedural action under the garb of the RBI's guidelines

applicable guidelines issued by the central bank.

According to the petition filed by IL&FS further said this is happening despite the newly appointed board of the company

has already referred the acts and actions of the erstwhile management of IL&FS companies for investigation.

The non-banking financial company had defaulted on the repayment of bank loans, term and short-term deposits, and also failed to meet commercial paper redemption obligations.