

UB Group takes lenders to court

UB Holdings Ltd (UBHL) and its chairman, Vijay Mallya, have taken the company's 17 lenders, including SBI Caps Trustee Company, to the Bombay High Court against the recovery process initiated by them.

The suit was filed on March 26, according to court filings. The case will come up for admission before judge S J Kathawala on June 21. Apart from UBHL and Mallya, Kingfisher Finvest Ltd is also a petitioner.

The suit has been filed against government-owned and private sector banks, such as Axis Bank and ICICI Bank, which had together lent about Rs 7,000 crore to the now-collapsed Kingfisher Airlines (KFA). Banks had initiated a recovery process against UBHL and Mallya, the guarantors for the loans, after KFA defaulted on repayments.

When contacted, a UB Group spokesperson declined to comment. An SBI official said the bank had not yet received any notice from the court on the suit filed by UBHL and Mallya under the Code of Civil Procedure Act, 1908. "Till now, there is no stay on our recovery process," the SBI official added, asking not to be named.

On May 7, SBI Chairman Pratip Chaudhuri had said the consortium of banks, led by State Bank of India, had recovered Rs 800-1,000 crore from debt-ridden KFA, and was in the process of recovering the remaining Rs 6,000 crore. But, with Mallya taking the lenders to court, the entire recovery process will slow down, say legal sources.

"We are making all efforts. We have treated this loan as 100 per cent provided for. It does not mean we are not going after assets. The company's shareholding, real estate, personal assets, all will be targeted," Chaudhuri had warned.

The latest developments could be significant, also because UB Group's four per cent stake in United Spirits had been given to lenders as collateral for the KFA loans. UB needs this stake to close its deal with Diageo. Last week, it had cancelled the power of attorney given to IDBI Trusteeship Services on the pledged USL shares. These shares, worth Rs 1,300 crore, are now held by Srei Infra and Indian lenders have residual rights over the shares after Srei recovers its collateral.

But now, with the current legal tangle, according to sources, anyone buying UB Group's pledged USL shares could face legal action. A power of attorney is issued to a trusteeship, a neutral party, to safeguard the interest of lenders in case of a default by the borrower.

Of the 17 banks, SBI's exposure, at Rs 1,600 crore, is the highest. The next are

Punjab National Bank and IDBI Bank, with Rs 800 crore each. Bank of India and Bank of Baroda have exposures of Rs 650 crore and Rs 550 crore, respectively.

Interestingly, United Bank of India, with an exposure of Rs 400 crore, is the only bank in the consortium to have moved a winding-up petition against UBHL, in the Karnataka High Court. The matter is pending.

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