

IN THE HIGH COURT OF JUDICATURE AT BOMBAY
ORDINARY ORIGINAL CIVIL JURISDICTION
ARBITRATION PETITION NO.498 OF 2016

L & T Finance Ltd.

.. Petitioner

V/s.

M/s. Raju Construction Co & Shelters
Pvt. Ltd. & Ors.

.. Respondents

*Shakuntala Joshi a/w Anand Poojari, Nikita Pawar, Jalpa Pithadia i/b S.I. Joshi & Co.
for Petitioner.*

None for the Respondents though served.

CORAM : S.J. KATHAWALLA, J.

DATED : 23rd June, 2016

P.C.

1. The above Petition is filed by the Petitioner under section 9 of the Arbitration and Conciliation Act, 1996 seeking reliefs as prayed against the Respondents. The Petition is served on the Respondents and an Affidavit proving service dated 02.06.2016 is on record. The Petition is today taken up for final hearing. However, none appear for the Respondents.

2. By a Loan Agreement dated 28.02.2015, the Petitioner provided a Loan Facility of Rs.5,02,51,650/- to the first Respondent for purchase of the assets ("PLANT &

MACHINERY”) more particularly described in Exhibit “G” to the Petition. The said assets are hypothecated with the Petitioner by the Respondent No.1 as per the Deed of Hypothecation dated 28.02.2015.

3. Apart from these securities Respondent No.2 personally guaranteed to repay the loan amount and due performance of the loan agreement by the Respondent No.1 and executed a Deed of Guarantee for the performance of the said contract in favour of Petitioner being Exhibit “D” to the Petition.

4. The Loan amount of Rs.3,21,73,027/- was repayable by the Respondents to the Petitioner with interest @9.26% p.a. in 35 monthly installments totaling to Rs.4,08,07,500/- commencing from 01.05.2015 and ending on 01.03.2018 as provided in the Repayment Schedule annexed to the loan agreement.

5. Clause 12 of the Loan Agreement dated 28th Februaryh, 2015 provides for the events of default; Clause 13 for the consequences of default; Clause 14 provides for the rights of the Petitioner on default including repossession of the asset Clause 18 provides for arbitration. There has been a default on the part of the Respondents and the Respondents failed to pay to the Petitioner a sum of Rs.3,56,31,560.84/- (Rupees Three Crores Fifty Six Lakhs Thirty One Thousand Five Hundred Sixty and Paise Eighty Four only) as on 16.11.2015. The Petitioner therefore invoked the arbitration clause in the Agreement dated 28.02.2015.

6. In the present Petition, the Petitioner has sought appointment of the Court Receiver, High Court Bombay as the Receiver of the hypothecated assets, more particularly described in Exhibit "G" to the Petition. The Respondents have not filed their Affidavit in Reply and are also not present before the Court. In the absence of any defense or contest by the Respondents, the averments contained in the Petition have remained uncontroverted. I see no reason why the statements/submissions made by the Petitioner in the Petition should not be accepted. Section 9 empowers the Court to pass interim measures of protection. Since the Respondents have defaulted in the repayment of the outstanding dues, it is just and necessary to safeguard the interest of the Petitioner by appointing the Court Receiver as Receiver of the hypothecated assets. The appointment of the Receiver is necessary in order to ensure that the hypothecated Equipment is not wasted or alienated, thereby defeating the rights of the Petitioner. Hence, the following order:

- (i) Pending the hearing and final disposal of the arbitration proceedings, the Court Receiver is appointed as Receiver in respect of the assets, more particularly described in Exhibit "G" to the Petition, with a direction to take forcible physical possession of the said Equipment with police assistance, if required, and without any prior notice to the Respondents;
- (ii) The Court Receiver shall within a period of two weeks after taking possession, give an option to the Respondents, in writing to act as an agent of the Receiver in

respect of the said assets. The Respondents shall be given two weeks time by the Court Receiver from the date of receipt of the Court Receiver's communication/letter to exercise such an option. In the event of the respondent/s being desirous of acting as agents of the Receiver, they shall be appointed as agents of the Receiver, subject to deposit of security and payment of royalty. The Receiver shall determine the quantum of security and royalty having regard to the terms and conditions contained in the Loan Agreement (Exhibit "A" to the Petition);

(iii) In the event that the Respondents do not communicate their willingness to the Receiver to act as agents within a period of two weeks from the date of receipt of the communication from the Court Receiver, it would be open to the Petitioners to apply to the Court for further orders including sale of the said assets by private treaty;

(iv) There shall also be an interim injunction restraining the Respondents from disposing of, alienating, encumbering, parting with possession or creating any third party rights in respect of the assets as described in Exhibit "G" to the Petition.

6. The Arbitration Petition is accordingly disposed of.

(S.J. KATHAWALLA, J.)