

Application No.2056 of 2021, O.A.No.93 of 2021 & A.No.532 of 2021
in
C.S.No. 51 of 2021

V.PARTHIBAN,J.

Application No.2056 of 2021 has been filed to vacate the order of interim injunction dated 22.02.2021 passed in Original Application No.93 of 2021 in C.S.No.51 of 2021 and further dismiss the said Original Application No.93 of 2021.

2. The 1st respondent herein is the applicant in the above Original Application and the plaintiff in the suit. The 2nd respondent herein is the respondent in the Original Application and the defendant in the Suit.

3. The plaintiff has filed the above suit praying for a direction to defendant to pay the plaintiff a sum of Rs.4,35,24,000/- with interest for a sum of Rs.3,60,00,000/- at 12% per annum from the date of the plaint and till the date of realisation.

4. The case of the plaintiff is that he and the Managing Director of the defendant Company were friends. The defendant Company is a realtor Company and has been involved in putting up huge housing complex by name

'Prince Courtyard' at No.100-102, Poonamallee High Road, Egmore, Chennai-600 008. It transpired that the defendant had borrowed money from the plaintiff to be invested in the project put up by them. The plaintiff appeared to have advanced Rs.6,50,00,000/- between 03.04.2017 and 21.06.2018 through various payments to the defendant Company. According to the plaintiff, the defendant has repaid part payments to the tune of Rs.3,00,00,000/- between 22.03.2018 and 15.06.2018 in discharge of their loan obligation and a balance of Rs.3,50,00,000/- remained outstanding to be repaid by the defendants to the plaintiff at the agreed interest at the rate of 12% per annum. According to the plaintiff, the defendant has paid interest upto 31.03.2019.

5. In 2020, it appeared that the defendant had issued 7 cheques on various dates between 15.03.2020 and 15.09.2020, each for an amount of Rs.50,00,000/- drawn on Corporation Bank, Kellys Branch. However, the defendant, while issuing the cheques requested the plaintiff, not to present the cheques. On the basis of the assurance by the defendant that the payments would be settled in due course, the plaintiff had not presented the first 6 cheques, but he presented the 7th cheque, however, the same was returned dishonoured due to insufficiency of funds.

6. Thereafter, on behalf of the plaintiff, notice was issued on 10.12.2020 under Section 138 of Negotiable Instruments Act and the plaintiff was also initiating steps of pursuing the remedy in terms of the provisions of the Negotiable Instruments Act. While so, the defendant by their letter dated 12.07.2019, acknowledged and confirmed that a sum of Rs.3,50,00,000/- was due and payable by them to the plaintiff. In the meanwhile, the plaintiff requested the defendant to sell one of the flats in the project of 'Prince Courtyard', the apartment bearing No.601 in 6th Floor in Wing 'A', measuring 3330 sq.ft. inclusive of proportionate share in common areas such as passages, lobbies, lifts, stair cases and other areas of common use and parking slot in basement for parking two cars and the sale consideration for the flat was fixed at Rs.3,87,44,875/- (Rupees Three Crores Eighty Seven Lakhs Forty Four Thousand and Eight Hundred and Seventy Five only). The sale of the flat was made as part of the loan transaction as between the plaintiff and the defendant. The sale agreement dated 12.07.2019, laid down condition among others that the defendant would get No Objection Certificate from the secured creditors for the sale of the flat under the agreement to the plaintiff. However, ultimately, neither the sale had come through nor the defendant had repaid the outstanding dues to the plaintiff and therefore, the Suit has been filed.

7. The plaintiff has filed O.A.No.93 of 2021 along with the Suit praying for temporary injunction restraining the defendant their men etc. from in any manner alienating and encumbering the suit schedule property to any third party or in any manner dealing with the suit property described in the schedule therein.

8. This Court, while entertaining the suit had initially on a *prime facie* consideration granted interim order of injunction as prayed for, vide its order dated 22.02.2021. The injunction was granted ex parte and the notice was issued to the respondent/ defendant in the Suit. The brief facts thus far the basis for laying of the suit and filing of the O.A. by the plaintiff as against the defendant.

9. The present applicant herein, the proposed respondent, after coming to know of the operation of the injunction at the instance of the 1st respondent/plaintiff, has filed Application No.1200/2021 seeking to implead themselves in the Original Application and also to vacate the interim injunction granted by this Court on 22.02.2021. The implead application filed by the applicant herein in A.No.1200 of 2021 was ordered on 17.04.2021.

10. The case of the applicant herein is that they had come to know of the suit proceedings before this Court, when a public notice was issued on 26.02.2021 in the newspaper by the Advocates of the first respondent/plaintiff. According to the applicant herein, the injunction granted by this Court has over reaching impact, much beyond the realm of the transaction entered into between the 1st and 2nd respondents herein. The reasons for seeking to vacate the interim injunction are stated by the applicant herein as follows.

a) The 2nd respondent/defendant herein had approached the applicant herein for funds to be invested in the development of the multi storeyed residential project called 'Prince Courtyard' at Poonamallee High Road, Egmore, Chennai. The associate of the applicant and the applicant themselves by their common sanction letter dated 27.09.2016 and by a common Facility Agreement dated 29.09.2016, sanctioned term loan under its loan against mortgage scheme for a total amount of Rs.203,00,00,000/- (Rupees Two hundred and three crores only) repayable in 84 months including the moratorium period of 42 months. The details of the terms and conditions were mentioned in the sanction letter/Facility Agreement.

(b) The applicant herein was appointed as Lenders Agent by the Original

Lenders and by virtue of the Refinance agreement dated 26.05.2020. Therefore, the applicant has become legally entitled to recover the dues from the 2nd respondent/defendant. On the basis of the funds provided by the Original Lenders, the 2nd respondent/ defendant developed the residential complex having ground plus 18 upper floors. The residential complex consists of 155 apartment units in two towers with common amenities and facilities. In order to secure the loans availed by them, the 2nd respondent/ defendant created inter alia security by way of deposit of title deeds of land/ super structure of the building "Prince Courtyard" vide Memorandum of Deposit of Title Deed dated 25.10.2016 registered as Document No.2923 of 2016. As a consequence of the registration of the said Memorandum, the applicant herein also on 27.10.2016, got the charge created in its favour duly recorded with the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI). Thus, the applicant holds exclusive charge over the entire properties including Item Nos.1 to 8 described in the Judges Summons in O.A.No.93 of 2021 as being the sole lender to the 2nd respondent/defendant.

(c) In terms of the relevant clauses of the Facility Agreement dated 29.09.2016, the 2nd respondent/defendant has agreed to remit the sale amount received from each sale transaction with third parties of the apartment units into the escrow account maintained by the 2nd respondent

and thereupon, the applicant/ 1st respondent would grant no objection for the sale of the apartment unit to each of the prospective purchasers and release its charge over the apartment unit. It is also the case of the applicant herein that in Item Nos.1, 2 4 & 5 and item No.8 of the schedule properties mentioned in the Judges Summons in the O.A, the apartments have already been sold and registered by the 2nd respondent/ defendant in favour of the third party purchasers and the sale consideration have also been remitted into the escrow account and the possession of the said properties had also been handed over to the third party purchasers.

11. It is the case of the applicant herein that as far as the properties 1, 2, 4, 5 & 8 are concerned, the injunction granted by this Court cannot be operated as the 2nd respondent/ defendant no more owns the said properties. Further, as far as the other schedule properties as mentioned in the Judges Summons, the operation of injunction would adversely have impact on the repayment of the 2nd respondent/ defendant to the principal lender in terms of the agreement entered into between the applicant herein and the defendant. The applicant herein, being the secured creditor, the right to recover the amount from the 2nd respondent/ defendant may be affected by the injunction granted by this Court at the instance of the unsecured creditor.

According to the applicant herein, there is huge outstanding of Rs.97 crores as on date and the repayment towards discharging of the said outstanding dues, need to be protected. In the said circumstances, the injunction granted by this Court if allowed to remain in operation, it will infringe upon the right of the secured creditors in realising their amounts in terms of the Facility Agreement entered into between them and the 2nd respondent/ defendant. Therefore, the present application has been filed seeking to vacate the interim injunction granted by this Court on 22.02.2021.

12. In the above factual background, the learned counsel for the 1st respondent/ plaintiff would submit that whatever be the objection by the applicant/proposed respondent herein, the amount advanced by the plaintiff to the defendant has been acknowledged and as on the date of filing of the suit, more than Rs.4 Crores was due and payable. In consideration of the huge outstanding due, this Court in order to protect the plaintiff's interest has granted interim injunction. The learned counsel therefore, submitted that the injunction ought to be continued as it will be the only protection for the plaintiff, pending disposal of the suit.

13. At this, the learned counsel for the applicant herein would submit

that the legal position is very clear that the right of the secured creditor cannot stand negated as a consequence of any recovery proceedings initiated by the unsecured lender against the borrower Company. Admittedly, the applicant herein has lent more than 200 Crores of Rupees and the entire project has been mortgaged to the applicant Company. Therefore, as the secured creditors, they have the first charge over the property. The loan arrangement between the secured creditor and the 2nd respondent/ defendant will prevail over all other arrangements, understanding or agreements.

14. The learned counsel would also emphasis that under the Facility Agreement dated 29.09.2016, it was agreed that the respondent/defendant would deposit the amount in the escrow account maintained whenever the apartment unit is sold to third party and the no objection of the applicant herein was to be obtained. If the schedule mentioned properties are to be protected at the instance of the unsecured creditor as against the 2nd respondent namely, being injuncted from selling the flats, such injunction would only affect the secured creditors, the applicant herein. The applicant having lent huge amounts to the 2nd respondent/defendant and the consequent lien it has over the property in pursuance of the memorandum of deposit of title deeds, their right to recover the amount as and when the sale

takes place in respect of the apartment unit which are part of the schedule mentioned properties in O.A.No.93 of 2021 cannot be denied under any circumstances. Therefore, the learned counsel would contend that in fitness of things, the injunction granted by this Court is liable to be vacated.

15. The learned counsel for the 2nd respondent/defendant would submit that in the face of the fact that they had entered into an agreement with the applicant herein, the plaintiff cannot maintain the Original Application at all. As rightly contended by the learned counsel for the applicant herein, the plaintiff being the unsecured creditor cannot have the benefit of injunction against the interest of the secured creditor. The learned counsel for the 2nd respondent/defendant would also submit that the suit itself is not maintainable as there was no specific cause of action and also there is arbitration clause as between the plaintiff and the defendant. In effect, the learned counsel for the 2nd respondent/ defendant supported the claim of the applicant herein.

16. Heard the learned counsel for the parties, perused the pleadings and materials placed on record.

17. At the outset, this Court is fully in agreement with the submission made on behalf of the applicant herein that as being the secured creditor and having lent huge amount of more than Rs.200 crores, their interest cannot be allowed to suffer by allowing the injunction to continue in the matter.

18. No doubt, this Court has granted interim order of injunction at the time of entertaining the Suit on 22.02.2021. At the time, when the injunction was granted, the fact of the secured creditor and the arrangement between the secured creditor namely, the applicant herein and the defendant like common Facility Agreement and other related Agreements including the Memorandum of Deposit of Title Deeds and its registration dated 25.10.2016 and creation of charge dated 27.10.2016 and recording the same with the CERSAI were not considered in detail by this Court. It could be seen from the order of the learned Judge dated 22.02.2021, though a reference was made about the applicant herein being the secured creditor of the entire project, yet the injunction was granted on a cursory consideration of the lis as between the plaintiff and defendant. This Court at that point of time did not have the benefit of the pleading on behalf of the applicant herein as to the consequence of the interim order namely infringing upon the rights of the secured creditor.

19. However, when it is brought to the knowledge of this Court about the applicant being the secured creditor and the 2nd respondent/defendant having created a security of the entire 'Prince Courtyard' project by way of mortgage of deposit of title deeds of land and super-structure relating to the housing complex in favour of the applicant, the interest of the applicant herein, thus, cannot be allowed to be diluted, particularly, at the instance of the suit proceedings initiated by the unsecured creditors.

20. As rightly contended by the learned counsel for the applicant herein, the injunction which has been operating would have a direct adverse impact on the repayment of the 2nd respondent/defendant to the applicant in terms of the Facility Agreement entered into between them. The payment by the 2nd respondent/ defendant to the applicant herein depends on the sale of each apartment unit and the amount of sale consideration is required to be deposited in the escrow account maintained between the applicant herein and the 2nd respondent/defendant. Unfortunately, the injunction, as granted would only lead to protect the interest of unsecured credit as against the secured creditor and such situation would be contrary to the settled legal position.

21. The transaction between the 1st respondent/plaintiff and the defendant as averred in the plaint is admittedly an unsecured simple transaction of lending money by the 1st respondent to the 2nd respondent/ defendant. The claim in the Suit would therefore, depend on establishing the fact of the suit transaction between the plaintiff and the defendant when the suit is to be tried by this Court at the appropriate time. At the same time, notwithstanding the fact there was any acknowledgement of dues by the defendant herein towards the claim of the plaintiff as averred in the plaint, the interest of the secured creditor namely, the applicant herein should be secured at all costs and particularly, in this case, when the applicant has advanced more than Rs.200 crores under the Facility Agreement to the 2nd respondent/ defendant. As rightly stated in the affidavit filed in support of the application, huge public money is involved in the transaction and therefore, the interest of the applicant is uppermost to be protected towards the realisation of the loan amounts from the 2nd respondent/ defendant. Indisputably the applicant herein, by virtue of the agreement with the defendant as aforementioned created first charge over the entire housing complex "Prince Courtyard" and in the said circumstances, the operation of injunction any further would result in causing irreparable injury to the rights of

potential recovery of repayment from the defendant in respect of the apartments covered under the injunction order.

22. Further this Court, while perusing the order of interim injunction granted by this Court dated 22.02.2021, finds that the learned Judge of this Court, in paragraphs No.13 of the order, directed the 2nd respondent/defendant herein to furnish security for a sum of Rs.4,35,25,000/- on or before 24.03.2021. In fact, as stated above, it could be seen that the learned Judge, while passing the order of injunction, apart from furnishing of security, has also taken note of the arrangement between the applicant and the 2nd respondent/defendant. However, the learned Judge has chosen to grant interim injunction as the applicant herein was not a party at the time when the order was passed. The full facts from the point of view of the applicant herein could not have been presented before the learned Judge to take note of for his appreciation and consideration. In the said circumstances, though the learned Judge has granted both injunction as well as furnishing of security, this Court does not think that such interim injunction granted by this court could be allowed to operate any further, affecting and infringing the right of the secured creditor namely, the applicant herein.

23. For the above said reasons, the interim injunction granted by this Court dated 22.02.2021, shall stand vacated forthwith. Therefore, Application No.2056 of 2021 is accordingly allowed and O.A.No.93 of 2021 is dismissed.

24. The learned counsel for the applicant herein would request this Court to direct the 2nd respondent/defendant to cause paper publication in the appropriate newspaper to announce the present development of the injunction being vacated, as there was earlier publication in regard to injunction granted by this Court on 22.02.2021, the potential buyers of the Apartment in 'Prince Courtyard' were dissuaded from buying the Apartment.

25. Taking into consideration, the above submission of the learned counsel for the applicant, the 2nd respondent/ defendant herein is directed to cause wide publication both in vernacular and English daily bringing it to the notice of the public at large about the interim injunction being vacated by this Court in respect of all the properties in 'Prince Courtyard' at No.100-102, Poonamallee High Road, Egmore, Chennai-600 008, within a period of one week from the date of receipt of a copy of this order.

26. While disposing of the original application, it is brought to the notice

V.PARTHIBAN,J.

vsi

of this Court that the furnishing of security directed by this Court in paragraph No.13 of the order dated 22.02.2021 has not been complied with. It is open to the 1st respondent/plaintiff to work out his remedy in the manner known to law for due compliance of the direction by the 2nd respondent/ defendant, if he is so advised. Accordingly, Application No.532 of 2021 is disposed of.

19.07.2021
(2/2)

vsi

Note:

Upload and issue order copy on 02.08.2021

सत्यमेव जयते

WEB COPY

Application No.2056 of 2021,
O.A.No.93 of 2021
& A.No.532 of 2021
in
C.S.No. 51 of 2021