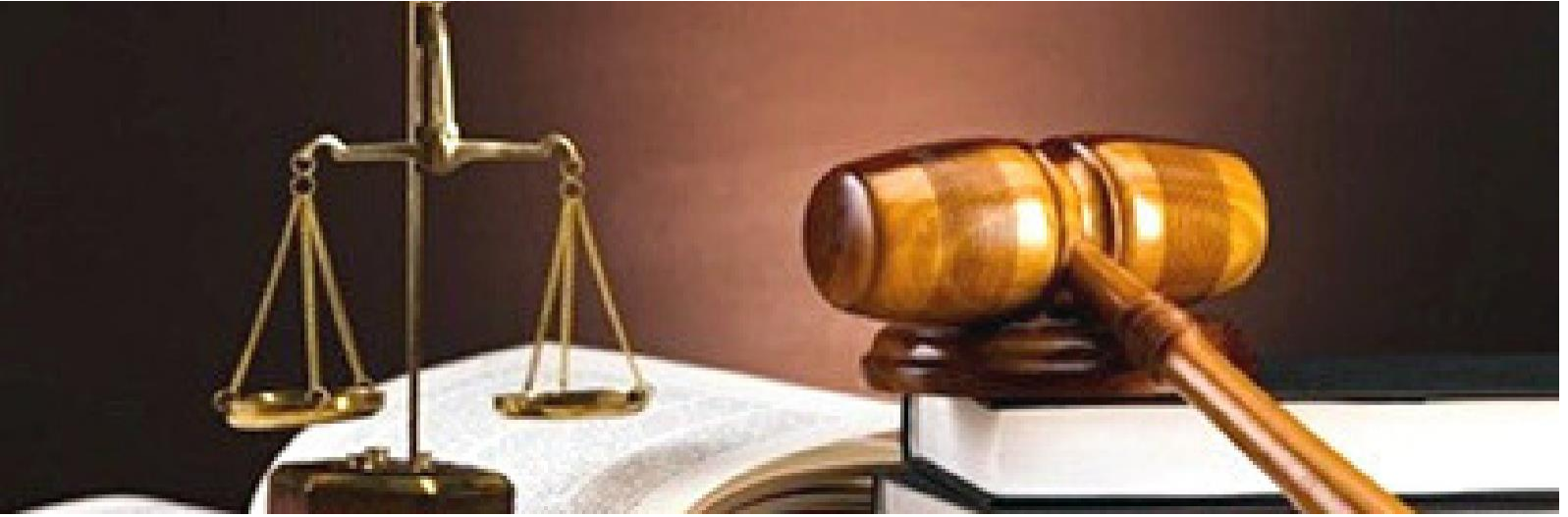


# IBC DOSSIER

Bulletin on Landmark Judgments under IBC, 2016



## Reliance Communication Limited & Ors. vs. State Bank of India & Ors.

### **Brief Facts**

- a. It was held that the Reliance companies had committed contempt of court purposes of Section 12 of the Contempt of Court act, 1971. **[Para 10, 17 & 23]**
- b. An amount of INR 453 crore must be paid to Ericsson in addition to the deposit of INR 118 crore made in the Registry of this Court. The Registry of this Court is directed to pay over the sum of INR 118 crore to Ericsson within a period of one week from today. The RCom group is directed to purge the contempt of this Court by payment to Ericsson of the sum of INR 41 453 crore within a period of four weeks from today. In default of such payment, the Chairmen who have given undertakings to this Court will suffer three months' imprisonment. In addition to the aforesaid sum being paid, a fine amounting to INR 1 crore for each Company must also be paid to the Registry of this Court within four weeks from today. This sum will be paid over to the Supreme Court Legal Services Committee. In default of payment of such fine, the Chairmen of these Companies will suffer one month's imprisonment. [Para 24].

## **Decision**

Three contempt petitions were before the Supreme Court having been filed by Ericsson India Pvt. Ltd. ["Ericsson"] against Reliance Communications Ltd. ["RCom"], Reliance Telecom Ltd. ["RTL"], and Reliance Infratel Ltd. ["RITL"]. Ericsson and RCom entered into a Managed Service Agreement whereby Ericsson agreed to provide RCom managed services, i.e., operation, maintenance, and management of RCom's network. Ericsson raised invoices from time to time in consideration of services provided, and on receiving no payment, ultimately issued three notices, under the Code to the three Reliance Companies, calling upon them to pay an amount of INR 9.78 crore.

The notices were replied to whereby the three Reliance Companies stated that the performance of Ericsson had been inconsistent. After this date, discussions took place between the parties, and an understanding was reached for making payment of the outstanding invoices. However, even this understanding fell through, and Ericsson issued a letter to the three Reliance Companies, terminating the agreement between them, and calling upon them to pay the outstanding amount in full. At this stage, on, Ericsson filed three applications under Section 9 of the Code as OCs. The NCLT admitted the aforesaid petitions and appointed three Interim Resolution Professionals to carry out the CIRP.

The NCLAT stayed the orders passed by the NCLT, and recorded the statement of counsel appearing on behalf of the Reliance Companies that the matter had been agreed to be settled for a sum of INR 550 crore, which would be paid within 120 days' time. The order recorded that both the Reliance Companies as well as Ericsson were to file respective affidavits of undertaking in terms of the statements made before the NCLT.

Subsequently Reliance Communication moved Writ petition in The Supreme Court to quash the CIRP process in light of the settlement deed. The Supreme Court ordered reliance communication to deposit a sum of Rs. 550 Crores with the Supreme Court registry. The above contempt proceedings are a consequence of non-payment by Rcom despite settlement.

## **Link of the Order**

[https://ibbi.gov.in/webadmin/pdf/order/2019/May/In%20the%20matter%20of%20Reliance%20Communications%20Limited%20Vs%20State%20Bank%20of%20India%20SLP%20\(Civil\)%20No.19580-19585-2018%20Civil%20Appeals%20No.%208057-8062%20-2018\\_2019-05-01%2019:42:07.pdf](https://ibbi.gov.in/webadmin/pdf/order/2019/May/In%20the%20matter%20of%20Reliance%20Communications%20Limited%20Vs%20State%20Bank%20of%20India%20SLP%20(Civil)%20No.19580-19585-2018%20Civil%20Appeals%20No.%208057-8062%20-2018_2019-05-01%2019:42:07.pdf)

