

**GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA**

UNSTARRED QUESTION NO:5753

ANSWERED ON:02.05.2003

ARBITRATION PROCEEDING AGAINST IDBI

GADDE RAMAMOHAN;M.V.V.S MURTHI;NVEDITA MANE;SADASHIVRAO DADOBA MANDLIK

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

- (a) whether the offshore lenders to the Dabhoi Power project recently started arbitration proceedings in London against the Industrial Development Bank of India;
- (b) if so, the details thereof alongwith the reasons therefor; and
- (c) the corrective steps taken by the Government in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) Certain off-shore banks and Overseas Private Investment Corporation (Collectively called as `Claimants1), vide notice dated 17.4.2003, have initiated arbitration proceedings against the Indian Financial Institutions and Banks, viz. Industrial Development Bank of India, ICICI Bank Ltd., IFCI Ltd. and State Bank of India (Collectively called as `Respondents`).

(b) The Notice of Arbitration has been issued under the Inter-Credit Agreement (ICA) seeking a declaration that the respondents have breached the ICA and fiductary obligations to the claimants and have caused damages to them. On the issuance of the Final Termination Notice by the Dabhol Power Corporation for termination of a Power Purchase Agreement entered into between DPC and Maharashtra State Electricity Board, the Indian Financial Institutions filed a suit in the Bombay High Court on 6-11-2001 and obtained an interim order of injuction on 9-11-2001 restraining DPC from issuing an FTN. The IFI filed another suit in the Bombay High Court in March 2002 for appointment of Court Receiver. The Bombay High Court ordered appointment of Court Receiver to take possession of the physical assets, on 2.4.2002.

(c) The proposal for the restart of Phase I of the Dabhol Power Project, as an interim measure and without prejudice to the rights and contentions of various parties, pending overall restructuring of the project and induction of a new sponsor, is being discussed by IFIs with Government of India, Government of Maharashtra and Maharashtra State Electricity Board. Legal Counsel to the IFIs has been advised to weigh the pros and cons so that an appropriate strategy could be developed. The Legal Counsel is in touch with the Offshore (London-based) Counsel in this regard.