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HC ends Ambani bros' feud over gas

Mumbai: The Bombay high court on Monday disposed of a four-year-old legal fight between Mukesh Ambani's RIL and Anil Ambani's RNRL over gas supply, holding that a 2005 memorandum of understanding between the estranged brothers was binding on them. Both companies were asked to renegotiate if necessary and enter into an agreement to ensure that RNRL gets the assured 28 mmscmd (million metric standard cubic metres per day) of gas from RIL at \$2.34 per mmbtu.

The ruling saw RIL's stock closing 7.5% off at Rs 2,180. RNRL closed up 24% at Rs 108 while Reliance Power ended 4% higher at Rs 201, both year-high levels. **TNN P 17**

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HC backs Anil in gas dispute

Ensures RNRL Gets Gas From RIL's KG At \$2.34 As Agreed In 2005 MoU

Swati Deshpande | TNN

Mumbai: Anil Ambani-led Reliance Natural Resources (RNRL) scored a victory over elder brother Mukesh Ambani's Reliance Industries (RIL) on Monday in the second round of the high-stakes legal battle over a gas supply and pricing agreement.

The Bombay high court directed the parties to honour a June 2005 memorandum of understanding (MoU) between the two brothers. It asked the parties to complete the contractual nitty-gritty and enter into a 'suitable arrangement' within a month so that RNRL gets an assured supply of 28 mmscmd gas from RIL's Krishna-Godavari (KG) basin at \$2.34 per million metric British thermal units (mmBtu) for 17 years for its power plant. The MoU envisaged that RNRL would get gas at the same price set by RIL for NTPC.

The RNRL camp is happy as the court upheld its contention that the MoU signed on June 18, 2005 formed the very basis of the scheme of demerger and the reorganisation of the undivided RIL group's businesses. "The MoU and its contents are binding on both parties—RIL and RNRL," said a bench headed by J N Patel in its 324-page verdict as it disposed of appeals filed by both RIL and RNRL against a company court ruling which in 2007 restrained RIL from selling gas meant for RNRL to a third party. The Reliance dispute arose after the Ambani brothers split the group in 2005 following a feud.

The HC had temporarily lifted the ban this January on

THE STORY SO FAR

1999: NELP takes off. Govt invites global tenders for exploration in oil and gas fields. RIL and NIKO emerge successful bidder of KGD6

Apr 12, '04: Production sharing contract (PSC) executed among govt, RIL and NIKO

June 18, '05: MoU signed between RIL promoters family members. Anil Ambani resigns as RIL JMD. Reorganisation of business begins

Dec 9, '05: HC okays RIL demerger scheme. Gas, coal, telecom and fin services businesses go to Anil and Mukesh retains others

Nov 8, '06: RNRL files company application taking dispute with RIL over gas supply to court

May 3, '07: Company judge restrains RIL from creating third party rights in gas meant for RNRL

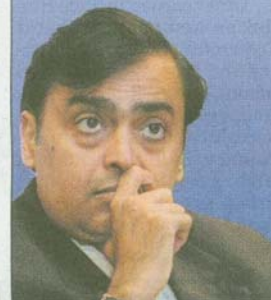
Oct 10, '07: Govt okays market price determined by RIL at above \$4.20 mmBtu

Oct 15, '07: Company Judge upholds RNRL's case, says MOU between parties binding. Directs them to renegotiate GSMA instead of directing a modification of the Scheme

Dec '07: RIL and RNRL file separate appeals against Oct 15 judgment. RNRL said court did not give directions for amendment of gas supply agreement in order to make the scheme workable. Interim order against RIL continues

Jan 30, '09: Mumbai HC concludes hearing. Passes Interim order lifting stay on sale of gas from KGD6

June 15, '09: HC asks both sides to honour 2005 MoU and arrive at a fresh 'bankable agreement' within a month to ensure RNRL gets 28 mmscmd gas from RIL, but till then continues Jan 30 interim order



gas sales from RIL's largest field, paving the way for supplies to fuel-starved fertiliser and power companies. The price for RNRL is below the \$4.20 per mmBtu set by the gov-

ernment for supplies from the field, but the court recalled RIL counsel Harish Salve's claim that RIL would "make a profit even at \$2.34 per mmBtu".

The HC has now asked the

IMPLICATIONS

- The judgment may not immediately result in supply of gas to RNRL
- RNRL cannot trade in the gas
- RNRL and RIL can seek their mother's help again if they disagree during the renegotiations over the contract

brothers to enter into a "bankable agreement" by renegotiating terms and conditions. Significantly, the court has allowed the brothers to fall back on their mother for help. Parties may "revert to their mother Kwikilaben Ambani who had reserved her ability to intervene again" if they fail to enter into a contract in a month, the HC said.

The Anil Ambani group, has two other options: it could file a suit to claim damages against RIL. Besides, if at the end of a month, the scheme makes no headway, ADAG can even go back to the company court for a modification of the scheme. The court, however, has said that RNRL cannot trade in the gas it would get but can only use it in its own plant when it is set up. Once a "bankable contract" is signed, the RNRL lawyers said it would take about 2-3 years to set up a plant and only then would RNRL get the gas from RIL. The HC in any case has said that till a 'suitable arrangement' is drawn up or till the scheme takes effect RIL can enter into contract with third parties for supply of gas.

The MoU, which had set out how the gas supply would be made to RNRL, became the bone of contention in the rag-

ing legal battle that started in 2005 with a company petition filed by RNRL for effective implementation of the Reliance group's demerger scheme.

RIL's argument was that the MoU was merely a family arrangement and was "purely in the private domain and did not fall in the corporate domain and as such had no value." Although it acknowledged that the MoU "strictly speaking did not fall in the corporate domain" the court upheld the arguments of RNRL counsel Ram Jethmalani that the brothers were expected to enter into an agreement in consonance with what was in the MoU. The HC also said the facts lift the corporate veil and show that the MoU was considered when the board meeting of RIL took place to consider the reorganisation.

Mahesh Jethmalani, also advocate for RNRL, told TOI, "All the key issues have been decided in our favour. It is a moral victory as the RIL contention was that the MoU was not binding on them. They were trying to renege on the MoU. RIL said the MoU was not worth the paper it was written on. What is significant is that the legal right for the supply of gas to RNRL by RIL has now been recognised by the court." RIL counsel Milind Sathe declined to comment. But RIL sources said they would read the entire 324-page judgment before deciding their future course of action which could include appealing in the supreme court. There is a lot in the judicial fine print, said a lawyer for RIL, which may delay the gas being supplied to RNRL.