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RCom arm in court for recovering dues from YOU Telecom

The Bombay high court will decide on admitting the case next week

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Mumbai: Reliance Communications Infrastructure Ltd (RCIL), a Reliance Communications Ltd subsidiary, has filed a legal petition against YOU Telecom India Pvt. Ltd for allegedly not paying Rs37 lakh in dues.

Corrections & Clarifications

YOU Telecom clarified that if proceedings are initiated, it will defend the case at Reliance Communications Infrastructure Ltd's "costs and consequence".

It has also sought 30% interest for delayed payment.

YOU Telecom, a broadband service provider owned by **Citigroup Venture Capital International**, Citigroup Inc.'s private equity arm for

growth capital, had in 2007 entered into a contract for bandwidth infrastructure, RCIL said in its petition to the Bombay high court.

"The bills were sent to respondents (YOU Telecom) from time to time. The respondent company has received the bills without raising any dispute of any manner whatsoever. The petitioners (RCIL) called upon the company on several occasions both orally and by emails, but the respondent company failed and neglected to pay the amount," the company said in its petition.

RCIL added it had sent a notice to YOU Telecom in June asking for the payment. A spokesman for RCIL declined more details.

The Bombay high court will decide on admitting the case next week.

YOU Telecom denied the allegations.

"On the face of it, they don't seem to have a case," E.V.S. Chakravarthy, chief executive officer of YOU Telecom, wrote in an email reply to *Mint*, but added that the company was not aware of the proceedings.

"In case any such proceedings are filed, we will defend the case at our cost and consequence."

Chakravarthy said YOU telecom had entered into talks with RCIL in October 2007 to obtain bandwidth, subject to satisfactory service quality in the testing phase.

"As the SLA (service-level agreement) was not met and commissioning did not occur, the contract did not commence post the testing phase. Bandwidth was pumped but not in compliance with the SLA terms," Chakravarthy said. "As no commissioning was done since the service-level parameters were not complied with, the question of payment did not arise."

RCIL, in its petition, has also sought winding up of YOU Telecom. "...the company is unable to pay its debts as and when the same became due and payable and the company is otherwise commercially insolvent. The petitioners therefore submit that in the circumstances it is also just and equitable that the company should be wound up," RCIL stated.

"Any creditor with Rs500 or more owed to him can file a petition under section 433, which calls for winding up of its debtor company," said Siddharth Shah, partner at **Nishith Desai Associates**, a Mumbai-headquartered legal and tax counselling firm. "Generally speaking, it is common for creditors to use this remedy under the law for recovery from defaulting companies."

Sanat Vallikappen contributed to this story.

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