

NCLAT hears Oyo subsidiary's case on May 4 -- Here's all you need to know about the issue so far

The National Company Law Appellate Tribunal (NCLAT) will be hearing the Oyo Hotels and Homes Pvt Ltd (OHHPL) versus Rakesh Yadav's case on May 4 instead of June 7, as it goes for an early summer vacation.

During the last hearing, the court had asked the two parties to file the joint settlement petition. Now, it will pass appropriate directions on that.

However, even as that happens, here's all you need to know about history of the case and why this is crucial for Softbank-backed Oyo, the parent firm of OHHPL.

It all started after a Gurugram hotelier, Rakesh Yadav, accused OHHPL of defaulting on payments and violating an agreement that required it to operate and maintain the hotel under the brand Oyo.

In March, the National Company Law Tribunal (NCLT) admitted a plea for corporate insolvency proceeding against OHHPL, which operates under the brand name Weddingz.in following Yadav's complaint.

It also appointed advocate Keyur Jagdishbhai Shah as the interim resolution professional (IRP), besides asking other creditors of the company to submit their claims as well, in keeping with the insolvency code.

Even as this happened, Oyo was quick to challenge the order in the National Company Law Appellate Tribunal.

During the same week, providing interim relief, NCLAT halted the formation of a committee of creditors following an appeal by OHHPL stating that a demand draft of Rs 16 lakh, the pending amount claimed by Yadav, was issued to him under protest.

However, even as the formation of the committee was halted, the court had not stayed the corporate insolvency resolution process, which meant that other aggrieved hotel owners could still submit their claims.

According to media reports, advocate Shah is learnt to have informed the court during the April 16 hearing that he had received claims worth more than Rs 160 crore against Oyo's subsidiary.

During the same hearing, Oyo submitted that they had settled the case with Yadav, but the latter continued to object. The case was adjourned to May 10, but due to a surge in COVID-19 cases, it had to be re-notified to June 7.

However, Oyo soon filed an application seeking an urgent listing of the case following which the matter was heard on April 30. As per the order issued, it is stated that the two parties have now settled the matter outside the court.

NCLAT on April 30 directed Oyo to file a hard copy of the joint petition.

The court on May 4 will be issuing directions, going forward.

However even as this happens, a group of hotel owners, including those who have submitted their claims to Shah, are crying foul.

In March 2020, the limit for creditors to take a company to NCLT for insolvency proceedings was raised to Rs 1 crore from Rs 1 lakh earlier. Since Yadav's case has been going on since 2019, he is eligible for the claim. However, none of the other claimants can now file a fresh case, given the cap.

This is the only window for small claimants to submit their claims. If they lose this, they have no recourse to file a new petition with NCLT against Oyo.

Said Alipak Banerjee, Leader, International Dispute Resolution, Nishith Desai Associates: "Oyo filed an application seeking an urgent listing of the case, and resultantly, the matter was heard on April 30, where Oyo impressed upon the settlement. The operational creditor accepted the submissions and the parties have been directed to file a joint petition recording the settlement."

"The admission of a corporate insolvency can have serious consequences for the company, impacting its goodwill, reputation, daily operations, and management of the company, and also open doors for various creditors to file claims against the company. This explains Oyo's urgency to record the terms of settlement and get a closure on the case," he added.

Yadav did not comment for the story.

Oyo confirmed that the matter is listed for today. It is yet to comment on the settlement made with Yadav. The story will be updated when it responds.