SC Verdict on Amrapali Homes Case

Why in news?

The Supreme Court cancelled the RERA licence of the Amrapali group in a petition on house construction projects.

What is the case about?

- The Amrapali Group of companies is a Noida-based real estate developer.
- More than 40,000 homebuyers have booked flats and paid-up 40-100% of their dues 5-10 years ago to the group.
- But still, they were stuck due to under-construction of houses, leading them to file writ petitions.
- Bankers to the project had meanwhile petitioned the NCLT (National Company Law Tribunal) questioning the rights of home-buyers as unsecured creditors, to file claims.

What were the irregularities?

- A forensic audit into Amrapali's books has revealed alleged funds diversion on a grand scale.
- Over Rs. 5,000 crore of buyers' funds is believed to have been diverted, via related-party deals and bogus bills, into unrelated ventures.
- These, notably, included family weddings and cars for promoters.
- Statutory auditors too were silent when the company skipped preparing accounts for 3 years.
- The Noida and Greater Noida Authorities, who leased vast tracts of land to the group on token payments, did not cancel them on default.
- Bankers extended loans against doubtful security, not checking end-use.
- Clearly, there had been gross negligence and possible involvement by bankers and civic authorities with the developer.

What is the SC's verdict?

- The Supreme Court upheld the claims of home-buyers over those of financial creditors and government authorities.
- It cancelled the registration of the Amrapali Group of companies under the Real Estate (Regulation and Development) Act, 2016 (RERA).
- The court also appointed the public sector NBCC (India) Ltd to complete the

various under-construction projects.

- [NBCC, formerly known as National Buildings Construction Corp. Ltd, is a government of India Navratna enterprise.]
- The apex court has asked the developer to hand over the possession of apartments after completing the project at a profit margin of 8% that it can charge from the homebuyers.
- The court has also ordered probes into FEMA (Foreign Exchange Management Act), FDI and anti-money laundering violations by the group.

What is the significance?

- Revelations, in this case, brings to light the deep nexus between India's real estate leaders and lenders, and civic authorities who are supposed to regulate them.
- The SC's verdict in favour of Amrapali home-buyers offers hope to thousands of similarly stuck investors across India.
- However, concern remains if similar rescuers like the NBCC could be found for dozens of other stalled projects.
- RERA may be a well-intentioned law that puts buyers' interests first.
- However, its effective enforcement depends heavily on the State government, local authority, bankers and statutory auditors performing their fiduciary roles.

Source: Livemint, Business Line

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