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China Development Bank (CDB) has objected to the \$6 billion merger of Reliance Communications (RCOM) and Aircel's operations even as regulators including the Competition Commission of India have approved the deal.

In its National Company Law Tribunal (NCLT) filing, CDB has referred to an earlier NCLT order based on a representation from RCOM dispensing the need to get lender approvals, which the China-based bank has objected to. Further, CDB has claimed that the assets being transferred between the operators are offered as security to the bank. Therefore, it has sought lender's approval as both the companies have outstanding debt and the lender wants to know who will service the loan commitments. CDB has also sought a creditors' meeting with both companies ahead of the merger to discuss loan settlement terms.

Aircel had sourced equipment from China-based vendors such as Huawei and ZTE, which are backed by loans from China-based banks like CDB. In addition, RCOM has loans worth over \$1 billion from China-based banks. Moreover, CDB accounted for 37.11 per cent of RCOM's total secured debt as of September 2016. However, RCOM had sought a waiver on the loans on the grounds that the deal with Aircel would only affect shareholders. Further, as per RCOM, although the debt would move between the companies, it would not have any impact on the lenders.

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