



## IIPI Newsletter

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Knowledge SBU Initiative

### **Brief analysis of the Working Group on Group Insolvency**

The Insolvency and Bankruptcy Board of India has released the report of the working group on group insolvency, proposing reforms in the legal framework to address insolvency and bankruptcy of companies that belong to the same group. Presently, the Insolvency and Bankruptcy Code, 2016 (IBC) does not provide for a consolidated mechanism to (procedurally or substantively) synchronise insolvency proceedings of corporate debtors within the same group. In spite of this, adjudicating authorities under the IBC (the "AAs") have passed orders taking into consideration corporate debtors and their interconnections with other group companies such as in cases of Sachet Infrastructure, Videocon, Amtek Auto, Jaypee etc.

### **The IBC is a Dynamic Law evolving to meet emerging needs of stakeholders , says IBBI Chairman**

The Insolvency and Bankruptcy Code is a dynamic law evolving to meet emerging needs of the stakeholders to further the objective of the Code. The Code has passed the Constitutional muster and with every challenge, it has come out with stronger roots. The impact of the IBC Code is not only what happens in the Code, but also what happens on account of and under the shadow of the Code. The IBC Code has won the credibility of all categories of stakeholders, said Dr M.S Sahoo, Chairman, Insolvency and Bankruptcy Board of India. Dr Sahoo was addressing the National Conference on Resolving Insolvency in India - Progress and Way Forward, organized by CII in New Delhi on Monday.

### **IBC proceeds formula may be reworked to avoid squabbles, legal delays**

The government is considering a formula for distributing the proceeds of insolvency resolution among financial and operational creditors in a fixed proportion, said people with knowledge of the matter. The goal is to protect the interests of operational creditors and reduce delays due to litigation, ensuring that the objective of the Insolvency and Bankruptcy Code (IBC) is preserved. "This is one of the solutions that is being looked at," an official said. The government will take a final call only after extensive deliberations, he added. Distribution of Resolution proceeds has emerged as one of the key factors behind the extended litigation ,delaying major insolvency cases.

## Point to Ponder

**"Today, there are three kinds of people: the have's, the have-not's, and the have-not-paid-for-what-they have's." ~Earl Wilson**

### **NCLT initiates insolvency proceedings against Aviva Life Insurance**

The National Company Law Tribunal, Bench V, New Delhi has initiated corporate insolvency resolution process against Aviva Life Insurance Co India Ltd under the Insolvency and Bankruptcy Code, 2016 (IBC). Apart from imposing a moratorium in terms of Section 14 of the IBC, the NCLT has appointed Jatin Madan as the Interim Resolution Professional of Aviva Life Insurance. The order was passed by a two-member Bench of Member (Judicial) Justice (Retd.) Rajesh Dayal Khare and Member (Technical) Sumita Purkayastha in a Section 9 IBC plea preferred by Apeejay Trust. The Corporate Debtor, Aviva Life Insurance and the Operational Creditor, Apeejay Trust had entered into an agreement of Leave and License in June 2008 for office premises and other services for the former. However, in spite of several requests, the Corporate Debtor defaulted in making payments towards service tax and license fee to the tune of Rs 27,67,203.

### **NBFC resolution under IBC: It's all about the manner!**

The Insolvency and Bankruptcy Code (IBC), which was enacted in December 2016, is meant for insolvent distressed companies. Eight months later, then Finance Minister Arun Jaitley introduced the FRDI (Financial Resolution and Deposit Insurance) Bill in the Lok Sabha to tackle insolvency of financial service providers (FSPs).

However, the Bill was shelved as it ran into a controversy over the Rs 1 lakh deposit insurance per bank account. The fear was a depositor would be left with just one lakh of her entire life savings, which usually run into lakhs, in the case of a bank failure.

### **Jet Airways, Naresh Goyal under SFIO lens; stock hits lower circuit**

Shares of Jet Airways were locked in the lower circuit band of 5 per cent at Rs 22.2 on the BSE on Monday after reports suggested founder Naresh Goyal was under Serious Fraud Investigation Office's (SFIO) lens for siphoning off funds. The stock has gained 45% at the bourses since October 18, primarily on announcement that the company shall be the first to undergo Insolvency proceedings under the cross border Insolvency Protocol under the IBC. The debt-laden airline suspended operations on April 18, 2019 for want of funds. It was then declared bankrupt and has been looking for resolution since June.

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