



## IIPI Newsletter

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Knowledge SBU Initiative

### **Stricter norms on cards for home buyers taking developers to insolvency**

The Insolvency and Bankruptcy Code (IBC) is likely to undergo further changes, as sources say the Ministry of Corporate Affairs (MCA) would soon move amendments to the code, including protection for new buyers and tighter norms for home buyers in terms of taking developers to the NCLT.

One of the the amendments, which is likely to go to the Cabinet soon, would provide protection to new buyers of an insolvent company against frauds committed by its previous owners.

This would also address cases such as Bhushan Power and Steel where the process has stopped abruptly after ED attached some of the assets of the insolvent company post approval of a resolution plan.

### **Jet creditors seek 90-day extension in insolvency resolution process**

The committee of creditors (CoC) of the beleaguered Jet Airways has decided to file an application before the National Company Law Tribunal (NCLT) for extending the corporate insolvency resolution process (CIRP) of the company by 90 days. Under the Insolvency and Bankruptcy Code (IBC), the CIRP period can be extended by 90 days from the stipulated 180 days if there is a chance of resolution of the firm. The 180-day timeline of Jet ends on December 16. Synergy Group is the only interested entity shortlisted by the Resolution Professional's team to file a plan for the defunct airlines.

### **Videocon Industries posts ₹6,760 crore loss in FY19**

Videocon Industries, which is facing insolvency proceedings, on Wednesday reported a huge loss of ₹6,760.75 crore for the fiscal ending March 2019 against ₹ ₹5,264.04 crore in the year ago period mainly due to a sharp fall in income.

Videocon is under Corporate Insolvency Resolution Process under the Insolvency and Bankruptcy Code and since September its affairs, business and assets are being managed by Resolution Professional Abhijit Guhathakurta.

The financial results has been approved by the RP (Resolution Professional), the company said in a regulatory filing. Total income declined to ₹1,062.62 crore in 2018-19 from ₹3,423.91 crore in the previous year. In the January-March quarter, the company's loss widened to ₹1,638.40 crore from ₹1,023.08 crore in the comparable period of 2017-18.

## Point to Ponder

**"Breach of Promise is no less an act of Insolvency than a refusal to pay one's debt"**

**-Mahatma Gandhi**

### **No automatic stay on enforcement of arbitration award if challenged: SC**

A three-judge Bench of the Supreme Court, led by Justice R F Nariman, has struck down Section 87 of the Arbitration and Conciliation Act, 1996, which was inserted through 2019 Amendment Act. The provision provided for an automatic stay on enforcement of the award once the opposite party challenged the award in court. The Bench noted that on an average, about six years were spent in defending these challenges, and the money, therefore, is stuck for a long time. The case was filed through a writ petition in the Apex Court by infrastructure firm Hindustan Construction Company (HCC) and Gammon India.

### **Law firms are laughing all the way to the bank amid swelling IBC, GST cases**

There seems no slowdown in the business of law as the country's legal sector has increased its fee income by more than 62% in two years at \$2.1 billion, or about Rs 15,000 crore, a recent report shows. A slew of cases involving litigation on account of new laws such as Insolvency and Bankruptcy Code and the implementation of goods and service tax (GST) regime, together with robust deal making by India Inc, helped fill the coffers of law firms, according to London-based RSG Consulting that tracks legal markets.

### **Inclusion of NBFCs into IBC credit positive for banks: Moody's**

Global rating agency Moody's Investors Service in its latest report has said that the inclusion of Non-banking Financial Companies (NBFCs) into the Insolvency and Bankruptcy Code (IBC) is credit positive for banks (NBFCs' biggest source of funds) because IBC provides for the orderly resolution of a stressed NBFC company.

According to the report, the close involvement of the Reserve Bank of India (RBI) in the resolution process indicates the importance of the NBFC sector to overall financial stability, including the direct effect of any systemically important NBFC's failure on banks and other credit providers. Recently, the government had empowered RBI to refer stressed NBFCs and housing finance companies (HFCs) having assets worth of at least Rs 500 crore to insolvency courts after notifying Section 227 of the IBC.

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