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Knowledge SBU Initiative

For the first time, IBC process ordered for failing to pay an insolvency services company

NCLT has ordered insolvency resolution process against a company in probably the first such case in India where the petitioner that approached the bankruptcy court alleging payment default is a firm that had earlier provided it services on insolvency resolution. The NCLT's Hyderabad bench has ordered the proceedings at Sri Yadadri Life Sciences (SYLS) for the alleged default in payments to Adroit Financial Services (AFS) for advice given on insolvency.

IBBI amends voluntary liquidation process regulations

A liquidator will have to deposit unclaimed dividends and undistributed proceeds in a separate account before seeking dissolution of a corporate debtor under the voluntary liquidation process, according to the IBBI. The Insolvency and Bankruptcy Board of India (IBBI) has notified changes to the voluntary liquidation process regulations.

With the amendments, a liquidator has to deposit unclaimed dividends and undistributed proceeds in a liquidation process along with any income earned thereon into the Corporate Voluntary Liquidation Account before submission of an application for dissolution of the corporate person, a release said on Thursday.

Jaiprakash Power Ventures to exit insolvency process

Jaiprakash Power Ventures lenders, led by ICICI Bank, have restructured its debt by converting much of it into equity or convertible instruments, and approached the National Company Law Tribunal (NCLT) to withdraw their application for starting of bankruptcy proceedings.

The outstanding debt of the Jaiprakash Associates group company has reduced to less than Rs 6,000 crore, from more than Rs 11,000 crore, following the restructuring. The terms involve an interest write back of about Rs 2,000 crore that will help the company report a net profit this fiscal, people in the know said.

POINT TO PONDER

*"No one can whistle a symphony. It takes a whole orchestra to play it."
– H.E. Luccock*

Insolvency and Bankruptcy Code: Notice to govt on pleas challenging IBC amendments

The Supreme Court on Monday sought response from the government on a couple of petitions challenging the validity of a recent amendment to the IBC introducing a threshold of at least 10% of homebuyers in a project or 100 of the total allottees for initiating insolvency proceedings against the real estate developer.

A Bench issued notice the ministries of finance, law and corporate affairs on the petitions filed by homebuyers and the Association of Karvy Investors, challenging the Insolvency and Bankruptcy Code (Amendment) Ordinance 2019. The apex court also asked parties to maintain a status quo with regard to the application filed by homebuyers for initiating insolvency proceedings in the National Company Law Tribunals.

CBI arrests insolvency resolution professional appointed by NCLT

CBI has arrested an IRP appointed by the NCLT and another person for allegedly receiving a bribe of Rs 3.5 lakh from a consultant by threatening him with a criminal case, officials said on Monday.

In what is likely to be the first corruption case by the CBI against an NCLT-appointed IRP, the agency has taken into custody Arun Mohan, the IRP, and his friend Paresh Kumar, CEO of New Delhi-based Multimax Asset Reconstruction Pvt Ltd for allegedly receiving a bribe of Rs 3.5 lakh against a demand of Rs 5 lakh.

IL&FS plans equitable distribution of sale proceeds to creditors

In a relief to operational, unsecured creditors and provident funds, the IL&FS board has decided to revise the distribution framework for group resolution. The new board proposed to release 55 companies out of moratorium. Some of these companies are under corporate insolvency process or facing liquidation and a few entities have limited business operations, the board told NCLAT.

The new board proposed a mechanism for distribution of the financial bid amounts or liquidation amounts for considering the interest of each set of creditors. After paying the distribution of net sale proceeds to creditors under the IBC's waterfall mechanism, the remaining amount will be distributed to each class of creditors on pro-rata basis. Once approved, it will set a precedent for group resolution.

***Feedback requested at ipa@icai.in**