



IIPI Newsletter

October 11, 2019

Volume 3, Number 28

For Internal Circulation Only

Knowledge SBU Initiative

Time-bound e-bidding to speed up IBC resolution

The government is actively considering introducing a short, time-bound, online financial bidding process in corporate insolvency cases to improve transparency and reduce litigation.

Currently, creditors of a company undergoing insolvency proceedings are free to negotiate with potential bidders individually, which has led to offers being revised, bids coming in after the deadline and associated litigation, prolonging the process. The center aims to quicken the resolution proceedings by setting a time limit for financial bids.

Bankruptcy watchdog IBBI seeks views on regulating business of valuation

The Insolvency and Bankruptcy Board of India (IBBI) has sought public comments for a total revamp of the way professionals who assess the worth of businesses are regulated. The bankruptcy watchdog's notice inviting comments suggests the government's idea is to go for a radical recast of the way valuation professionals are currently regulated, including by possibly setting up central and state level regulators with quasi-judicial powers and an appeal mechanism. IBBI also wants to know the right qualification and model for education of valuation professionals, the appropriate body for conducting examinations and which global model to be followed in the new regulatory framework.

Realtors in bankruptcy court double in past year

The number of property developers who have been dragged to the bankruptcy code has more than doubled in less than a year as a prolonged slump in sales and the outgoing liquidity crises make things tough for many in the country.

For the period ended June 30, as many as 421 realtors were under the corporate insolvency resolution process (CIRP), up from 209 as of September 30 last year, data from Insolvency & Bankruptcy Board of India show. Out of 421 cases 257 are ongoing, while the remaining have been closed, which means these have been dissolved, withdrawn or the firms face liquidation. The number of ongoing cases will rise further unless the liquidity crises is arrested, experts say.

Point to ponder

“An Expenditure of words without Income of ideas will lead to intellectual Bankruptcy”

Ravi Zacharias

Mumbai Police seizes property worth ₹500 cr in PMC Bank case

The Economic Offences Wing (EOW) of Mumbai Police on Monday seized property worth ₹500 crore belonging to certain entities involved in the alleged ₹4,355.43 crore financial scam at Punjab and Maharashtra Co-operative (PMC) Bank Ltd, a top investigating official said. The official did not disclose whether the properties seized were from Housing Development and Infrastructure Ltd (HDIL), whose promoters were arrested last week in connection with the case. With the latest attachment, the total amount of seizures is estimated at around ₹4,000 crore, he said, requesting anonymity. The EOW has registered an FIR against the Wadhawans, PMC Bank and its former managing director Joy Thomas. According to the preliminary probe by the EOW, the bank did not report its exposure to HDIL for 6-7 years.

IBC Has Overriding Effect Over Tea Act; Central Govt. Consent Not Required For Initiating Insolvency Proceedings: SC

The Supreme Court has held that the provisions of the Insolvency and Bankruptcy code will have an overriding effect over the Tea Act ,1953 and even without such consent of the Central Government , the Insolvency proceeding under section 7 or section 9 of the IBC initiated by the operational creditor shall be maintainable. The bench of Justice Arun Mishra , Justice MR Shah and Justice BR Gavai dismissed the appeal filed against the National Company Law Appellate Tribunal which had held that it would be maintainable.

Concerned about stress in financial sector, Government to bring NBFCs under insolvency code

The government is set to bring non-banking finance companies within the ambit of the Insolvency and Bankruptcy Code, but in a slightly tweaked form, for smoother resolution of these entities and firewall the rest of the financial system from any possible adverse impact. The move comes at a time when several NBFCs are under stress and is based on the government’s experience with IL&FS, where it had to step in and appoint a new board after superseding its directors. A year down the line, resolution has been slow and the government has been forced to step in to ensure smooth resolution of assets to ensure that banks and finance companies that have an exposure to IL&FS group are not impacted by the crisis

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