



IIPI Newsletter

February 14, 2020

Volume 05, Number 07

For Internal Circulation Only

Knowledge SBU Initiative

Adani, Vedanta in race to buy Lanco plant

Adani Group and Vedanta are competing to acquire Lanco Amarkantak power plant located in the mine-rich Korba area of Chhattisgarh after it was admitted for insolvency proceedings by NCLT last year. Both parties are conducting due diligence on the power plant, which has 600 MW of operational thermal power capacity, 1,320 MW of under-construction capacity, and another 1,320 MW at the planning stage, after expression for interest was invited in December; neither has made a financial offer yet.

Distributors move NCLT seeking classification as financial, operational creditors

Aircel distributors filed application in the NCLT seeking classification as financial or operational creditor in the firm's insolvency matter. More than 53 distributors, who have been classified as other creditors by the resolution professional of Aircel, sought to be classified either as financial or operational creditor. The distributors informed the tribunal that they had purchased vouchers and other products under the distributorship agreement, which was in force till February 2018. Aircel did not deliver the products or return their payments, they added. Meanwhile, Indus Towers sought directions from the NCLT against the resolution professional, saying it is opposed to the resolution plan.

Homebuyers object to Insolvency code amendment, approach parliamentary committee

The Forum for People's Collective Efforts (FPCE), a national lobby of homebuyers, has approached the Jayant Sinha-headed parliamentary standing committee on finance with its objection to a proposed amendment to the IBC. The second amendment to the bill was presented in the Lok Sabha in the winter session. The proposed amendment requires a minimum threshold of homebuyers to come together in order to initiate proceedings under the IBC against an errant builder. In December 2019, the government had passed an ordinance to amend the code, with the result that a threshold of minimum 100 homebuyers or 10% of total homebuyers in a project, whichever is less, is required to take the builder to an insolvency court.

POINT TO PONDER

"The pessimist complains about the wind. The optimist expects it to change. The leader adjusts the sails." -John Maxwell

Insolvency of real estate firms to be limited to project, not across group: NCLAT

The NCLAT has held that any insolvency process initiated by a homebuyer or a financial institution would be limited to the project concerned and not impact other projects of developers. While this may help real estate builders complete stuck projects faster, this order, say some legal experts, is contrary to the fundamental tenets of insolvency and secured transactions law, may shortchange many creditors and lead to chaos, they believe

NCLAT dismisses RNA plea against insolvency proceedings

The NCLAT has dismissed a plea challenging initiation of insolvency proceedings against realty developer RNA Corporation. The NCLT had in December passed an order to start insolvency proceedings against the Mumbai based developer after admitting a plea by Bank of India (BoI) over term loan default. Anubhav Agarwal, managing director of RNA Corp, moved NCLAT challenging the NCLT order on the ground of limitation, stating that BoI has already moved the second application under Section 7 of the IBC for the same set of claims against another guarantor, Chamber Constructions, and is, therefore, not maintainable. The court has found no merit in this appeal.

Punj Lloyd founder seeks to reclaim company from bankruptcy

Punj Lloyd founder Atul Punj has made an offer to banks to reclaim his company from ongoing insolvency proceedings at the NCLT, according to four people aware of the matter. The move comes after banks' attempts to attract a bidder yielded no results in the past nine months. Punj has proposed to settle part of the banks' dues over 10 years and offered to pay a 'small' upfront sum in return for transfer of the management back to him, according to these people. The settlement offer also includes handing over some fixed assets to the company's bankers, one of the people said. The company's resolution professional Ashwini Mehra recently approached NCLT to seek a 60-day extension for the insolvency process to buy time for banks to consider the offer.

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