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Knowledge SBU Initiative

NCLT reserves order on resolution plan of Aircel

The dedicated bankruptcy court has reserved for order the resolution plan for Aircel, whose proposed buyer is asset reconstruction firm UV Asset Reconstruction Company Ltd (UVARCL). According to the resolution plan for bankrupt Aircel, the total realisation for financial creditors will be Rs 6,600 crore, against claims of about Rs 20,000 crore. In the resolution plan mentioned in NCLT, this realisation will happen when UVARCL manages to sell Aircel's assets. There will be no upfront payment made to the lenders but they will get zero optionally convertible debentures spread over a period of five years.

Avoid bankruptcy trial for companies with minor defaults: FinMin

The Finance Ministry has issued an advisory to the Indian Banks' Association (IBA) asking it to avoid referring companies with loan defaults of less than Rs. 200 crores to the bankruptcy tribunal, two bankers familiar with the matter said. The Ministry has also proposed that the banks work with promoters to ensure that under no condition would the companies be forced into closure which leads to job losses.

Latest Insolvency and Bankruptcy Board of India data showed 58% of all closed cases under bankruptcy till date were via liquidation while only 14% cases were resolved with an average haircut of nearly 57% on admitted claims. The number of cases admitted to NCLT in the December quarter was the second highest so far, 50% of which was referred by financial creditors. This clearly indicates that despite the new RBI rule on stressed asset resolution, bankers continue to use IBC as a framework of resolution.

Lenders to extend inter-creditor agreement for Suzlon resolution

Lenders to Suzlon are reportedly looking to extend the inter-creditor agreement (ICA) till April 30, 2020, to get more time to come up with a resolution. The standstill period of 210 days for the ICA of the consortium of lenders expired in January 2020. The extension of ICA is seen as a last mile effort by the lenders to come up with a solution for the troubled wind turbine maker. As per the June 7 circular of RBI, banks will need to make additional 20% provisioning in the March quarter since the resolution could not be completed in 210 days period.

POINT TO PONDER

*"Leadership is about making others better as a result of your presence and making sure that impact lasts in your absence."
— Sheryl Sandberg*

HDIL resolution process: NCLT allows exclusion of over 100 days

The dedicated bankruptcy court has allowed exclusion of around 106 days from the CIRP of Housing Development and Infrastructure Ltd. A counsel for the company's RP informed the NCLT that since the promoters had challenged the order of NCLT at the NCLAT, that time can be excluded from CIRP.

Umang Realtech insolvency resolution process to be closed

The NCLAT has decided to close CIRP against Delhi-based developer Umang Realtech, if the company manages to complete the work by August 2020. Insolvency process was started after a buyer of Winter Hills-77 Gurgaon, a project of Umang Realtech, where Uppal housing is one of the promoters, had approached NCLT. However, the flat buyers moved the NCLAT against the order and Uppal agreed to complete the flats.

JetLite staff moves NCLT to be part of Jet's insolvency resolution

The employees of JetLite, a subsidiary of Jet Airways, have moved the dedicated bankruptcy court to be part of the corporate insolvency resolution process of the defunct carrier. The employees approached the Mumbai bench of the NCLT with the argument that when they had approached the RP, their claims were rejected. "Claims submitted to the Jet Airway's RP are being rejected and JetLite's employees are being neglected," argued the counsel for the employees of JetLite. "Jet Airways and JetLite are interdependent entities. The dues of JetLite employees are around Rs 50 crore."

Resolutions via IBC see a big fall in third quarter

Realization by financial creditors through the IBC has fallen drastically in the fiscal third quarter, resurfacing industry concerns over slowing recoveries that are increasingly prompting lenders to seek out-of-court settlements. Data from the IBBI showed that financial creditors realized just 12% of their claims in the quarter-ended December, down from 34% in the quarter-ended September. Two large cases, namely EMC where Rs 6,150 crore of claims were admitted and Ushdev International where Rs 3,293 crore of claims were admitted, yielded just 9% and 6%, respectively, pulling down the total for the quarter.

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