



## IIPI Newsletter

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Knowledge SBU Initiative

### **Govt likely to table new clause to pause initiation of CIRP for 6 months**

The Ministry of Corporate Affairs (MCA) has prepared a proposal to suspend the initiation of corporate insolvency against companies for a period of six months to prevent companies from being dragged into insolvency, due to the impact of the nationwide lockdown amid the COVID-19 outbreak. The proposal is set to be placed before the Union Cabinet soon, according to sources aware of the development.

### **Approved Resolution Plan Binding On Govt Authorities**

The Rajasthan High Court has quashed the notices issued by the Goods and Services Tax Department against Ultra Tech Cement claiming the dues of erstwhile Binani Cements Ltd. The Court noted that the GST department had unsuccessfully challenged the resolution plan before the Supreme Court. Therefore, the court held that *"We are of the firm view that the authorities should have adopted a pragmatic approach and immediately withdrawn the demands rather than indulging in totally frivolous litigation, thereby unnecessarily adding to the overflowing dockets of cases in the courts"*.

The court emphasized that IBC was a special law and that the purpose is to revive dying industry by providing an opportunity for a resolution applicant to take over the same and begin the operation on a clean slate.

### **In first deal outside NCLT, RattanIndia rescued by foreign funds; lenders take 38% haircut**

In the first instance of resolution of a stressed power asset outside the IBC mechanism where the promoters have retained management control, a consortium of lenders led by Power Finance Corporation has agreed to take a 38% haircut against their exposure of Rs 6,575 crore to RattanIndia Power's 1,350 MW Amravati plant.

Aditya Birla Asset Reconstruction Company will take over the power plant's balance Rs 4,050-crore debt with funding from foreign funds including Goldman Sachs and Varde Partners. After this arrangement, the old lenders' consortium and the ARC will own 15% each in RattanIndia Power.

## POINT TO PONDER

*"Talent wins games, but teamwork and intelligence win championships."  
– Michael Jordan"*

### **MSME loan portfolio of NBFCs, MFIs likely to see collections drop post moratorium as well**

Small business loan portfolios of NBFC and microfinance institutions (MFI) are expected to see a decline in their collections even after the three-month moratorium period is over, CARE Ratings said. "Amidst lockdowns, the earning capacity of this class of society, as well as that of small traders and shopkeepers, would be severely affected," it said in a note on Monday. As a result, the microloan and MSME loan portfolios of NBFCs and MFIs are "likely to experience a significant drop in collections post the moratorium period as well."

*"This is unprecedented. While there will be some players who may have a higher collection and some may have a lower collection and we don't know the range but it could be 75-80 per cent," Sanjay Agarwal, Senior Director, CARE Ratings told Financial Express. The MSME loan portfolio of NBFCs and MFI might see a significant increase in delinquency levels amid the Covid-19 impact as the lower-income groups, typically labourers and daily wage earners may be hit hardest, the rating agency had said earlier.*

### **IBC suspension: Creditors to take a hit, but breather for several firms**

The proposed suspension of insolvency proceedings for six months will hit both financial and operational creditors, experts said. However, the breather might allow several companies unable to service their debt to ward off the threat of being dragged to the insolvency courts for another short period. In fact, a section of experts believes that a six-month breather from the IBC may not be adequate, given the growing uncertainties about an economic recovery and the ability of the companies concerned to service debt anytime soon.

While banks will see a spike in capital provisions and would be unable to move to look for a new buyer for the stressed company, it could take a much longer time for operational creditors to recover their dues in the absence of legal recourse. *"Some operational creditors could be in trouble if they are not paid for goods and services but have no legal recourse,"* experts said.

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