



IIPI Newsletter

May 1, 2020

Volume 5, Number 18

For Restricted Circulation Only

Knowledge SBU Initiative

NCLT: Pay VBC staff salary from fixed deposit

The NCLT in Hyderabad on Tuesday directed the IRP currently involved in the corporate insolvency resolution process pertaining to VBC Industries Ltd to pay the salaries to the employees of VBC by defreezing a fixed deposit in the name of the company. Following a Rs 100 crore default to finance company IFCI, the tribunal earlier initiated the insolvency process against the company. "*The company has not been paying the salaries to the staff since January this year,*" N Harinath, the counsel for the employees said.

Jet Airways' RP asks SpiceJet to pay up for leased engines

The Resolution Professional of the grounded Jet Airways has served a notice to SpiceJet seeking payment for engines that were leased out to the latter. Jet Airways was dragged to the NCLT over unpaid dues in June 2019.

The tribunal had considered Jet Airways as a 'going concern', after which a few of Jet Airways' assets had been leased out to industry players in order to recover some cost. Some of the engines from aircraft flown by Jet Airways were mounted on the fleet of SpiceJet. SpiceJet was to pay a lease amount for the same. These engines are owned by Jet Airways.

NCLAT Ruling on Sole Proprietorship: A Step in Right Direction but Dust Far from Being Settled

The NCLAT in the recent case of *Neeta Saha v. Ram Niwas Gupta* decided upon one of the most contentious issues – Can a sole proprietor initiate CIRP under the IBC. The court answered the above proposition in affirmative and said that sole proprietorship can file and initiate CIRP proceedings but added a caveat that the application must be filed through the proprietor himself. The court also added that Section 2 of the Code will be applicable to a sole proprietorship and gave an expanded meaning to the term "persons" defined under Section 3(23) of the Code.

POINT TO PONDER

***"Coming together is a beginning, staying together is progress, and working together is success."
– Henry Ford***

Banks set to declare Cox and Kings exposure as 'fraud' account

Lenders to troubled tour operator Cox & Kings are set to declare the exposure as a 'fraud' account after Pricewaterhouse Coopers (PWC) submitted an audit report. This classification will require banks to make provisions of 100% of the total amount due to them as per RBI guidelines. State Bank of India (SBI) and IndusInd Bank had already red-flagged the account in December 2019. Cox & Kings' total dues to financial creditors stand at Rs 5,900 crore. Many banks have already provisioned 15-25% till December 2019 for the account. Suspecting a fraud, the lenders to Cox & Kings had roped in PwC for a forensic investigation into the matter and the role of senior executives of the company

Lenders receive money for Alok Industries resolution from RIL and JMFARC

A year after the NCLT approved the resolution for Alok Industries, the lenders of troubled textile manufacturer have finally received Rs 5,052 crore last month from Reliance Industries (RIL) and JM Financial Asset Reconstruction Company (JMFARC), as part of resolution plan.

It'll be difficult to disburse interim funds to IBC firms: CS Setty, managing director, State Bank of India

Although current tight cash flow condition is going to impact value maximisation of stressed assets undergoing insolvency resolution, it would be difficult for any lender to take a decision on disbursing interim finance to these firms as of now, says CS Setty, managing director, State Bank of India

Govt moves NCLT to take charge of Delhi Gymkhana Club

The Centre has moved a petition seeking a change of management of the Delhi Gymkhana Club and appointed its 15 nominees as administrators to run the affairs of the sprawling facility in Lutyens' Delhi. The petition was filed by the Ministry of Corporate Affairs in the NCLT, seeking action under Section 241 and 242 of the Companies Act that allows a member of a company to seek relief if the affairs of the entity are being run in a manner "prejudicial to public interest" or is "oppressive", among other things.

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