



## IIPI Newsletter

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Knowledge SBU Initiative

### **SEBI acts against Monnet on pre-IBC violations**

An order against Monnet Ispat & Energy for violating disclosure norms five years ago has put the spotlight on the legal liabilities of buyers taking over debt-laden and distressed assets in bankruptcies, with experts saying the charges for past lapses be laid at the door of the erstwhile owners.

The Securities and Exchange Board of India (SEBI) passed the order alleged disclosure violations in FY16, when the previous owners were at the helm. In 2018, a consortium that included Aion Investments and JSW Steel took over the debt-laden company.

### **NCLT reserves order against Anil Ambani in a plea filed by SBI**

The insolvency court has reserved its order on the plea filed by the State Bank of India (SBI) against Anil Ambani to recover over Rs 1,200 crore.

The public sector lender had approached the Mumbai-bench of the NCLT under Section 97(3) of the Insolvency and Bankruptcy Code, seeking its intervention to direct the insolvency board to nominate a resolution professional to assess and submit a report on the assets owned by Ambani.

The public sector lender had moved the insolvency court to recover more than Rs 1,200 crore under the personal guarantee clause of the bankruptcy law. The lender had said Ambani had personally guaranteed loans taken by Reliance Communications, currently undergoing insolvency proceedings, which the state-owned lender is trying to recover.

### **Explained: How the NCLT ruling on Delhi Gymkhana Club could set a precedent**

The Principal Bench of NCLT has ruled that the Delhi Gymkhana Club was acting in a manner prejudicial to "public interest" and therefore must be probed. A single member bench of acting president B S V Prakash Kumar ruled that a five-member central government-appointed panel should look into the affairs of the club, including the land usage and various policies on member admissions it has had over the years.

## POINT TO PONDER

*"The delicate balance of mentoring someone is not creating them in your own image, but giving them the opportunity to create themselves."  
- Steven Spielberg*

### View: Rescue solvent companies but kill off zombies

Former Chief Economic Advisor Arvind Subramanian said India had moved from socialism with limited entry (for firms) to capitalism without exit. Alas, capitalism without exit is zombieland, full of companies neither dead nor alive.

The problem has been intensified by Covid-19 and lockdowns. These have mortally wounded lakhs of firms that have then been rescued by loan moratoriums, loan guarantees, and evergreening of debts. This provides immediate relief but creates ever-more zombies.

### DHFL to divest stake in life insurance firm outside IBC

Dewan Housing Finance Corporation Ltd (DHFL) is reportedly planning to divest its 51% stake in unit Pramerica Life Insurance for INR25bn (\$331m).

According to the reports, the sale is being planned outside the IBC resolution process.

DHFL holds the stake in Pramerica Life Insurance through its wholly-owned subsidiary DHFL Investments. This allows lenders to the housing finance company to attempt a sale outside the bankruptcy process.

The sale process is set to begin in a few weeks and the sale proceeds will scale up the housing finance company's cash holdings, making it a more attractive proposition for bidders, reported Bloomberg.

### Over Rs 3 lakh crore dues, IBC changes add to MSMEs' liquidity woes

As per a recent Brickwork Ratings study, MSMEs have nearly Rs 3.3 lakh crore of their funds stuck with strong large corporates in form of receivables. "The liquidity crunch being faced by MSMEs is on account of two key issues, including the lack of a funding line from the banking system and stretched working capital because of low bargaining power with large corporates to have payments released," it said.

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