



INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

(Company formed by ICAI under Section 8 of the Companies Act 2013)

IBC Case Law Capsule

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PRATAP TECHNOCRATS (P) LTD. & ORS. VS. MONITORING COMMITTEE OF RELIANCE INFRATEL LIMITED & ANR

CIVIL APPEAL NO 676 OF 2021

DATE OF SUPREME COURT JUDGMENT: AUGUST 10TH 2021

“THE JURISDICTION OF THE ADJUDICATING AUTHORITY AND THE APPELLATE AUTHORITY CANNOT EXTEND INTO ENTERING UPON MERITS OF A BUSINESS DECISION MADE BY A REQUISITE MAJORITY OF THE COC IN ITS COMMERCIAL WISDOM.”

Facts of the Case: -

This appeal was filed by Appellant (Pratap Technocrats (P) Ltd.) under Section 62 of the IBC, 2016, against judgment of the NCLAT. The appellants are operational creditors “OC” of the Reliance Infratel Limited-Corporate debtor “CD”. NCLT-Mumbai Bench had approved the resolution plan formulated during the CIRP of the Corporate Debtor and the same was upheld by NCLAT.

The facts of the case are that during the Corporate Insolvency Resolution Process “CIRP”, Reliance Digital Platform and Project Services Limited “Resolution Applicant” had successfully submitted a Resolution Plan which was duly approved by the CoC of the CD and subsequently approved by the NCLT.

The Appellants challenged the decision of NCLT in the Appellate Tribunal stating that the Appellants were kept unaware of the CIRP and no details were provided regarding the disposal of the fund towards their claims, their claims had not received a fair and equitable treatment, the fair market value and the liquidation value of the CD had not been taken into account and value of certain preference shares, did not form a part of the corpus of payments to the OC, material irregularities in the accumulation and disbursement of funds that constituted the corpus of the CD; and the appellants were made to suffer a reduction of total & Substantial claims. NCLAT rejected the appeal of the Appellants stating that it did not find any substance in the Appeal.



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Supreme Court's Observations

The Court stated that the submissions made by the Appellant failed to substantially prove by any concrete material before the Court that there has been a failure to maximise the value of the assets, apart from the reference to the preference shares. Whether the interest of all stakeholders, including the OCs, has been adequately balanced has to be determined within the four corners of the statutory provisions of the IBC. Further, the jurisdiction of the AA is circumscribed by the terms of the provisions conferring the jurisdiction. In the present case, the approved resolution plan has provided for the payments to OCs, the percentage of recovery being 19.62 per cent. On the other hand, the payment to financial creditors is 10.32 per cent.

It further reviewed various previous judgements and stated that the previous decisions have laid down that the jurisdiction of the AA and the Appellate Authority cannot extend into entering upon merits of a business decision made by a requisite majority of the CoC in its commercial wisdom. Nor is there a residual equity-based jurisdiction in the AA or the Appellate Authority to interfere in this decision, so long as it is otherwise in conformity with the provisions of the IBC and the Regulations under the enactment.

Order: -

The Apex Court dismissed the appeal stating that it found no merit in the appeal. The apex court stated that the resolution plan was duly approved by a requisite majority of the CoC. Hence, once the requirements of the statute have been duly fulfilled, the decisions of the AA and the Appellate Authority are in conformity with law.

Case Review: - *Appeal Dismissed*