



## INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

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# IIPI Newsletter

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### Future Lifestyle Fashions received two resolution plans

Future Lifestyle Fashions, a subsidiary of the Future Group, owns retail properties such as Central and Brand Factory, owes over ₹5,700 crore to its various creditors, the bulk of the dues to financial creditors that include 11 banks.

According to media reports, when CIRP started in May 2023, had about 26 leased stores, down from the 331 stores at the end of 2021. Created out of the demerger of the fashion business of Future Retail, it was a leading lifestyle and fashion brand selling apparel and accessories across the spectrum. Earlier, the CoC had rejected the lone resolution plan submitted by Space Mantra.

**For More Details, Please Visit:**

<https://www.thehindubusinessline.com/companies/future-lifestyle-fashions-gets-two-resolution-plans/article67550608.ece>

### News Update

*\*For Internal Circulation Only*

*\*Knowledge SBU Initiative*

### No Casual Interference with Commercial Wisdom of the Committee of Creditors: Supreme Court

The Apex Court observed that although nobody had moved before the Adjudicating Authority or raised any objection challenging the Resolution Plan, but its approval was kept in abeyance only on the ground of an estimated haircut of about 94.25%. Furthermore, the Bench observed that the Resolution Professional has complied with the statutory requirement of involving two approved valuers for giving reports apropos fair market value and liquidation value. Both reports did not show much variance and the same was placed before the CoC.

“Stricto sensu, it is now well-settled that within the CoC’s domain as to how to deal with the entire debt of the Corporate Debtor (CD). In this background, if after repeated negotiations, a Resolution Plan is submitted, as was done by the appellant (Resolution Applicant), including the financial component which includes the actual and minimum upfront payments, and has been approved by the CoC with a majority vote of 88.56%, such commercial wisdom was not required to be called into question or casually interfered with,” said the Supreme Court and set aside the order of ‘reevaluation’ of the CD by the Official Liquidator i.e., Ministry of Corporate Affairs (MCA). Besides, it directed the NCLT to pass appropriate orders in application for approval of Resolution Plan. The Appeal was filed by Ramkrishna Forgings Ltd. the Successful Resolution Applicant (SRA) who’s Resolution Plan to takeover ACIL (Corporate Debtor) was approved by the CoC but kept in abeyance by the AA due to estimated huge haircut and avoidance transaction of approximately ₹1000 Crores.

**For More Details, Please Visit:** <https://www.livelaw.in/top-stories/ibc-no-casual-interference-with-commercial-wisdom-of-coc-supreme-court-sets-aside-nclt-direction-to-reevaluate-corporate-debtors-assets-242841?infinitescroll=1>

## News Roundup

### NCLT rejects a Base Resolution Plan under Pre-Pack as it attempted to 'circumvent SEBI's Takeover Regulations'

Observing that the 'Base Resolution Plan' submitted for an MSME, attempted to circumvent SEBI Takeover Regulations, the NCLT has refused to approve the Plan. The Plan has reportedly proposed a 100% write-off of promoter shareholding and 12/13 of public shareholding. Additionally, the plan sought an exemption from compliance with SEBI Takeover Regulations. On perusal of the financial statements, the bench noted 'Nil Revenue' was reported by the CD for FY 2020-21, FY 2021-22, and FY 2022-23. "Present application is not intended towards resolution of the CD but is an attempt to circumvent the Takeover Regulations of SEBI by bringing M/s WZ Enterprises Pvt. Ltd. in control," said the Court.

**For More Details, Please Visit:** <https://lawbeat.in/news-updates/attempt-circumvent-sebi-takeover-regulation-nclt-rejects-base-resolution-plan-under-section-54c-ibc>

### NCLT grants 90 days extension to Go First airline with direction to RP to submit Action Plan for those 90 days

The extension has been made effective from 6th Nov. 2023 to 4th Feb. 2024. According to media reports, the airline has obtained an expression of interest (EoI) from one Prospective Resolution Applicant (PRA), who is required to submit a formal Resolution Plan by 21st Nov. 2023. As the CIRP period was due to expire on 6th Nov., the extension was necessary to allow the PRA to submit the Resolution Plan. The Resolution Professional has reportedly said to media persons that if no Resolution Plan is received from interested parties, a fresh bidding process will be initiated. The grounded airline's Committee of Creditors, with significant stakes held by Bank of Baroda, Central Bank of India, and IDBI Bank, unanimously supported the CIRP extension.

**For More Details, Please Visit:** <https://www.livemint.com/companies/news/nclt-extends-go-firsts-moratorium-period-seeks-action-plan-11700721260651.html>

### Zhongzhi Wealth Manager's \$58-64 Billion Debt Crisis Sparks Concerns of Broader Impact on China's Financial Sector-

Zhongzhi Enterprise Group, a leading wealth manager in China with sizable exposure to real estate sector, has apologized to its investors in a letter that said it had total liabilities of about 420 billion yuan (\$58 billion) to 460 billion yuan (\$64 billion). Zhongzhi's financial crisis is threatening to reignite concerns that the country's property debt crisis is spilling over into the broader financial sector. China's highly indebted property sector has been reeling from a liquidity crunch since 2020. According to the letter, the company has estimated total assets of about 200 billion yuan.

**For More Details, Please Visit:** <https://www.reuters.com/world/china/china-wealth-manager-zhongzhi-flags-insolvency-liabilities-64-bln-2023-11-23/>



### Allottee (s) entering into settlement with CD after filing Section 7 Application, are not excluded from the threshold of 100: NCLAT

Placing reliance on the Supreme Court judgement in the matter of *Manish Kumar Vs. Union of India* (2021) wherein it was held that the requirement of threshold under proviso in Section 7(1) must be fulfilled as on the date of filing of the CIRP Application, the NCLAT, has ruled that if any allottee/allottees enter settlement with the CD post filing of the petition, then they are not required to be excluded from the count of 100 allottees.

This judgement has come in the case of *Mist Avenue Pvt. Ltd. Vs. Nitin Batra & Ors.* In this case eight allottees settled the matter after filing of CIRP application against the CD. The Court held that the fact that eight allottees have settled the matter is thus inconsequential and they cannot be excluded.

The Bench also held that a petition under Section 7, filed by allottees for joint CIRP of separate corporate entities involved in a common real estate project is maintainable.

**For More Details, Please Visit:**

<https://www.legaleraonline.com/amp/news/nclat-obligatory-to-have-at-least-100-allottees-file-petition-under-section-7-of-ibc-subsequent-settlement-irrelevant-882703>