



INSOLVENCY PROFESSIONAL AGENCY
OF INSTITUTE OF COST ACCOUNTANTS OF INDIA



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Latest updates On Insolvency & Bankruptcy

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"Year's end is neither an end nor a beginning but a going on, with all the wisdom that experience can instill in us"

➤ **Out-of-court deals gain traction as lenders, companies look to avoid IBC**

Out-of-court settlements in cases of loan default are gaining traction among both creditors and debtors as parties are looking for ways to avoid initiation of Insolvency and Bankruptcy Code (IBC).

According to the Insolvency and Bankruptcy Board of India (IBBI), 23,417 applications for initiation of the Corporate Insolvency Resolution Process (CIRP), having underlying default of ₹7.31 lakh crore, were resolved even before their admission, as on September 31.

The development comes amid growing concern among debtors about losing control of the companies under the CIRP and the total time taken in the resolution process. Once the CIRP is invoked, the company board is dissolved and taken over by a committee of creditors.

The lenders then appoint a resolution professional to manage the company and its resolution process.

Out-of-court settlements typically include debt restructuring along with infusion of some fresh capital to keep the business going. These only work in cases where the company has decent cash flows and a clean governance record.

"We are seeing increased demand for out of court services including financial restructuring, one-time settlements and sale of stressed assets," said Nikhil Shah, managing director, Alvarez & Marsal.

"Creditors and investors are concerned with the resolution timelines for insolvency cases which are stretching now to two-three years,"

A senior bank executive said the CIRP is time consuming, which often leads to further deterioration of assets, impacting the recovery value. Creditors are mindful of the steep haircuts they may be subject to under IBC, say market participants.

Source: The Economic Times

Read

Full

news

at:

<https://economictimes.indiatimes.com/industry/banking/finance/banking/out-of-court-deals-gain-traction-as-lenders-companies-look-to-avoid-ibc/articleshow/95865029.cms>

➤ **Reliance Capital COC rejects all bids, decides liquidation: Sources**

The Committee of Creditors (COC) of Reliance Capital (RCAP), in its meeting held on Wednesday, has decided to reject all the binding bids that it received from the bidders on Monday.

The COC is now considering sending Reliance Capital to liquidation, under the newly introduced regulation 6(A) of the IBC, whereby each individual business can be sold separately.

According to sources, the decision to reject the bids had been taken as the lenders are of the opinion that the bid value offered by all the bidders is too low.

For the financial services business, RBI has special powers under section 227 of the IBC to refer companies to insolvency for debt resolution. Reliance Capital was the third financial services company that had been referred by the RBI for insolvency.

The other two are DHFL and SREI.

DHFL was sold to Piramal at 50 per cent of its liquidation value, while SREI's resolution process is still in progress.

The rejection of the Reliance Capital bids proves that the use of section 227 by the RBI has not worked in favour of lenders of the financial services companies.

Notably, Reliance Capital has received 5 bids under option 1 for the Reliance Capital Core Investment Company (CIC), as the deadline to submit binding bids ended on Monday 28 November.

The option 1 bidders are Hinduja, Torrent, Oaktree, Cosmea Financial and Piramal consortium, and UVRCL. Out of these five bidders, UVRCL has bid on a fee basis, which means that it has not submitted any resolution plan for RCAP. It will further sell RCAP assets and make payments to lenders, as and when the sale happens.

No separate bids were received for Reliance General Insurance Company (RGIC) and Reliance Nippon Life Insurance Company (RNLIC)

Cosmea-Piramal has offered Rs 5,231 crore for RCAP, while Hinduja's bid is Rs 5,060 crore.

The size of Torrent and Oaktree's bid is Rs 4,500 crore and Rs 4,200 crore, respectively.

Out of these four, the Cosmea-Piramal consortium has offered Rs 4,250 crore as the upfront payment, while Hinduja offered Rs 4,100 crore upfront to the lenders.

The upfront payment by Torrent and Oaktree is in the range of Rs 1,000 crore.

Source: Business Standard

Read Full news at:

https://www.business-standard.com/article/companies/reliance-capital-coc-rejects-all-bids-decides-liquidation-sources-122113000894_1.html

➤ **Adani, Ambani avoid first-ever 'power' clash over IBC technicality**

India's biggest conglomerates Adani Group and Reliance Industries avoided a clash in the auction of the insolvent Lanco Amarkantak Power on Wednesday. The Gautam Adani and Mukesh Ambani-led groups stayed away from the process citing a violation in the sale process.

Adani Group and RIL told Lanco's lenders that the proposed 'challenge mechanism' violated the rules of the Insolvency and Bankruptcy Code (IBC), which does not have the provision.

Only three resolution applicants Adani Power, Reliance Industries and a consortium of Power Finance Corporation and Rural Electrification Corporation Ltd (REC) were invited to bid for the assets of the distressed thermal power firm undergoing insolvency proceedings.

The problematic technicality 'challenge mechanism' is an action process involving several rounds of bidding among applicants until the highest bidder is identified. It was supposed to be the first time that India's two biggest business groups would compete for an asset.

As per an earlier report, Adani made a bid of Rs 2,950 crore in the second round, of which Rs 1,800 crore would be an upfront payment, and the rest Rs 1,150 crore staggered over five years, one of the persons told the financial daily. RIL had submitted a Rs 2,000 crore upfront payment plan while the PFC-REC combine has offered Rs 3,870 crore staggered over 10-12 years.

The Insolvency and Bankruptcy Code (IBC) norms do not stop debt holders from bidding for a company undergoing corporate insolvency. Saurabh Kumar Tikmani, the resolution professional (RP) backed by KPMG, has admitted claims to the tune of Rs 14,632 crore from 17 lenders.

In June 2018, Axis Bank had moved the National Company Law Tribunal (NCLT) against Lanco, based in Chhattisgarh, after it started defaulting on its loans.

Meanwhile, Future Retail and SKS Power are among the other distressed assets over which RIL and Adani are expected to compete. Both submitted expressions of interest

(EoIs) for these two entities. However, there is no clarity whether either will submit a firm bid.

Source: ET NOW

Read Full news at:

<https://www.timesnownews.com/business-economy/industry/adani-ambani-avoid-first-ever-power-clash-over-ibc-technicality-article-95899779>

