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**14<sup>th</sup> October 2022**

**"Inspiration does exist, but it must find you working."**

## ➤ **RBI's new norms for ARCs may further delay Aircel & RCom debt resolutions**

Debt resolutions at Aircel and Anil Ambani-promoted Reliance Communications are likely to encounter further delays after the central bank Tuesday raised capitalisation requirements for asset reconstruction companies (ARC), virtually making the current winning bidder of the telcos ineligible.

The Reserve Bank of India (RBI) said Tuesday that only those ARCs with ₹1,000 crore in net owned funds (NOF) can act as resolution applicants.

The new eligibility norms could rule out the candidature of UV ARC, declared the winning bidder for both telcos. Privately held UV ARC has a NOF below ₹200 crore, people with knowledge of the matter told ET.

A bankruptcy court approved UV ARC's resolution plan for Aircel, Dishnet Wireless and Aircel Cellular in June 2020, while lenders unanimously approved the same ARC's offer for the Anil Ambani-promoted Reliance Communications in March 2020.

UV ARC did not respond to ET's request for comments.

Aircel had verified financial creditors' claim of ₹19,788 crore, while claims at Reliance Communications stood at ₹50,623 crore. In both cases, UV ARC's offer involved acquiring a majority equity stake in the company and making staggered payments by disposing of its assets. "Since the operations of both companies have remained shut for over three years now, it is difficult to find a new buyer.

It is most likely to go for liquidation," said a senior banker. A joint lenders' meeting of both the telcos will soon be held in the backdrop of the new RBI guidelines, banker added. Although the RBI's Tuesday guidelines are applicable prospectively, the banking regulator in the past objected to ARCs acting as resolution applicants because it held a view that the law governing the ARCs does not have a provision for it.

The RBI had moved to cancel UV ARC's licence, possibly over the latter's bid in a bankruptcy setting, but the Delhi High Court stayed this order in November 2020. This had also caused a delay in the resolution of the telcos. A separate decision by the government that telcos cannot sell spectrum unless government dues are paid also delayed the resolutions of both telcos.

The RBI is of the view that the Securitisation and Reconstruction of Financial Assets and Enforcement of Securities Interest (SARFAESI) Act prohibits ARCs from acting as resolution applicants. In this context, it rejected UV ARC's proposal to act as a bidder for Aircel, following which the ARC sought legal remedy.

"Thus, by allowing ARCs to act as resolution applicants, the banking regulator has actually relaxed the regulations," said a senior official from an ARC industry.

"However, at the same time, the Insolvency and Bankruptcy Code does not prohibit anyone from bidding for a company based on NOF, and this can be contested as discrimination," said another official from an ARC.

Asset Reconstruction Company of India (Arcil), Edelweiss ARC and government-promoted National Asset Reconstruction Company, which have NOFs exceeding ₹1,000 crore, are eligible to submit bids in bankruptcy settings.

The central bank has further said that ARCs should not retain any control over the insolvent company after five years, thus indicating that it would have to find a buyer and exit the company in the medium term.

*Source: The Economic Times*

*Read Full news at: <https://economictimes.indiatimes.com/industry/telecom/telecom-news/rbis-new-norms-for-arcs-may-further-delay-aircel-rcom-debt-resolutions/articleshow/94819915.cms>*

## ➤ **After Mittal Corp & Jaypee Infratech, NARCL makes a bid for CCCL**

The government-promoted bad bank, National Asset Reconstruction Co Ltd (NARCL), is accelerating the pace of its activities after struggling for over a year to acquire bad loans. It offered to acquire Consolidated Construction Consortium (CCCL), which has triggered a Swiss challenge auction, according to two people aware of the development.

This is the third company, after Mittal Corp and Jaypee Infratech, for which NARCL has given anchor offers in the last 10 days. NARCL has offered ₹100 crore to acquire ₹1,241 crore principal outstanding debt of the engineering procurement and construction (EPC) company undergoing insolvency proceedings.

Based on the NARCL anchor offer, lenders have invited expressions of interest by October 15 and scheduled e-bidding on October 31. NARCL's offer equates to a recovery of eight paise on a rupee principal for lenders. Lenders have stipulated that

any counterbid should have a markup of at least 10% over the anchor offer, equating to ₹110 crore.

NARCL will have the first right to match any counteroffer and will have 15 working days to do so. NARCL has also offered to share with lenders the net realisation of the arbitration claims in the ratio of 10:90.

This implies that NARCL will retain 10% of the realisation from the claims, while the balance will be distributed among lenders.

"It is estimated that the company would realise claims of about ₹300 crore over the next few months," said one of the people. If 90% of the realisations from claims are shared with lenders, their recovery will improve to about ₹250-270 crore.

Lenders of CCCL have received a settlement offer of ₹200 crore in staggered payment from the promoter under Section 12(A) of the Insolvency and Bankruptcy Code. This provision gives tribunals the power to withdraw an application from insolvency proceedings if 90% of lenders by value agrees. NARCL's anchor offer is a combination of 15% as cash payment and the balance in the form of security receipts (SR) that would be guaranteed by the government.

The challenger bid can be in cash or a combination of cash and SR.

However, the SRs will have to be guaranteed by a 'first class bank', as per the offer document. It has not, however, defined 'first class bank'. The resolution professional, Krishnasamy Vasudevan, has admitted ₹2,623 crore of claims from financial creditors.

This amount includes principal and interest components that were outstanding when it was admitted for insolvency in April 2021.

NARCL is actively pursuing the acquisition of distressed accounts following an oral directive last month by a senior government official to lenders to sell their NPAs to the bad bank.

**Source: The Economic Times**

**Read Full news at:** <https://www.businesstoday.in/latest/corporate/story/ibbi-suspends-license-of-resolution-professional-handling-3c-company-affairs-349661-2022-10-12>

