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Latest updates On Insolvency & Bankruptcy

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"Positive thinking always helps you to get success in life."

➤ **Court approves Swan Energy team's resolution plan for Reliance Naval**

The bankruptcy court approved a resolution plan by the Swan EnergyHazel Mercantile team consortium for Anil Ambani-owned Reliance Naval and Engineering Ltd (RNEL).

The Ahmedabad court Friday gave an oral order approving the resolution plan, but a detailed written order is not yet uploaded on the tribunal's website.

In March, 95% of lenders of RNEL had approved the duo's resolution plan.

The winning bidder, Swan Energy - Hazel Mercantile team, offered a staggered payment of ₹2,040 crore, while on the net present value (NPV) basis it was ₹1,218 crore.

Of the ₹2,040 crore offered by the duo, a sum of ₹1,640 crore will be paid over the next five years, and the remaining payment will be made from the recovery of certain pending dues. Naveen Jindal owned Jindal Steel and Power was also in the fray to acquire RNEL.

On Friday, the tribunal also ruled that two separate petitions filed by Reliance Infrastructure and Jindal Steel and Power objecting to the plan submitted by the winning bidder were rejected.

Reliance Infrastructure, a sister concern of RNEL and Jindal Steel, petitioned that the Swan- Hazel team needed to be 29(A) compliant.

The Insolvency and Bankruptcy Code (IBC) under Section 29 (A) prohibits defaulting promoters or their related parties from submitting a resolution plan. Reliance Infra and Jindal Power had petitioned that Nikhil Merchant, who is managing director of Swan Energy had been director till recently of Navi Mumbai Smart City Infrastructure, a company promoted by defaulter Nikhil Gandhi.

Separately, Reliance Infrastructure submitted a settlement plan under section 12A of IBC, which Ahmedabad NCLT rejected in August. Reliance Infra has appealed against the tribunal's order at National Company Law Appellate Tribunal.

As per the proposal made by Reliance Infrastructure, an ADAG group company, lenders would receive ₹25 crore as upfront payment, ₹25 crore at the end of the first year, ₹50 crore at the end of the second year, ₹50 crore at the end of the third year, ₹75 crore at the end of the fourth year and ₹2,300 crore at the end of the fifth year.

Any offer given under section 12 (A) of the Insolvency and Bankruptcy Code (IBC) gives tribunals power to permit withdrawal of an application from insolvency proceedings provided 90% of lenders by value agree to it.

Source: The Economic Times

Read Full news at: <https://economictimes.indiatimes.com/industry/banking/finance/court-approves-swan-energy-teams-resolution-plan-for-reliance-naval/articleshow/96468510.cms>

➤ **Hinduja Group ups its bid to Rs 9,500 crore to acquire debt-ridden Reliance Capital**

Hinduja Group, promoter of IndusInd Bank, on Friday made an attempt to revise upward its bid for taking over debt-ridden Reliance Capital to Rs 9,500 crore with upfront cash outgo of Rs 8,800 crore, sources said. The group had made an offer of Rs 8,110 crore in the auction that was held on December 21, sources said.

Mail sent to Hinduja Group did not elicit response till filing of the story. Earlier this week, the Ahmedabad-based Torrent group emerged the highest bidder by putting a bid of Rs 8,640 crore to acquire Anil Ambani group's NBFC entity.

However, sources said, Hinduja's attempt to change its bid after the e-auction was not permitted under the challenge mechanism. This is the first time ever that a re-auction has been conducted under Insolvency and Bankruptcy Code (IBC).

One of the main concerns expressed in CoC meeting on Friday is that if any change in Net Present Value (NPV) is permitted by any bidder after e-auction then the entire process will go into a legal quagmire.

During the meeting, the Administrator appraised the Committee of Creditors (CoC) about the status and the way forward of corporate insolvency resolution process (CIRP) in terms of the activities or milestones as stipulated under the Code and going concern operations of the company, Reliance Capital said in a regulatory filing.

According to sources, lenders are to meet on December 26 to review the resolution process and take a view of bids received. As per an order of the National Company Law Tribunal (NCLT), lenders have to complete the resolution process of Reliance Capital by January 31, 2023.

RBI's decision of invoking the special powers under Section 227 of IBC for the resolution of Reliance Capital has turned out to be a huge success for the lenders and is only the second successful resolution after DHFL, sources said. The Reserve Bank of India (RBI) had on November 29 last year superseded the board of Reliance Capital in view of payment defaults and serious governance issues.

The RBI appointed Nageswara Rao Y as the administrator in relation to the Corporate Insolvency Resolution Process (CIRP) of the firm. Reliance Capital is the third large non-banking financial company (NBFC) against which the central bank has initiated bankruptcy proceedings under the IBC.

The other two were Srei Group NBFC and Dewan Housing Finance Corporation (DHFL). The RBI subsequently filed an application for initiation of CIRP against the company at the Mumbai bench of the National Company Law Tribunal (NCLT).

In February this year, the RBI-appointed administrator invited expressions of interest for the sale of Reliance Capital.

Source: *The Economic Times*

Read Full news at: <https://economictimes.indiatimes.com/industry/banking/finance/hinduja-group-ups-its-bid-to-rs-9500-crore-to-acquire-debt-ridden-reliance-capital/articleshow/96463614.cms>

➤ **Lanco Amarkantak resolution faces delays**

While banks are set to vote to select a winner for Lanco Amarkantak Power, an inter-creditor dispute stemming from the unfair treatment of secured minority lenders is simmering and could be heading for litigation that could delay the resolution. Minority debt holders with superior security led by Edelweiss Asset reconstruction Company have alleged that the distribution of the proceeds from the sale of the power company is against the tenets of the Insolvency and Bankruptcy Code and designed to favour creditors with inferior security such as Power Finance Corporation (PFC) and REC - who hold 41% of the debt.

The resolution professional, Saurabh Kumar Tikmani backed by KPMG, invited lenders last week to vote on the resolution plans given by the PFC-REC team, Adani Power and Reliance Industries. The voting will end on December 30.

Distribution TUSSE

Lanco Amarkantak, which has been undergoing bankruptcy proceedings, comprises three phases. The first phase has two units of 300 MW each of which is operational, while the second phase, which has two units of 660 MW each, is under construction. The third phases have two units, each of 660 MW which is at the conceptualisation stage.

The company has generated ₹1,400 crore cash and ₹300 crore receivables solely from the operation of phase one units which are exclusively charged with Edelweiss ARC, Canara Bank and UCO Bank.

Despite this, most lenders, including PFC, REC and Axis Bank, decided to distribute the proceeds from the sale of the power company in the ratio of the admitted claim, said people aware of the matter. Distribution of proceeds based on claims will significantly lower the recovery for phase one lenders, who have referred the matter to the Hyderabad bench of the NCLT.

Interestingly, the PFC-REC team also emerged as the highest bidder for Lanco Amarkantak offering an upfront payment of ₹3,020 crore at an auction held on December 1. Adani Power and Reliance Industries, which were in the fray, boycotted the auction. Both expressed dissatisfaction over the last-minute changes in the bidding process that favoured the majority lenders, the PFCREC team, who was also a resolution applicant, as reported by ET on December 2.

"The decision on the distribution mechanism is in complete disregard to the security structure," said a legal expert dealing in insolvency cases. In Essar Steel's resolution, the Supreme Court ruled that distribution should be based on the quality of the security held by the lender. Thus, Standard Chartered Bank received 2% of proceeds due to the inferior security it held, despite having a 7% voting share.

Edelweiss ARC declined to comment, stating that the matter is pending in court.

SPLIT VERDICT

The Hyderabad bench on October 19, comprising VRD Nandula as a judicial member and VBR Arekapud as a technical member, expressed divergent regarding the appeal by phase one creditors. The matter is referred to a third referee member, who will hear the case on January 5.

The technical member directed the Committee of Creditors (CoC) to undertake an equitable mechanism of distribution of proceeds while instructing the RP to make a fresh estimation of the liquidation value since the company generated cash solely from phase one operations. Phase one creditors have sought a recomputing the liquidation value so that potential dissenting creditors receive a minimum amount.

"It is understood that the majority CoC, with its brute majority, bulldozed the previous proposal and arrived at the present mechanism, to the detriment of the lenders of Phase-I, thereby denying the said lenders the benefits that rightfully accrue to them by virtue of the lending agreements and commercial bargains that were entered into pre-insolvency," the technical judge stated.

VOTING ON PROPOSALS

The CoC had earlier agreed to put on the vote two options on the distribution mechanism: based on security held and based on claims. But later, it modified the proposal and put only one proposal for vote based on claims.

When the company entered corporate insolvency in September 2019, the liquidation value arrived at ₹2,241 crore, wherein ₹1,146 crore was assigned for the first phase and ₹1,095 crore jointly for the second and third phases. The legal counsel of the phase one lenders pointed out that the distribution of proceeds after recomputing the liquidation value is robbing the potential dissenting creditor of even its assured minimum safeguard.

The judicial member agreed that the modified distribution mechanism (based on admitted claims) "proposed by the majority lenders has been suggested as an afterthought solely to deprive the phase one lenders of the rightful entitlement of the proceeds from the resolution plan through an opaque and arbitrary mechanism".

However, the judicial member also stated that CoC's commercial wisdom is paramount because, at the 37th CoC meeting, 85.2% of lenders voted in favour of the distribution of the proceeds based on the admitted claims.

The RP has admitted ₹14,632 crore claims from 17 lenders.

Source: *The Economic Times*

Read Full news at: <https://economictimes.indiatimes.com/industry/energy/power/lanco-amarkantak-resolution-faces-delays/articleshow/96501349.cms>

