

IBC DOSSIER

Bulletin on Landmark Judgments under IBC, 2016



R. RAGHAVENDRAN Vs. C. RAJA JOHN & ORS

Brief Facts

In this case, the dispute arises from insolvency proceedings involving Springfield Shelters Pvt. Ltd., an MSME company. R. Raghavendran, acting as the Resolution Professional, is at the center of the dispute. The primary issue revolves around the MSME status of the company and its promoter, C. Raja John. Initially, the National Company Law Appellate Tribunal (NCLAT) questioned the MSME status of the company.

However, later on, the NCLAT confirmed that Springfield Shelters Pvt. Ltd. indeed qualified as an MSME. The complication emerged when the NCLT disqualified C. Raja John's resolution plan based on his status as a promoter. Nevertheless, the NCLAT's determination that the company was an MSME altered the course of the proceedings.

Decision

The central issue in this case revolved around the interpretation of specific remarks in a prior judgment, referred to as Bafna Pharmaceuticals Ltd. & Ors's case. The Supreme Court clarified that these remarks did not automatically exempt MSMEs from competitive resolution processes among potential applicants. The Court underscored the significance of maximizing the value of a corporate debtor's assets in insolvency proceedings. Furthermore, the Court pointed out that if MSMEs meet the necessary criteria, Committees of Creditors (CoCs) can consider their resolution plans without strictly adhering to all standard procedures.

In its final decision, the Supreme Court annulled specific paragraphs in the NCLAT's judgment that had misinterpreted the principles laid down in Bafna's case. Additionally, the Court granted a two-month window for C. Raja John to convince financial creditors with a proposed One Time Settlement (OTS). Should this proposal fail to garner approval within the allotted timeframe, the appellant would be permitted to proceed with declaring the results of e-voting on all submitted proposals.

Link of the Order

<https://ibbi.gov.in/uploads/order/b3898c2f7695c00d47858fd0f9a6264b.pdf>



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