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# IBC AU-COURANT

*Insolvency Professional Agency of Institute of Cost Accountants of India*



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## **Updates on Insolvency and Bankruptcy Code**

### ➤ **Bank of India initiates insolvency proceedings against Future Retail**

Bank of India has approached the National Company Law Tribunal (NCLT) Mumbai against Kishore Biyani promoted Future Retail Limited for initiation of Corporate Insolvency Resolution Process (CIRP).

A bench comprising judicial member Justice P.N. Deshmukh and technical member S.B. Vohra issued notice to Future Retail on the application and allowed the company to file its response to the same.

The application filed under Section 7 of the Insolvency and Bankruptcy Code through advocate Palash Agarwal, alleged that the Future committed a default of ₹3,495 crores through a one-time restructuring scheme between the bank and the company.

Senior Advocate Ravi Kadam appearing for the bank, requested the bench that since vacation was approaching, the tribunal should grant one more hearing before the vacation.

The bench acceded to the request and posted the matter for further hearing on May 12.

The move by the bank came after a consortium of creditors led by Bank of India raised concerns about recovery of dues after Reliance Industries took over 200 Future Retail stores.

Last month, in a filing with Bombay Stock Exchange, the Future Group stated that 69% of the creditors voted against the composite scheme of arrangement with Reliance Group entities and only 30% of the creditors voted in favour of the arrangement.

**Source: Bar and Bench**

**Read Full news at:**

<https://www.barandbench.com/news/bank-of-india-initiates-insolvency-proceedings-against-future-retail>

## ➤ ₹2.2 tn worth of deals flagged, says IBBI

Insolvency resolution professionals hired by lenders to administer bankrupt companies have so far flagged dubious transactions by the suspended managements amounting to over ₹2.2 trillion, as per official data.

Insolvency and Bankruptcy Board of India (IBBI), the bankruptcy regulator, said in a quarterly update that 777 applications have been filed by the resolution professionals before tribunals seeking directions on such deals called 'avoidance transactions.' Of these, 71 transactions involving over ₹15,000 crore were disposed of by the tribunals, leading to the recovery of over ₹49 crores, IBBI said in its update for the March quarter.

The bankruptcy code allows resolution professionals and liquidators to look back into the past of firms to see if their pre-bankruptcy transactions were in order and if not, seek tribunal orders to annul them. IBBI also said that in a particular case, 758 acres of land out of 858 acres valued at ₹5500 crore has been given back to a company which is undergoing bankruptcy resolution.

At present, a resolution professional can request a tribunal to annul an undervalued transaction of the bankrupt company dating back upto two years in the case of related party transactions and upto one year in the case of others.

The government is now in the process of making amendments to the Insolvency and Bankruptcy Code, to extend the oversight of resolution professionals over a longer period of pre-bankruptcy financial stress by the corporate defaulter.

IBBI data show that admission of bankruptcy cases in tribunals has steadily picked up in FY22 after the restriction on taking businesses to court for pandemic related defaults was lifted in March 2021.

Data showed that 312 cases were admitted in tribunals for bankruptcy resolution in the March quarter of 2022, close to twice the number of cases admitted in the June quarter of the just concluded year. In the June quarter, 165 cases were admitted, followed by 167 in September and 238 in December. However, the number of cases admitted is only a tip of the iceberg given the long delays in admission of cases.

Two fifth of all the cases admitted to tribunals belong to the manufacturing sector, 20% belong to real estate, 11% to construction industry and 10% belong to retail trade, indicating that these are pain points in the economy.

**Source: Mint**

**Read Full news at:**

<https://www.livemint.com/companies/news/bankruptcy-administrators-flag-rs2-2-trillion-worth-dubious-deals-ibbi-11651590390514.html>

## ➤ **RBI nudges twin SREI lenders banks to classify account as fraud**

The Reserve Bank of India is nudging the lenders to the twin SREI companies to classify both loan accounts to the Kolkata-based infrastructure financier as fraud, three people aware of the matter told ET. Financial creditors have claims of about Rs 32,000 crore against the two debt-laden companies.

The Delhi High Court directed Punjab & Sind Bank, which classified the SREI companies as fraud, not to take action against the twin SREI companies until the next hearing scheduled on August 23. Lenders believe that classifying the two accounts as fraud at this juncture could be deemed as contempt of court.

However, the banking regulator believes that the stay on 'taking action against the companies is different from 'declaring it as fraud.' Lenders are seeking legal opinion on the matter, the people cited above said.

The RBI did not respond to ET's request for comments. A spokesperson for SREI Foundation said that "the information is incorrect, speculative and completely wrong."

The High Court stay on April 22 followed a petition filed by the embattled promoter Hemant Kanoria. If the account is classified as fraud, it will prevent Kanoria from regaining control over the companies. Under 12A of the Insolvency and Bankruptcy Code (IBC), a promoter classified as a willful borrower, or an account classified as fraud cannot submit a settlement plan to lenders. SREI Equipment Finance and SREI Infrastructure Finance were admitted for corporate insolvency proceedings by the RBI last October. A fraud tag can also affect a defaulting promoter's ability to control other businesses.

**Source: The Economic Times**

**Read Full news at:**

<https://economictimes.indiatimes.com/news/economy/finance/rbi-nudges-twin-srei-lenders-banks-to-classify-account-as-fraud/articleshow/91294363.cms>



**Insolvency Professional Agency of Institute of Cost Accountants of India**  
**(A Section 8 Company registered under Companies Act, 2013)**  
**CMA Bhawan, 3, Institutional Area, Lodhi Road**  
**New Delhi - 110003**