



# IBC AU-COURANT

*Latest updates On Insolvency & Bankruptcy*

*Friday, 17<sup>th</sup> June, 2022*

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## ➤ **Many resolution professionals under scanner for misconduct**

The Insolvency and Bankruptcy Board of India (IBBI) is probing several resolution professionals (RPs) for allegedly violating the code of conduct and not acting in the best interest of creditors.

People with direct knowledge of the matter said some of the RPs were allegedly delaying the resolution process and instead pushing for liquidation of the company since the latter would bring them higher fees.

In some cases it has been found that the RPs were creating "unnecessary litigation" to delay the proceedings, said one of the persons, who did not wish to be identified.

Once a company comes under Insolvency and Bankruptcy Code (IBC), creditors have the option of either finding a new buyer or liquidating the company and selling off its assets to recover dues.

If the resolution process is adopted, the Committee of Creditors (COC) decides fees for RPs. Industry experts said such fees are highly competitive and usually in the range of ₹20-30 lakh. But, on the other hand, if the same company goes through liquidation, RPs get a 0.5% cut. So, if the liquidation value of a company is, say, ₹1,000 crore, the RP gets ₹5 crore.

Queries emailed by ET to the IBBI remained unanswered.

"The code (IBC) clearly says that the resolution professionals should act in the best interest of creditors. Also, there is an emphasis on exploring all the resolution options before considering liquidation," said the person cited earlier. "Some RPs are delaying this process through unnecessary litigation,

mostly citing interpretational issues of the code. This delays the process and adversely impacts the recovery."

From December 1, 2016, when the IBC came into force, to March 31, 2022, the Corporate Insolvency Resolution Process (CIRP) was initiated in 5,258 cases, of which 3,406 have been closed. Of the closed ones, 1,609 have ended up in liquidation, while 480 have been solved through resolution plans. Rest of the cases are pending before various judicial forums, showed data from the IBBI.

"In some cases, there may not be much of a business to put in place a resolution plan and hence liquidation is mandatory... but that should be last resort and RPs play a key role in deciding the course as they also guide the creditors with all possibilities," said another person.

**Source: Economic Times**

**Full news at:** <https://economictimes.indiatimes.com/industry/banking/finance/many-resolution-professionals-under-scanner-for-misconduct/articleshow/92262673.cmsl>

### ➤ **Revlon files for bankruptcy facing high debt, supply chain pain**

The bankruptcy caps a tumultuous period for the company, which suffered during the pandemic and faced years of declining sales as consumer tastes changed and upstart brands ate into its market share.

The 90-year-old company got its start selling nail polishes in the throes of the Great Depression, and later added coordinated lipsticks to its collection. By 1955, the brand was international.

Perelman's holding company, MacAndrews & Forbes, took control of Revlon in an acrimonious takeover in 1985, funding the deal with junk debt raised by Michael Milken. MacAndrews & Forbes at one point sued Revlon over the company's acceptance of a lower offer from Forstmann Little & Co., resulting in a landmark Delaware court decision on the fiduciary duties of board members, sometimes dubbed the "Revlon Rule."

The company's debt load proved burdensome, especially after it sold more than \$2 billion of loans and bonds to fund its acquisition of Elizabeth Arden in 2016. The company also owns brands including Cutex and Almay, and markets in more than 150 countries.

In recent years, it's struggled to compete with newer brands that advertise heavily on social media. The pandemic provided another blow, and more

recently, the company struggled to address supply chain problems and inflation that dented margins.

Revlon narrowly staved off multiple previous defaults by cutting deals with creditors to rework its obligations out of court, and later found itself ensnared in one of the banking industry's most infamous blunders when Citigroup Inc. -- intending to process a routine loan interest payment -- instead mistakenly paid some Revlon creditors nearly \$900 million.

**Source: Economic Times**

**Full news at:**

<https://economictimes.indiatimes.com/news/international/business/revlon-files-for-bankruptcy-facing-high-debt-supply-chain-pain/articleshow/92245076.cms>

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