



IL NEWS

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Prepack scheme...

Prepack resolution is a fast-track process that identifies a resolution plan before the admission by the National Company Law Tribunal (NCLT). It is an arrangement where the promoter of the stressed company proposes a resolution plan to the creditors before the company can be taken to bankruptcy proceedings.

According to IBBI data, of the 10 applications filed so far, only one has been withdrawn and five have been successfully resolved and disposed of with a recovery of around 25 per cent against the admitted claims of creditors. Currently, there are only four ongoing PP-IRPs, all instituted less than six months ago.

Compared to the Corporate Insolvency Resolution Process (CIRP), where the recovery for creditors has been around 32 per cent despite a large number of creditors and disputed claims, the prepack regime, with its fast-track and consent-based model, should lead to much higher and not lower realisations by creditors.

The intense and wide engagement with stakeholders in the initial days enabled the take-off of the corporate insolvency resolution process. Industry experts feel that a similar engagement is required to promote the use of the prepack process. Sahoo said MSME companies, for which prepack is presently available, don't understand IBC complexities, while creditors do not have the incentive to drive prepack given their stakes involved. "If it was extended to big companies, we might have seen a better response. However, it would have been ideal to start with proprietorships and partnerships, which are informal struc-

tures and breeding grounds for entrepreneurship," he said.

"Awareness is key," said Yogendra Aldak, partner at Lakshmikumar & Sridharan Attorneys. "Several companies and financial creditors are still not aware of the framework and provisions surrounding the prepack process. Certain changes to the mandated procedure may also make it a more viable choice," said Aldak.

"In most cases, once an MSME defaults, creditors focus on recovery instead of resolution, making the scope of resolution bleak," said Yash Vardhan, associate partner at India Law LLP.

IBC experts feel that the market is hesitant and waiting to observe the progress of the prepackaged insolvency process.

"It's crucial to address process and implementation issues promptly," said Sumit Khanna, partner, Corporate Finance and Restructuring leader at Deloitte India. If left unaddressed, Khanna said, expanding prepacks to all types of companies would encounter limited interest.

Experts suggest several changes to make prepack insolvency more attractive. For instance, the declaration of avoidance transactions could be omitted as a prerequisite for initiation of the process; strict adherence to timelines or safeguards for operational creditors. Expanding the scope of PP-IRP to include non-corporate MSMEs, partnerships, or even individuals could also garner more interest.

The prepack scheme aims to provide a timely and faster resolution mechanism and to give legal sanction to a plan agreed upon by banks, promoters, and the buyer. The journey of a prepack starts with an informal understanding, engages the stakeholders in between, and ends with a judicial blessing of the outcome by the NCLT.

"The notion that the ultimate approval still has to come

from the NCLT makes the scheme a less attractive option for many since it involves approaching a court rather than the 'informal process' that the scheme proposes," said Prashanth Shivadass, partner at Shivadass & Shivadass Law Chambers.

GDP growth...

"It is being led primarily by strong growth in companies' profits due to still prevailing low commodity prices. However, lower growth in manufacturing IIP (index of industrial production) volumes suggests growth in manufacturing GVA (gross value added) is likely to have eased in Q4. Overall, it is expected growth would have eased to 6.2 per cent in Q4," said Jasral.

Proxy indicators like two-wheeler sales (25.4 per cent), passenger vehicles (28.3 per cent), and the consumption of petrol and diesel (5.46 per cent) have shown acceleration during the quarter. However, domestic passenger aviation has seen deceleration (5.2 per cent).

"In Q4, some signs of recovery are visible in rural demand with fast-moving consumer goods sales growth (volumes) in rural areas exceeding those in urban areas for the first time in two years. Two-wheeler sales growth remains strong for the second consecutive quarter. However, urban consumption, which has been the key support for private consumption, remains mixed in Q4, with slowdown in FMCG sales growth (volume). That said, other indicators have held up, such as passenger-vehicle sales, luxury items and electronic payments indicators. Our estimate is that growth would moderate to 7.1 per cent in Q4," said Gaura Sen Gupta, chief economist, IDFC Bank.

Echoing similar views, Aditi Nayar, chief economist at ICRA Ratings, said notwith-