

Renaissance Indus Infra Admitted for Corporate Insolvency Resolution Process by NCLT Following Default on Dues

The National Company Law Tribunal (NCLT) in Mumbai has admitted Renaissance Indus Infra, a real estate and construction company, under the Corporate Insolvency Resolution Process (CIRP) following a plea from its financial creditor, Catalyst Trusteeship.

Background and Outstanding Dues

Catalyst Trusteeship filed for insolvency after Renaissance Indus Infra defaulted on dues worth nearly Rs 444 crore. Renaissance Group, through its Special Purpose Vehicle (SPV) project RUIPL and Renaissance India, had initially availed funding from Edelweiss Financial Services. As per the debt term sheet signed in 2018, the company was proposing to refinance the amount outstanding with Edelweiss and also avail additional funding for the project development expenses. Altico Capital India had also agreed to subscribe to non-convertible debentures (NCDs) worth Rs 390 crore, of which Rs 280 crore was disbursed. (Para 3)

Appointment of Insolvency Resolution Professional

The Mumbai bench of the NCLT has appointed Birendra Kumar Agarwal as the insolvency resolution professional (IRP) to carry out the function under the Insolvency & Bankruptcy Code, 2016. [Para 60 (b)]

Acknowledgement of Liability and Financial Difficulties

As part of its letter in March and June 2020, Renaissance Indus Infra acknowledged its liability but expressed its financial difficulties in paying the outstanding amount. The tribunal's bench, comprising judicial member Kuldip Kumar Kareer and technical member Anuradha Sanjay Bhatia, noted in its order that the company had committed defaults in repayment of its dues since March 2021 and every quarter-end thereafter, resulting in a default of Rs 443.81 crore as of June 2022. (Para 9)

Validity of Plea

Renaissance Group argued that the petition was liable to be dismissed as such a plea can only be filed by the debenture trustee or the financial creditor along with the trustee. The financial creditor alone is not entitled to file such a plea. However, the tribunal dismissed the argument while stating that the financial creditor is an original assignee as per the assignment agreement in March 2021 and is clearly competent to file this petition. (Para 49)

Locus to File Petition

The company had also argued that the financial creditor has no locus to file the petition as per the terms of Inter Creditor Agreement signed in June 2018 that has been deliberately withheld by the financial creditor while filing the plea. According to the tribunal, even this contention raised by the company is of no consequence. In this regard, the tribunal has pointed out that the June 2018 Inter Creditor Agreement stated that finance parties are intended to collectively mean debenture trust deed, debenture holders, and any agent of the debenture trustee and, therefore, can launch legal proceedings. (Para 40,43,50,56)

Conclusion

With the admission of Renaissance Indus Infra to the insolvency resolution process, the IRP will now take over the management of the company's affairs and prepare a resolution plan within a stipulated time frame. This is expected to result in the company's assets being sold off to repay the outstanding dues to the financial creditor and other creditors, if any.

In conclusion, the NCLT's decision to admit Renaissance Indus Infra under the CIRP underscores the need for companies to be vigilant about their financial obligations and take timely action to avoid the risk of insolvency proceedings being initiated against them.