

Post SC ruling on JSW Steel-BPSL deal, House panel to review emerging issues in insolvency

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New Delhi

Following the Supreme Court ruling on JSW Steel-Bhushan Steel, the Parliamentary Standing Committee on Finance, a department-related standing committee, will convene for from May 29-30 to discuss the present status of the Insolvency and Bankruptcy Code (IBC).

The Committee, headed by senior Parliamentarian and BJP MP from Odisha Bhartruhari Mahtab, comprises 21 members from the Lok Sabha and 10 members from the Rajya Sabha. On the agenda of the two-day meeting is a 'Review of working of Insolvency and Bankruptcy Code and Emerging Issues'.

On day 1, officials from the Ministry of Corporate Affairs will give a briefing. On the same day, officials from the Punjab National Bank,

Canara Bank and the Union Bank of India will present oral evidence.

On day 2, the Committee will collect oral evidence from the officials of the Insolvency and Bankruptcy Board of India.

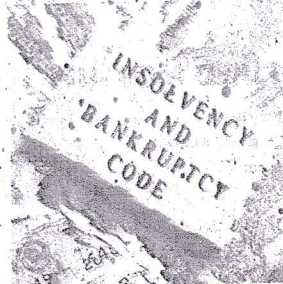
CRITICAL IMPORTANCE

The meeting holds critical importance following the Supreme Court's decision to cancel the Sajjan Jindal-led JSW Steel's acquisition of Bhushan Power & Steel (BPSL).

It also ordered the banks involved to return ₹19,700 crore while JSW Steel will hand over BPSL to the banks for liquidation.

Experts feel that the ruling is a big blow to the company and a setback for the resolution of stressed assets under the IBC.

Additionally, the banks involved now face the prospect of having to make provisions for the amount recovered as



part of the bankruptcy process.

It may be noted that a group of lenders, led by Punjab National Bank, had claimed ₹47,204 crore as unpaid loan. Following the default, the lenders dragged BPSL to insolvency proceedings. JSW Steel completed the acquisition of BPSL in March 2021, making it the largest steelmaker in the country. The Sajjan Jindal-led company paid ₹19,700 crore to the financial creditors of BPSL, which owed over ₹47,204.51 crore. Post

the SC ruling, banks may be required to make provisions starting this quarter of FY25-26, which could dent their profitability.

There is an opinion that the SC ruling serves as a reminder that even completed acquisitions are vulnerable in the absence of strict and unequivocal adherence to the IBC. "The ruling stressed that applicants for the resolution need to inject genuine capital and cannot sidestep their obligation through complex financial structures," said Anju Thomas, Associate Partner, AQUILAW.

Similarly, Shiju PV, Senior Partner at IndiaLaw LLP, said the judgment reinforces a crucial principle under the IBC that a resolution plan must offer certainty and timely value realisation for creditors. The bidders need not be discouraged because there are pending criminal cases against the promoters.