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NCLT CLEARS SUBHASH CHANDRA'S RS 6.5 CRORE REPAYMENT PLAN AGAINST CLAIMS OF RS 22,006 CR

Vallari Sanzgiri, Akshata Gorde – Mumbai

The National Company Law Tribunal (NCLT) has allowed Zee Group founder and Chairman Subhash Chandra's plan to repay just Rs 6.5 crore against admitted claims of Rs 22,006.57 crore.

As the decision gives creditors a recovery of around 0.03 per cent of their admitted dues, legal experts highlighted how the case addresses a fundamental question about the balance between a debtor's ability to pay and the creditors' legitimate expectations of recovery under the Insolvency and Bankruptcy Code.

The order, passed by a third judicial member of the insolvency court, arose from the consideration of a repayment plan in a personal insolvency case filed by Indiabulls Housing Finance, where Chandra was a personal guarantor for loans taken by Essel Group entities. While the creditors admitted claims of Rs 22,006.57 crore against him, the repayment plan proposed only Rs 6.5 crore, based on his disclosed personal assets and estate.

CREDITORS BACK PLAN

The NCLT did not cap Chandra's liability at Rs 6.5 crore; instead, it approved the plan after creditors holding 80.814 per cent of the voting share backed it and the resolution professional (RP) concluded that the amount represented the recoverable value available from the personal guarantor's disclosed assets.

It also directed the consequential redistribution of the repayment amount among the remaining eligible creditors in accordance with the approved repayment plan. The matter will now be placed before the Original Division Bench to pass orders in terms of the majority opinion. Subhash Chandra declined to comment on the NCLT ruling, stating that the matter remained under judicial scrutiny.

With this, the NCLT has followed the commercial wisdom of the Committee of Creditors (CoC), according to Deep Roy, Managing Partner at Equilex."It refused to second-guess the decision of the CoC members. The NCLT seems to have interpreted Section 114 of the code to suggest that the NCLT is bound to approve a plan if a majority of lenders have assented," said Roy.

The order considered various issues, including allegations of grave and material irregularities arising from the repayment plan's allegedly "capricious, partisan, and hasty conduct", including breach of the IBC rules.

NO IRREGULARITY However, the NCLT stated that it was not bound to reject the plan merely because of certain procedural lapses and irregularities in the admission of claims related to Anil Kumar and Sunil Jain and the persons they represented. Further, it held that there was no other established material irregularity or violation of the provisions of the Code or applicable regulations.

FOR GLOBAL SCALE BANKS, EAC-PM SEEKS MERGERS

Source: Times News Network, Mumbai

A report published by the PM Economic Advisory Council has called for further consolidation of banks to create a few large institutions of similar size without compromising competition, as reforms over the past decade have sharply improved banking efficiency and reduced bad loans.

According to the report, authored by Soumya Kanti Ghosh and Tapas Kumar Parida, reforms including the Asset Quality Review (AQR), insolvency laws and earlier bank consolidations have improved efficiency across the banking sector.

The authors said India would need larger, globally competitive financial institutions to meet the economy's expanding credit requirements as it seeks to become a developed nation by 2047.

"In this context, India should make efforts to consolidate the banks in such a manner that a few big banks of equal size would be created, without compromising market competition in the industry," the report said.

The findings show a significant turnaround in banking efficiency over the 12-year period from FY15 to FY26.

The mean technical efficiency of scheduled commercial banks fell from 91.3% in FY15 to 78% in FY20 as bad loans were recognised and the Covid pandemic hit, before recovering to 88.3% in FY26.

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