

NATIONAL LAW UNIVERSITY, JODHPUR

End Term Examination Jan- May - 2025

Semester: LLM 2nd (Corporate Law)

Subject: Insolvency Law

Time: Three hours

Marks: 100

Instructions:

1. *Students are required to answer any four questions only.*
2. *Use of bare acts or any reference material is not permitted.*

Q1. "The Insolvency and Bankruptcy Code, 2016 aims to prevent value erosion of the corporate debtor's assets through provisions that allow the Resolution Professional and Liquidator to avoid certain transactions undertaken prior to the commencement of insolvency proceedings. These avoidance transactions include preferential, undervalued, fraudulent, and extortionate credit transactions." In the light of above-mentioned statement critically examine the framework governing these avoidance transactions. Also, explain the relevant order that might be passed under different scenarios.

(25 Marks)

Q2. Venture Tech Pvt. Ltd., a startup company, defaulted on a loan of ₹1.5 crore taken from Bright Bank Ltd. The bank filed an application under Section 7 of the Insolvency and Bankruptcy Code, 2016, and the Adjudicating Authority admitted the application, initiating Corporate Insolvency Resolution Process (CIRP) against Venture Tech.

Ten days after the appointment of the Interim Resolution Professional (IRP), both parties arrived at a settlement, and Venture Tech offered to repay the full outstanding amount along with interest. Bright Bank submitted an application under Section 12A for withdrawal of the CIRP.

The Committee of Creditors (CoC), which had been constituted by then, approved the withdrawal with 91% voting share.

On the basis of above-mentioned statement Questions:

- a) Discuss the scope and applicability of Section 12A of the IBC in the above-mentioned scenario.
- b) With the help of case laws explain the situation which used to exist prior to the insertion of Section 12A.

(12.5+12.5= 25 Marks)

Q3. "In this globalised world the trade takes place not only within nation but across the Cross-Borders. The existing law is not capable enough to deal with the various problems associated with this". Critically Comment. Also, explain whether the draft Part Z if enforced will be able to deal with this problem and also the loopholes if any present in draft Part-Z.

(25 Marks)

Q4. Critically examine the concept of a "liquidation estate" under Section 36 of the Insolvency and Bankruptcy Code, 2016. Discuss the composition of the liquidation estate and identify the assets that are excluded from it, as per the provisions of the Code. Additionally, elaborate on the role of the Liquidator in managing the liquidation estate.

(25 Marks)

Q5. Homebuyers have been recognized as "financial creditors" under the Insolvency and Bankruptcy Code, 2016, which has had significant implications on their participation in the Corporate Insolvency Resolution Process (CIRP). Discuss the evolution of the legal status of homebuyers as financial creditors, referencing key amendments and judicial interpretations. How has this recognition affected the priorities in the distribution of assets in the insolvency process? Also, discuss the alternate remedies which are available to the homebuyers under RERA 2016.

(25 Marks)

Q6. Write short notes on the following

- a. Moratorium & Limited Moratorium
- b. Waterfall Mechanism and distribution of assets

(12.5+12.5= 25 Marks)

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Q1. Ravi Enterprises, a textile manufacturing company, began facing financial difficulties in early 2022. In July 2022, the company entered into a loan agreement with Falcon Finance Pvt. Ltd., a private lender, for a sum of ₹2 crore at an interest rate of 48% per annum, with a clause that in the event of default, the lender could take over the company's assets at market value without court intervention.

In March 2023, insolvency proceedings were initiated against Ravi Enterprises under the Insolvency and Bankruptcy Code, 2016. The Resolution Professional, upon examining past transactions, flagged the loan agreement as an *extortionate credit transaction* under Section 50 of the Code.

Falcon Finance argues that Ravi Enterprises willingly entered the agreement with full knowledge and that high-risk loans in the private lending market justify higher interest rates.

Based on the above-mentioned facts and relevant case laws, answer the following:

- a) Examine whether the transaction between Ravi Enterprises and Falcon Finance falls within the scope of an extortionate credit transaction under the IBC.
- b) Discuss the powers of the Adjudicating Authority in such cases and the remedies available under Section 51 of the Code.

(12.5+12.5= 25 Marks)

Q2. Discuss the provisions of Section 12A of the Insolvency and Bankruptcy Code, 2016. Under what circumstances can a Corporate Insolvency Resolution Process (CIRP) be withdrawn after admission? Explain the role of the Committee of Creditors and the Adjudicating Authority in such withdrawal. Support your answer with relevant case laws. Also, explain the situation prior to the amendment.

(25 Marks)



Q3. Critically examine the concept of "commercial wisdom" of the Committee of Creditors (CoC) under the Insolvency and Bankruptcy Code, 2016. To what extent is the commercial wisdom of the CoC subject to judicial review by the Adjudicating Authority or the Appellate Authority? Discuss with reference to statutory provisions and landmark judgments of the Supreme Court and NCLAT.

(25 Marks)

Q4. Following the failure of the Corporate Insolvency Resolution Process (CIRP), Eco-Build Infrastructure Pvt. Ltd. was ordered to be liquidated. The Liquidator began preparing the liquidation estate under Section 36 of the Insolvency and Bankruptcy Code, 2016.

In doing so, the Liquidator included:

- Office equipment and unsold real estate inventory.
- A life insurance policy taken by the company for its Managing Director.
- Unutilized employee contributions to the Provident Fund and Pension Fund.
- Gratuity and pension funds maintained by Eco-Build for its workers.
- Security deposits made by third parties for rental agreements.

Several objections were raised by stakeholders, particularly by employees stating that provident funds and insurance funds were wrongly included in the liquidation estate. In the lights of facts mentioned above answer the following

- a. Define the liquidation estate under Section 36 of the IBC. What is its purpose in the liquidation process?
- b. Analyse whether the following items should be excluded from the liquidation estate under Section 36(4):
 1. Provident fund, gratuity and pension funds
 2. Insurance proceeds from the life policy
 3. Security deposits made by third parties for rental agreements.

(25 Marks)

Q5. In the context of the Insolvency and Bankruptcy Code, 2016, homebuyers have been granted specific rights under the IBC framework. With reference to the judgment in "*Pioneer Urban Land and Infrastructure Ltd. v. Union of India*", analyze the legal and practical consequences of recognizing homebuyers as financial creditors. What challenges earlier homebuyers used to face, and how does this recognition help the homebuyers in securing a better position? Also, discuss the changes that have been brought in the position of homebuyers by 2025 amendment.

(25 Marks)

Q6. Write short notes on the following

- a. Reverse CIRP & Fast Track CIRP
- b. Aviation Insolvency

(12.5+12.5= 25 Marks)

