
A CASE STUDY OF EBIX SINGAPORE PRIVATE LIMITED V. COMMITTEE OF CREDITORS OF EDUCOMP SOLUTIONS LIMITED & ANR

K. Apoorva, LLM (Corporate and Financial Law and Policy), Jindal Global Law School

ABSTRACT

In order to understand the irrevocability of resolution plans under the Insolvency and Bankruptcy Code (IBC) 2016, this paper examines the important case of Ebix Singapore Private Limited v. Committee of Creditors of Educomp Solutions Limited & Anr. Whether a successful resolution applicant is able to withdraw or amend the resolution plan after receiving approval from the Committee of Creditors (CoC) is at the foundation to this dispute. The National Company Law Tribunal (NCLT) as well as the National Company Law Appellate Tribunal (NCLAT) have both upheld the prohibition against such withdrawals this paper discusses the judicial justification for this position. The legal status of resolution plans under the IBC is made clearer by the Supreme Court of India's interpretation, which emphasizes the significance of due diligence including the finality of the CoC's approval rather than treating them as typical contracts. The present case maintains the integrity and efficacy of the insolvency resolution process by setting a major precedent for future insolvency cases and ensuring that resolution plans receive the serious consideration that they deserve.

Keywords: Resolution Plan, Committee of Creditors (CoC), Withdrawal of Resolution Plan, National Company Law Tribunal (NCLT).

Introduction

This case is regarding the interpretation of the Insolvency and Bankruptcy Code (IBC) 2016¹ with respect to the withdrawal of resolution plans. In accordance with Section 10 of the IBC, Educomp Solutions Ltd. started the Corporate Insolvency Resolution Process (CIRP). A resolution plan put out by Ebix Corporation Singapore Private Ltd. was accepted from the Commission of Creditors (CoC) with 74.16% of the vote. Due to continuing inquiries and delays in NCLT clearance, Ebix attempted to revoke its plan. Ebix's withdrawal applications were refused by NCLT, but the third time it was accepted & CoC appealed to NCLAT, who ruled NCLT lacked authority to permit withdrawal after authorization.²

i. Main holding of the case

The primary ruling in this case is that the successful resolution applicant cannot withdraw or alter a resolution plan once it has been authorized by the corporate debtor's Committee of Creditors, this ruling by the Supreme Court of India clarified the current state about the resolution plan within the IBC.³

ii. Legal issues

- Whether there are any relevant provisions in the Code that allow for the withdrawal or modifications of the Resolution Plan after it has been approved by the CoC?
- Whether Resolution Plan is to be considered as a contract?

iii. Significance of the case

The ruling forbids applicants from filing resolution plans for formal purposes and later withdrawing them, which will have an impact on the CIRP process, and from changing a resolution plan that has been approved by the CoC.

iv. Objective of the commentary

¹ Insolvency and Bankruptcy Code 2016 (15) s. (10)

² *Ebix Singapore Private Limited v. Committee of Creditors of Educomp Solutions Limited & Anr.* Civil Appeal No. 3224 of 2020

³ Ibid 20

Once the resolution plan has been submitted to the adjudicating authority and accepted by the committee of creditors the successful resolution applicant cannot withdraw or alter it. The decision ensures that RA is not compelled to submit unfavourable plans and emphasizes the significance of thorough due diligence before submitting their plans.

v. Statement of conclusion

The commentary concludes that this case was not meant to provide resolution applicants additional legal rights, which is important to realize. One of the primary objectives was to make the current legal framework on resolution plans in the IBC clearer.

BACKGROUND

The primary dispute in this case was regarding resolution applicant i.e Ebix Singapore does have any legal rights for modification or withdrawal of the resolution plan once it has been approved by the CoC and after its approval can it be considered as a contract which is governed as per the ICA,1872. The main legal basis of this case is making sure the authorized plan moves closer to satisfying creditor demands & fulfilling the CIRP's time-bound requirements as specified in the IBC.

i. Legal provision involved

The case focuses on India's IBC's Section 30 and 31, addressing the COC's approval process and the execution of the resolution plan. As per sec-60(5) the NCLT may alter or revoke a resolution plan only in exceptional condition & sec 12A addresses the NCLT's authority in insolvency proceedings, it was included through an amendment of the IBC.

ii. Procedural History

Clear guidelines on the irrevocability of resolution plans following creditor approval were absent from earlier insolvency legislation. After plans are approved & put into action, the IBC 2016 established a framework for the Committee of Creditors, guaranteeing legally binding agreements. The case of **Binani Industries Ltd. vs. Pawan Kumar Gupta & Ors. (2017)**⁴ focused on the importance of the CoC's approval and the binding character of its judgment

⁴ *Binani industries Ltd v. Pawan* (2018) 4 SCC 81

regarding the resolution plan. In **Jaypee Infratech Ltd. v. NBFC**⁵ highlighted IBC deadlines for CIRP process, while Ebix case resolved insolvency resolution irregularities by binding approved plans.

iii. Explanation of Legal Issues⁶

- *Whether Resolution Plan is to be considered as a contract?*

The SC ruled that a Resolution Plan approved by the CoC cannot be considered a pure contract under the ICA, 1872, as it is settled through commercial talks, subject to IBC. Since the BLRC report did not clearly describe the essence of the CoC granted Resolution Plan as a contract and there was no particular provision in the IBC, the SC held that the CoC approved Resolution Plans would not be regulated by the Indian Contract Act and with the exception of the IBC's particular restrictions and determining fictitious information. Although not specifically mentioning the Ebix case, other rulings have also highlighted the differences between contracts and resolution plans. Following CoC approval, Resolution Plans are subject to the restricted application of the ICA and its guiding principles. In order to differentiate Resolution Plans from regular contracts, the IBC sets forth the procedure and deadlines for them.

- *Whether there are any relevant provisions in the Code that allow for the withdrawal or modifications of the Resolution Plan after it has been approved by the CoC?*

Under the code there is no relevant provisions for withdrawal of resolution plan. The Supreme Court noted that Section 12A of the IBC in conjunction with Regulation 30A of the Bankruptcy and Insolvency Board of India regulation 2016 permit the withdrawal of applications accepted under Sections 7, 9, or 10, provided that the CoC grants approval with a minimum of 90% of the voting members. It was noted, meanwhile, that the IBC does not have a clause of that nature that would grant a resolution petitioner a comparable right. The Supreme Court cited the **Maharashtra Seamless v. Padmanabhan Venkatesh**⁷ decision was the that Court rejected a resolution applicant's request for withdrawal, ruling that the applicant couldn't alter the resolution plan they submitted, negotiated, and agreed upon.

⁵ *Jaypee Infratech Ltd v. NBFC* (2021) 7 SCC 14

⁶ Abhirup Dasgupta, 'Restructuring & Insolvency' HSA associates (New Delhi, October 2021) 4

⁷ *Maharashtra Seamless v. Padmanabhan* (2020) 11 SCC 467

iv. Contended Arguments

With permission from the CoC, Ebix argued that their resolution plan should be withdrawn. They justified their decision to withdraw by pointing to unforeseen circumstances that affected the plan's financial sustainability. The CoC rejected Ebix's withdrawal effort and they contended that once the plan received their approval, it becomes final. Creditors would suffer from withdrawal since it would impede the CIRP procedure and also it is possible that Ebix impliedly claimed the plan operated as a contract among them and the CoC by requesting withdrawal. The court rejected the argument that resolution plans are regular contracts, instead establishing a unique legal structure for approval, implementation, and possible revisions as given in IBC.

v. Reasoning of the Court

The court clarifies that any claims made outside the resolution plan are barred from moving forward & claims included within the agreed resolution plan are blocked. The 2019 Amendment to IBC Sec 31 is deemed to be of a declaratory and clarifying nature, and it is effective as of the IBC's effective date. With the adjudicating authority's consent, any statutory dues owing to the federal government, the state government, or municipal authorities that aren't included in the resolution plan are thereby eliminated. A resolution plan is a legally binding document outlining the conditions, circumstances, and responsibilities for a corporate debtor's resurrection and restructuring, ensuring an orderly insolvency procedure.

ANALYSIS

The Supreme Court's ruling in the Ebix case made it impossible to revoke a resolution plan after the corporate debtor's CoC approved it, as it is treated as an IBC creation rather than a standard contract and it has been examined by the courts prior to this. In case of Maharashtra Seamless Limited (MSL) v. Padmanabhan Venkatesh⁸ in 2020 The Court stated that authorized plans cannot be withdrawn, as the CoC evaluates resolution's practicality and feasibility. The RA cannot withdraw a proposal to adopt a different position as per sec 31(1) of code. Additionally,

⁸ Ibid 400

the NCLAT in *Kundan Care Products*⁹ and *S.S. Natural Resources*¹⁰ cases have stated that withdrawals are not allowed due to COVID-19, despite the pandemic's complications.

In cases such as *Deccan Value Investors L.P. & DVI PE v. Deutsche Bank AG and Ors*¹¹, the NCLT Mumbai permitted withdrawals & revisions, noting the law's necessity for only feasible legitimate schemes. The CoC was instructed by the tribunal to evaluate resolution plans for feasibility prior to approval, emphasizing the significance of such plans. Although approving the plan's withdrawal, the NCLAT in *Metalyst Forgings*¹² validated this logic. Additionally, even in the situations of *Panama Petrochem*¹³, the adjudicating body had allowed the resolution plans to be modified and withdrawn after the CoC authorized them. It is noteworthy that either the NCLAT nor the supreme court in this instance discussed the ruling in *Metalyst Forgings* or any of the other rulings that were previously stated.

i. Alternate intellectual reasoning

In its ruling, the Honourable Court made an effort to cite and harmonize its rationale in accordance with legislative intention derived from both the UNCITRAL Guide and the BLRC Report, which suggested modifications to the previous Insolvency Regime which was in place in India. The parliament drafted and implemented the IBC structure using the UNCITRAL Guide as a guide. Creditor rights were given importance in the ruling. A resolution plan becomes enforceable against the selected applicant that is Ebix Singapore upon approval by the CoC. The purpose of this ruling was to guarantee creditors pursuing the settlement of the claims a just and predictable result. additionally, Ebix Singapore's authority to revoke its authorized resolution plan was restricted by the ruling. The plan, rather than being an ordinary contract with an out provision, was seen by the court as a legal requirement under the IBC. While limiting the applicant's options, this was done to keep things moving forward and make sure the insolvency process didn't hold.

My View on this Ruling is that although the ruling gives priority to particular goals, it establishes a strict framework. A more thoughtful strategy that takes unanticipated events into account and includes a safe and tightly controlled withdrawal option would Safeguard the

⁹ *Kundan Care Products Ltd v. Amit Gupta* (2020)5 SCC 257

¹⁰ *S S Natural Resources Private Limited v. Ramsarup Industries Limited & Ors* (2022) 2 SCC 424

¹¹ *Deccan Value Investors L.P. & DVI PE v. Deutsche Bank* (2019) 1 SCC 115

¹² *Metalyst Forgings Ltd v. Metalyst Forgings Ltd* (2018) 2 SCC 120

¹³ IBID (8) 428

Interests of Creditors and Make sure you are paid for anything you might lose. Preserve Process Integrity of the participation of NCLT protects against pointless initiatives. Give candidates who are truly experiencing difficulties an opportunity to withdraw without suffering serious consequence. This methodical approach is more in line with the objectives of the IBC, reaching a decision that will help creditors and the business's potential of recovery and promoting a prompt and effective CIRP procedure while taking unanticipated events into account.

ii. Critical evaluation of the decision

The decision of supreme court has received mixed adverse reactions, were Restricting withdrawal after approval upholds the IBC's deadline-driven goal of resolving corporate insolvency. Resolution Plans that have been approved carry legal force, ensuring that creditor claims are settled. It promotes predictability and security in the CIRP method by discouraging pointless withdrawal efforts. The scenario with Ebix illustrates how candidates with unforeseen circumstances may suffer. The decision restricts the applicant's ability to handle circumstances wherein the CoC could take action against the needs of other stakeholders. Some contend that in certain situations, conditional withdrawal should be permitted, with the CoC's approval conditioned on resolving the applicant's valid concerns. A stronger focus on prior approval negotiations could result in an improved and agreeable strategy, which would lessen the possibility of post-approval withdrawal attempts.

CONCLUSION

The Court has confirmed that after a settlement plan is accepted by the CoC, withdrawals or revisions are prohibited. This decision has alleviated uncertainty, but raises concerns about RAs' ability to negotiate conditions with the CoC. The Court removed resolution plans to ensure RAs' preparation, but this could harm insolvency practices and expose vulnerabilities, potentially rendering the process pointless if withdrawal is allowed. Considering the aforementioned, the SC denied the appeal that Ebix and Seroco Lighting Industries Private Ltd. submitted. In contrast, the Supreme Court of India used its authority under Article 142 of the Indian Constitution to consider the appeal brought by Kundan Care Products Ltd. and approved a one-time respite that allowed for changes to be made within the Resolution Plan. Bases on the decision of the supreme court and implication of Indian laws, The CoC cannot revoke its resolution plan, and once the winning RA has been approved by the CoC, it cannot be altered, according to a decision made by the NCLT. The decision makes the insolvency process

predictable and consistent. The ruling from Ebix speaks careless involvement in the Corporate Debtor CIRP and highlights the significance of treating CIRP proceedings seriously when submitting resolution plans.

Reference

A. Cases

Ebix Singapore Private Limited v. Committee of Creditors of Educomp Solutions Limited & Anr. Civil Appeal No. 3224 of 2020

Binani industries Ltd v. Pawan (2018) 4 SCC 81

Jaypee Infratech Ltd v. NBFC (2021) 7 SCC 14

Maharashtra Seamless v. Padmanabhan (2020) 11 SCC 467

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S S Natural Resources Private Limited v. Ramsarup Industries Limited & Ors (2022) 2 SCC 424

Deccan Value Investors L.P. & DVI PE v. Deutsche Bank (2019) 1 SCC 115

Metalyst Forgings Ltd v. Metalyst Forgings Ltd (2018) 2 SCC 120

B. Legislations

Insolvency and Bankruptcy Code 2016 (no.15)

C. Others

Dasgupta Abhirup, 'Restructuring & Insolvency' HSA associates (2021) 10(2) Statutory updates, 12.