

Pre- packed Corporate Insolvency (PPCI) under Insolvency & Bankruptcy Code, 2016 (IBC)

- Available only for MSME company or LLP in default minimum of Rs. 10 lacs
- MSME company or LLP can initiate by majority of directors/ partners with special resolution/ 3/4th partners majority resolution and approval of financial creditors (other than related parties) minimum 66% in value
- Financial creditors (other than related parties) minimum 66% in value (and minimum number as may be notified)
- Available only if the MSME company or LLP-
 - has not undergone Pre- packed/ Regular Insolvency during the previous 3 years;
 - is not already undergoing Regular Insolvency; and
 - is not already ordered to be liquidated
- Not available to (related) parties under s. 29A
- Application for PPCI has to name a Resolution Professional (RP)
- A financial creditor before approving request of a MSME for PPCI, to see the declaration of directors/ partners, special resolution/ 3/4th partners majority resolution and Base Resolution Plan (BRP)
- Application for PPCI to be filed with the Adjudicating Authority (AA), [National Company Law Tribunal (NCLT)]
- If application for regular insolvency (under Chapter II) is pending on 4.4.2021 then also application for PPCI could be filed and the application for PPCI so filed to be dealt with first by NCLT
- If application for regular insolvency (under Chapter II) is filed after 4.4.2021 then the application for PPCI could be filed within 14 days from and the application for PPCI so filed to be dealt with first by NCLT
- MSME to provide a Base Resolution Plan to RP within 2 days from Commencement Date
- RP to submit the Resolution Plan approved by Committee of Creditors (CoC) to AA within 90 days from the Commencement Date or inform AA to terminate the PPCI
- PPCI to complete in 120 days from the Commencement Date
- Moratorium starts on AA admitting the application and declaring it (Commencement Date) and to continues till approval/ rejection of Resolution Plan by AA
- **RP to conduct the PPIC**
- **During PPIC the management of the MSME to continue with its Board/ Partners. However, CoC can in certain circumstances and with 66% voting shares resolve for management to be with RP**
- CoC can approve BRP (which does not impair operations creditors claims) for submission to AA
- If CoC does not approved BRP, then RP to invite Resolution Applicants (RA) to submit resolution plans and submit the same to CoC for approval
- CoC can approve one of the resolution plans or reject all
- If CoC approves a resolution plan, the RP to submit it to AA
- If CoC does not approve any resolution plan/ nor finds BRP competitive, then RP to file with AA for termination of PPCI
- CoC before approval of resolution plan can by 66% voting majority, decide to go for regular insolvency if eligible