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Latest updates On Insolvency & Bankruptcy

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"The best way out is always through"

➤ **NCLT extends IRP for Srei Infra till January 5**

The National Company Law Tribunal has extended the time till January 5 next year for completion of insolvency resolution process for Srei Infrastructure Finance. Total three participants have shown interest in the buyout process.

"National Company Law Tribunal, Kolkata bench has extended the time of completion of Corporate Insolvency Resolution Process till 5th January, 2023 with respect to the ongoing CIRP of the company," Srei said in a BSE filing.

In October 2021, the RBI took the management of the Kolkata-based nonbanking housing finance company due to its deteriorating financial conditions and governance issues.

Following this, the company came under CIRP. The RBI and Srei are the litigant parties in the matter.

As per an NCLT order dated October 31, 2022, the Srei administrator had sought more time till January 2023 for completion of CIRP.

Source: The Economic Times

Read Full news at: <https://economictimes.indiatimes.com/industry/indl-goods/svs/engineering/nclt-admits-insolvency-plea-against-infrastructure-firm-valecha-engineering/articleshow/95238712.cms>

➤ **Sebi proposes framework to protect public shareholders' interest in cos undergoing insolvency resolution process**

regulator Sebi on Thursday came out with a proposal to protect the interest of public equity shareholders in cases of listed companies undergoing insolvency resolution process.

The proposed framework would provide an opportunity to minority shareholders to participate in the Corporate Insolvency Resolution Process (CIRP) on the same

pricing terms as available to the resolution applicant, according to a consultation paper floated by Sebi.

Under the proposed framework, the existing public equity shareholders of the corporate debtor should be provided an opportunity to acquire equity of the fully diluted capital structure of new entity to the extent of up to the minimum public shareholding percentage (currently 25 per cent).

The pricing terms should be the same as agreed upon by the resolution applicant. The new entity should endeavour to achieve at least 5 per cent public shareholding through such mode of offer made to the non-promoter public shareholders.

The offer to acquire shares should be made in an equitable manner to such public equity shareholders.

The mechanism should be an integral part of the resolution plan submitted by the resolution applicant for all listed entities undergoing CIRP, as per the consultation paper.

However, to ensure adequate float and liquidity in the new entity post its restructuring through the resolution plan, it should be specified that the entity should be permitted to continue as a listed entity only if 5 per cent of the fully diluted capital structure of new entity is with the public shareholders.

So far, 28 listed companies have ended in liquidation pursuant to CIRP, 52 listed firms have been delisted following the approval of the resolution plans and 23 companies continued to remain listed pursuant to clearance.

For identifying public equity shareholders, certain categories of shareholdings are proposed to be excluded.

The categories are promoter and promoter group; shares held by associate companies and subsidiaries; family members of promoter and promoter group not covered under definition of promoter group; trusts managed by promoter and promoter group; directors and their relatives and KMPs (Key Managerial Persons) of the company.

The subscription from public equity shareholders under such offer to acquire equity of the fully diluted capital structure of new entity will not be in the hand of successful bidder/ resolution applicant, Sebi said.

So, the regulator said it may not be possible for the successful bidder/ resolution applicant to upfront specify allotting a certain percentage of equity to public equity shareholders and get the same incorporated as part of resolution plan, it added.

The entire process of offering to the existing public shareholders to acquire the shares of the new resultant entity would be tech-enabled at exchanges in a manner to ensure that the speed of resolution process is not adversely impacted or compromised and the offer is executed through exchange mechanism within a short span of time.

In cases where a successful bidder is unable to muster 5 per cent public shareholding as per the specified process, the company should go for delisting pursuant to cancellation of the offer made to the existing public equity shareholders.

It should also refund the consideration received from the public equity shareholders before proceeding further with CIRP.

The Securities and Exchange Board of India (Sebi) has sought comments on the proposals from the public till November 24. Listing out the merits of the proposal, Sebi said the company will be able to retain its status as listed company with minimum public float post restructuring.

"Burden on successful bidder/ resolution applicant will be lesser as capital for part equity in the new entity can be met through offer to non-promoter public shareholders.

Resolution applicant shall have this additional source of raising money and at the same time shall also comply with MPS," it said.

Further, existing public shareholders of the company under CIRP become shareholder in the company post restructuring. They will have a right to participate in proportion of their shareholding and will have the opportunity to acquire capital of new entity at the same cost at which the new acquirer is coming

Source: The Economic Times

Read Full news at: <https://economictimes.indiatimes.com/markets/stocks/news/sebi-proposes-framework-to-protect-public-shareholders-interest-in-cos-undergoing-insolvency-resolution-process/articleshow/95431652.cms>

