

## **Sebi norms offer relief to stressed cos under IBC**

The Insolvency and Bankruptcy Code (IBC) 2016 has seen significant action since its inception, with the Reserve Bank of India (RBI) taking lead and releasing the initial list of 12 companies (many being listed companies) to be referred to the National Company Law Tribunal (NCLT). Like every new legislation, IBC also had its share of teething issues which made its implementation challenging. Over a period of time, various regulators including the Securities and Exchange Board of India (Sebi) have issued various notifications to address practical challenges faced by stakeholders during the resolution process.

In the latest of such amendments, Sebi vide its notifications dated May 31, 2018, amended the provisions of Takeover Code, Issue of Capital and Disclosure Requirements (ICDR) Regulations, Delisting Regulations and Listing Obligations and Disclosure Requirements (LODR) Regulations to facilitate the resolution process under IBC. Effectively, through these amendments, certain exemptions have been provided for companies undergoing corporate insolvency resolution process under IBC.

Takeover Code is now amended to permit the bidder to acquire more than 75% of the equity stake in such listed company. Further, the market regulator has clarified that such companies will not be required to adhere to the preferential issue guidelines (except lock-in requirements) prescribed under ICDR Regulations for the issue of securities.

Delisting Regulations have been relaxed to facilitate the bidder to delist such company, without complying with the processes required for delisting, if an exit is provided to the public shareholders at a price not less than the liquidation value and such price is not less than the price offered to the existing promoters or any other shareholders.

One major hurdle faced by such companies was with respect to corporate governance compliances relating to Board of Directors, constitution of various committees like Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee and Risk Management Committee. LODR Regulations have been amended to exclude such companies from above compliance obligations. Roles and responsibilities of the Board of Directors and such committees are now shifted to the Insolvency Resolution Professional.

Sebi further relaxed the requirement of obtaining shareholders' approval for transactions such as material related party transactions, disposal of shares or substantial assets of a material subsidiary, reclassification of existing promoters as public shareholders, subject to such events being disclosed to stock exchanges in a timely manner.

Sebi has also provided relief to such companies from obtaining NOC from stock exchanges in respect of any restructuring proposals to be undertaken as approved under resolution plan.

The above amendments are likely to provide major relief to the stressed companies since this will lead to the minimisation of transaction cost and simplification of the resolution process.

*(DNA India)*