

IL&FS Seeks NCLAT Nod to Sell Stake in Insolvent Cos Sans Shareholder Approval

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New Delhi: IL&FS group has approached the NCLAT to seek permission to sell its stake with a "haircut" and without shareholders' approval in its companies, which are insolvent with unsustainable debts and placed under the Category II list of resolution framework.

The government sought time to file a reply from the National Company Law Appellate Tribunal (NCLAT) in the last hearing earlier this week over IL&FS' interim application to sell a stake in group entities falling under Category II, whose highest bid amount was lesser than their debts.

In this process, "lenders, as well as shareholders, would anyway have to take a haircut for their respective debt/ and equities," IL&FS said, adding that it would also ensure the revival of such entity, balancing the interests of stakeholders.

The resolution of such companies is in line with the process followed under the Insolvency & Bankruptcy Code, where the requirement of seeking consent from shareholders is dispensed with, IL&FS has submitted. This will "resolve the category II companies (where IL&FS shareholding is less than 100 per cent) by writing down 100 per cent of their shareholding in exchange for bid proceeds to be utilised to discharge 100 per cent of the debt liability of the said entity".

This will help and result in the extingui-



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ishment of debt liabilities of Category II listed companies. However, it is facing objections from other stakeholders of such companies, thwarting a successful resolution, IL&FS submitted in its plea filed before the NCLAT.

It has requested the NCLAT for "permitting writing down of the entire share capital of such Category II Companies upon payment of the bid value/proceeds without the requirement of obtaining any further approvals from the shareholders of such Category II Companies, resulting in the final resolution of the said entities".

The NCLAT had earlier issued notice to the Centre over IL&FS' plea. However, during the latest hearing, counsel representing the government sought two weeks time to reply. "This application has been filed by IL&FS seeking writing down of capital for resolution of category II companies. Notice was issued to Union of India," the NCLAT order noted.