

F.No 77/2010/BIFR/SD & C Cell
Board for Industrial and Financial Reconstruction
Special Director & Co-ordination Cell

New Delhi, 12th, October, 2010

Subject:- Guidelines for change of management of sick companies

In supersession of earlier guidelines, the following Guidelines have been approved by the Board for Industrial and Financial Reconstruction (BIFR) for Change of Management (COM) of sick companies.

- i) Following the order of BIFR for Change of Management (COM), the company shall submit (1) Latest Audited Balance Sheet; (2) Detailed valuation of inventory of all its fixed & current assets with their book value; (3) Break-up of all its liabilities as on the above date, under the following heads (a) secured dues (of banks, institutions and others) with breakup of principal, simple/compound interest and other charges; (b) unsecured dues (with break up into pressing creditors and others); (c) workers dues; (d) statutory/Government/local body dues; and (e) contingent liabilities, if any. Amounts/ items below Rs. 10.00 lakh each could be clubbed together under one head.

The above information, duly certified by the company's Chartered Accountants, should be submitted by the company to BIFR, Operating Agency (OA) and secured creditors within one month of the order of BIFR.

- ii) The cost of valuation of assets will be borne by the concerned company.
- iii) Based on the above information/documents to be received from the company, Consultant and Valuer, the OA shall prepare a profile of the company. The profile should contain, inter alia, the details of the major assets & liabilities as well as strengths & weaknesses of the company. The profile as well as the Guidelines would be shared by the OA with the parties evincing interest in joining the company as JV partner or taking it over in response to the advertisements released in this regard.
- iv) The OA shall issue advertisements in at least 2 prominent news papers/journals (regional and economic) within 15 days of the receipt of information from the company, seeking offers for change of management of the company by way of takeover/merger/amalgamation for the purpose of revival u/s 18(1)(b) read with Section 18(2) (i) of SICA.
- v) The advertisements for change of management should be published containing brief particulars of the major assets & liabilities and location. Due and wide publicity should be provided to the advertisements by putting them on the Website of the OA and supplying copies thereof to the leading Chambers of

Commerce and Industry etc. A sample/model advertisement is given in the Appendix.

- vi) 2% of the outstanding principal secured debt of banks/ FIs of the company shall be deposited, within 15 days of advertisement, by the interested parties as EMD at the time of submitting expression of interest. Whereafter, they will be allowed to visit the company's premises.
- vii) OA would facilitate visit of the interested parties to the factory premises, machineries, land, buildings etc. of the company will be allowed to inspect the same at stipulated date and time as indicated in advertisement.
- viii) Sixty days time from the date of release of advertisement would be allowed to the interested parties to submit their bid containing the outline of a Draft Revival Proposal for the company, which shall be time bound and indicate the additional resources to be brought in by the bidder for settling the secured debts (the statutory liabilities etc. can be settled through a scheme to be sanctioned eventually by the Board and the time-frame for the purpose of the company's revival). Other things being equal, the proposal from the existing promoters will still get a preference over others.
- ix) On the expiry of the time limit referred to above, OA shall scrutinize all the proposals received in response to the advertisement and evaluate the financial and technical capability of the parties to assess their suitability for taking over the management and then shortlist the suitable parties for approval of the Board. The entire exercise should be completed by the OA in 2 months from the date of closing of bid/offer.
- x) The selected parties by the Board shall deposit an additional amount of 10% of the outstanding principal debt of FIs/banks to be utilized as part of the scheme to be sanctioned eventually by the Board.
- xi) In case of there being no appropriate response to the advertisements, the OA will submit its report to the Bench (with a copy to the company) within a week of the closing date mentioned in the advertisements. The company could, if it so desires, respond to this report within further 15 days by writing to the Bench, under copy to the OA. Thereafter, the Bench will pass further orders which may include issue of a Show Cause Notice (SCN) for winding up of the company, without holding any further hearing, but after due consideration of the reply from the company, if any, received on time.
- xii) The cost of the advertisement will be initially borne by OA and subsequently will be re-imbursed by the company. The OA will not delay the release of the advertisement on this account.

- xiii) Any undue delays on the part of the company should be immediately brought to the Board's notice for further action/directions.

These Guidelines will come into force with effect from date of issue. Guidelines are circulated to all concerned for information and necessary action. A copy of the Guidelines has been placed on BIFR Website (www.bifr.nic.in) also.

Sd/-
(G.Bhujabal)
Secretary

CIRCULATION

PS to Hon'ble Chairman
PPS to Hon'ble Member (VKM)
PPS to Hon'ble Member (SB)
Section Officer(Bench-I)
Bench Officer (Bench-II)
Bench Officer (Bench-III)
Section Officer(Mon-I)
Section Officer(Mon-II)
Section Officer(Mon-III)
Computer Cell
All Officers in BIFR

_____ (Name of the OA)

OFFERS INVITED FOR TAKEOVER/MERGER/AMALGAMATION
OF _____ (Name of the Company) LOCATED AT _____ (Location of the company)

Whereas the aforesaid company was registered as a sick industrial company in the BIFR in _____(year) and the proceedings under SICA for revival are underway.

Pursuant to the directions issued by BIFR, _____ (Name of OA), as Operating Agency (OA) of BIFR, invites offers for change in/take over of management/ merger/ amalgamation as per measures listed in Section 18(1)(b) & 18(2)(i) of SICA for rehabilitating a company, having facilities for manufacturing of _____ (name of the product manufactured).

Location : Complete address of the company	
Financial position as on March 31, _____(year)	(Rs. In Lakh)
Equity capital	Gross Fixed Assets
Reserve & surplus	Net Fixed Assets
Term liabilities	Current Assets
Current Liabilities	Accumulated Losses

OA will be generally guided, inter-alia, by the following main considerations while evaluating the offers, viz. (i) Proven financial, technical & managerial capabilities (ii) Acceptability to Financial Institutions & Banks (iii) Minimum possible reliefs/ concessions from Financial Institutions, Banks, State/ Central Government (iv) Experience in similar industry; (v) Willingness and ability to bring in requisite funds by way of fresh equity/ interest-free unsecured loans for the company's rehabilitation.

Interested parties may inspect the factory premises/unit/assets etc of the company between(time) to (time) from(date) to (date).

Interested parties may contact the OA for a copy of the Guidelines for change of Management (COM) and detailed profile of the company. The interested parties shall deposit 2% of the outstanding principal secured debt of banks/ FIs of the company as EMD within 15 days of the release of this advertisement. in sealed envelope to:

_____ Name & Designation of officer of OA

_____ Address of OA

The complete offer in sealed cover should reach at the above address by -----(indicate the date) before 1630 hrs. OA/ BIFR reserve the right to accept or reject any offer without assigning any reason therefore.

Dated : _____