

## **Explanatory Notes**

### **Tenth Meeting of Committee of Creditors (CoC) of SRS Limited to be held on Thursday, 28<sup>th</sup> March, 2019 at 11:00 A.M. 4th Floor, Avanta Business Centre Pvt Ltd, Statesmen House, Barakhamba Road, Connaught Place, New Delhi-110001**

The meeting has been called to discuss and deliberate upon resolution plans received from shortlisted Resolution Applicants and other issues regarding Corporate Insolvency Resolution Process (CIRP). Various items of Agenda will be taken up for noting /discussion/approval as detailed below:

- **Agenda Item No 1:**

**To ascertain quorum for the meeting in accordance with the provisions of Regulation 22 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016**

As per the Regulation 22 (1) of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations 2016, a meeting of the Committee of Creditors (“CoC”) shall be quorate if the members representing at least 33% of the voting rights shall be present either in person or by video conferencing or other audio and visual means. All the members of CoC including Authorised Representative of Deposit Holders are requested to attend the meeting.

The claim of Assistant Commissioner of Income Tax, Central Circle II, Faridabad is more than 10% of debt and therefore, they are also given notice for attending this tenth meeting of CoC as per Section 24(3)(C) of the Insolvency and Bankruptcy Code, 2016 (“IBC, 2016”). Also, as per Section 24(4) of IBC, 2016, the operational creditor shall not have any right to vote in the meeting.

- **Agenda Item No 2:**

**To take note of the minutes of Ninth Meeting of Committee of Creditors (“CoC”) held on 14<sup>th</sup> March, 2019**

The minutes of the Ninth Meeting of Committee of Creditors held on 14<sup>th</sup> March, 2019 was circulated to all the members on 18<sup>th</sup> March, 2019. The minutes of ninth CoC Meeting shall be placed before members of CoC for taking them on record.

● **Agenda Item No. 3:**

**To discuss and take note of the total claims of creditors and voting share of the Committee of Creditors**

In terms of Regulations 7, 8, 8A & 9 of IBBI (Insolvency Resolution Process for Corporate Persons) Regulations 2016 (“CIRP Regulations”), the Resolution Professional has received and admitted claims of Financial Creditors being banks and Deposit Holders, Operational Creditors including claims of workmen, employees and statutory authorities.

The total amount of claims of financial creditors including deposit holders and voting share of members of CoC is given below:

S. NO.	Name of the Financial Creditor	Amount Claimed (INR)	Amount of claim Admitted (INR)	Security Interest	Voting Share
1.	State Bank of India	6,28,31,58,213.31	6,28,31,58,213.31	Secured	54.98%
2.	Bank of India	2,23,79,59,143.69	2,23,79,59,143.69	Secured	19.58%
3.	Union Bank of India	1,25,59,70,113.38	1,25,24,58,703.64	Secured	10.96%
4.	Oriental Bank of Commerce	68,78,72,193.38	68,78,72,193.38	Secured	6.02%
5.	Deposit Holders (Class of creditors)	82,47,31,909.60	82,03,56,480.09	Unsecured	7.17%
6.	Syndicate Bank	14,13,19,684.04	14,13,19,684.04	Secured	1.24%
7.	Axis Bank Limited	56,64,645.00	54,90,631.00	Secured	0.05%
<b>Total</b>		<b>11,43,66,75,902.40</b>	<b>11,42,86,15,049.15</b>		<b>100.00%</b>

The details of total claims received and admitted are as under:

S. No.	Name of the Creditor	Total Amount claimed till 19.11.2018 (INR)	Amount of claim admitted (INR)
1	Financial Creditors	10,61,19,43,992.80	10,60,82,58,569.06
2	Deposit Holders (class of creditors)	82,47,31,909.60	82,03,56,480.09

3	Operational Creditors (other than workmen/employee and statutory authorities)	33,68,92,993.60	29,20,25,657.14
4	Statutory Authorities	1,57,82,83,551.00	1,49,84,69,047.00
5	Workmen/Employees	1,55,45,390.00	1,53,58,431.45
<b>TOTAL</b>		<b>13,36,73,97,837.00</b>	<b>13,23,44,68,184.74</b>

The list of creditors whose claims have been received and admitted is uploaded at website of SRS i.e. srsparivar.com as well as on both stock exchanges.

● **Agenda Item No. 4:**

**To discuss and deliberate upon resolution plans with representatives of Resolution Applicants who submitted the plans**

Resolution Professional informed in the last meeting held on 14.03.2019 that he has received resolution plan from three resolution applicants till the last date for receipt of resolution plan which was 13.03.2019. All the plans were opened in the meeting and salient features of the plans were discussed among the CoC Members. It was decided to invite all the three resolution applicants in the next CoC meeting to further deliberate and discuss on the plan.

All the three resolution applicants have been requested to present in this CoC Meeting along with their representatives for further discussion on the plans.

There will be also discussion on whether the plans comply with various provisions of IBC, 2016.

● **Agenda Item No. 5:**

**To discuss such other matters with the permission of majority of members of the Committee of Creditors as may be deemed necessary for the smooth functioning of the CIRP of the Corporate Debtor**

**a. Issue of Legal Entity Identifier (“LEI”) for SRS Limited:**

SRS Limited has been issued Legal Entity Identifier Number by Legal Entity Identifier India Limited (“LEIL”), entity recognised by Reserve Bank of India as Issuer of LEIs under Payment and Settlement Systems Act. LEI No for SRS Limited is 335800GCRPLN13FZ8U50.

**b. Eligibility of Mr Raju Bansal to continue as Director of SRS Limited**

It was informed in the last CoC Meeting held on 14.03.2019 that Directors of SRS Limited including Mr Raju Bansal have been disqualified as directors under Section 164(2)(b) of the Companies Act, 2013. The list of such directors was uploaded by ROC at MCAs website. Opinion of Gaggar & Co, legal counsel of Resolution Professional was also discussed in the last CoC Meeting, as per which Mr Raju Bansal, the only active director on Board cannot continue as director in SRS Limited as well as in other companies including SRS Entertainment India Limited (wholly owned subsidiary of SRS Limited).

The term of Mr Raju Bansal as director in SRS Limited is to expire on 31.05.2019 and therefore an opinion has been further taken whether he can continue as Director in SRS Limited, the defaulting company, till the expiry of his term as director, under Section 164(2)(b) of the Companies Act, 2013. In this regard, Gaggar & Co LLP has provided their opinion which is as follows:

*“In this regard Section 176 of the Companies Act referred to reads as follows:*

*“176 - No act done by a person as a director shall be deemed to be invalid, notwithstanding that it was subsequently noticed that his appointment was invalid by reason of any defect or disqualification or had terminated by virtue of any provision contained in this Act or in the articles of the company ;*

*Provided that nothing in this section shall be deemed to give validity to any act done by the director after his appointment has been noticed by the company to be invalid or to have terminated.*

*Section 167(1)(A) states that –*

*“The office of a director shall become vacant in case –  
(a) He incurs any of the disqualifications specified in Section 164.*

*Provided that where he incurs disqualification under sub-section (2) of Section 164, the office of the Director shall become vacant in all the*

*companies, other than the company which is in default under that sub section”.*

*Thus, relying upon the above provisions, it is clear that though Raju Bansal can continue to remain as a director of SRS Limited till the term of his director expires.*

*So far as the accounts are concerned which has been signed by Raju Bansal it remains valid as Raju Bansal continues to be the director of SRS Limited”*

**c. Appointment of other directors (including whole time, independent, non-executive) in SRS Limited**

As mentioned in Point (b) above, there are no other directors in SRS Limited other than Mr Raju Bansal whose term is to expire on 31.05.2019. Thus, there is no proper quorum of Board as per Companies Act and other statues including SEBI. In this regard, Gaggar & Co LLP has also provided following opinion which was also discussed in last CoC held on 14.03.2019:

*“The Resolution Professional has to ensure that the Corporate Debtor remains as a going concern. The IBBI has also vide its Circular No. IP/002/2018 dated 3<sup>rd</sup> January, 2018 stated as follows: -*

*“It is hereby directed that while acting as an Interim Resolution Professional, a Resolution Professional, or a Liquidator for a corporate person under the Code, an Insolvency professional shall exercise reasonable care and diligence and take all necessary steps to ensure that the corporate person undergoing any process under the Code complies with the applicable laws.”*

*Thus from the above it is clear that the Resolution Professional has to take necessary measures to comply with the provisions of law including the provisions as laid down under the Companies Act, 2013.*

*Considering the above provision we are of the view that the resolution Professional should propose the names of new directors and place it before the Committee of Creditors for their consent and upon their consent*

*appoint the directors. In any case, the Article of Association has to be kept in mind which defines appointment of additional /new directors and in accordance thereto comply with the same.”*

In view of the above stated opinion, Resolution Professional has tried various efforts to appoint directors in SRS Limited and an advertisement was also released for appointment of professionals including Directors. An applicant also showed interest to become Independent Director, however after becoming aware of the current situation of the Corporate Debtor, he did not proceed further. Also, no applications have been received till date for the post of whole time director and non-executive directors.

**d. Present status of application filed under section 45 and 66 of IBC, 2016**

It was informed in the last CoC Meetings that an application has been filed under section 45 (undervalued) and section 66 (fraudulent trading) of IBC, 2016 with Hon'ble NCLT, Chandigarh. The matter came up for hearing on 19.03.2019 where Hon'ble NCLT directed as follows:

*“Notice to the non-applicants returnable on 30.04.2019 ‘Dasti’ in addition to the publication since whereabouts of many of the addresses are not known.”*

Resolution Professional is in the process of complying with the above mentioned order to make a public announcement regarding the filing of the said application and serve the Dasti Notice to the Respondents.

**Sd/-**

**ASHOK KUMAR GULLA**

Insolvency Professional

Regn. No: IBBI/IPA-003/IP-N00024/2017-18/10174

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