



FLOW CHART OF EVENTS IN CASE OF REVIVAL OF A SICK COMPANY

Fifty per cent erosion of net worth (Section 23)

Any Industrial Company ("Company") whose fifty per cent of the net worth is being eroded within its preceding four financial years, then such a Company must within 60 days from the date of finalization of its audited accounts proceeds as follows:

- Report this fact to BIFR;
- Board of Directors shall call a General Meeting;
- Every member should receive a report relating to such erosion and explaining reasons thereof, before 21 days of the General Meeting.

Hundred per cent or more erosion of net worth (Section 15)

- As per Section 3(1)(o) an Industrial Company being a company registered for not less than five years which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth should be considered as a Sick Company.
- The Board of Directors of such a Company shall within 60 days from the date of finalization of audited accounts make a reference to Board for Industrial and Financial Reconstruction ("BIFR").

Inquiry by BIFR (Section 16)

- BIFR by its self or through any public financial institution, State level institution, scheduled bank or any other person as may deem fit ("Operating Agency") pursue inquiry of the Company.
- The Operating Agency should endeavor to complete the enquiry within 60 days of order of enquiry.
- The board may appoint special director for safeguarding the financial and other interest of the Company during the course of enquiry.

Results of enquiry

New Delhi: R-1, SF, Park View Apartments Hauz Khas Enclave, New Delhi – 110016, India Bangalore: 516, 10th A Cross, 29th Main, Sector 1, HSR Layout, Bangalore – 560 034, India



Company can make its net worth exceed the accumulated losses within a reasonable time (Section 17)

> An order containing restrictions and conditions may be passed by BIFR.

It is not practically possible for the Company to make its net worth exceed the accumulated losses within a reasonable time (Section 17)

Appointment of Operating Agency Company is not likely to make its net worth exceed the accumulated losses (Section 20)

Order by BIFR for Winding up

Preparation and Sanction of Scheme (Section 18)

- Operating Agency shall prepare a Scheme for the Company within 90 days of order of BIFR.
- The Scheme shall be examined and reviewed by BIFR.
- The Scheme shall be published in a daily newspaper.
- BIFR shall consider the suggestions and objections of interested parties.

Scheme involves strategy for rehabilitation by giving financial assistance (Section 19)

- Such a Scheme must be shared with every person required by the Scheme to provide financial assistance.
- Investors are required to give their consent of within a period of 60 days from the date of such circulation or within such further period, not exceeding 60 days, as may be allowed by BIFR
- If no consent is received within specified period, it shall be deemed that consent has been given by investors.

after considering the objections. The Scheme must be applicable to all.

as it may deem fit.

Suspension of Legal Proceedings and Contracts (Section 22)

- No suit for the recovery of money or for the enforcement of any security against the Company etc. shall lie, except with the consent of BIFR or the Appellate Authority.
- Where the management of the Company is taken over or changed then Shareholders of the Company or any other person should not be appointed or nominated as director of the Company.
- No resolution passed at any meeting of the shareholders of the Company shall be given effect to unless approved by BIFR.
- BIRF may by order declare with respect to the Company that the operation of all or any of the contracts, assurances of property, agreements and settlements which may be applicable to such Company, immediately before the date of such implementation of Scheme, shall remain suspended or shall be enforceable with such adoptions as may be specified by the BIRF.
- Further, all proceedings relating thereto pending before any court, tribunal, officer or other authority shall remain stayed or be continued subject to above declaration.
- When BIFR withdraws its declaration after revival of the Company then all right, privilege, obligation or liability so remaining suspended or modified, shall become revived and enforceable as if the declaration had never been made.
- Above declaration shall not be made for a period exceeding two years which may be extended by one year at a time so, however, that the total period shall not exceed seven years in the aggregate.



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