

NCLT TO RE-CHECK VEDANTA-VIDEOCON DEAL



Issue

Vedanta group is set to acquire Videocon Industries after the National Company Law Tribunal (NCLT) approved its resolution plan.

Background

Videocon group is reeling under the NPA crisis and has large amounts yet to be returned. The banks were forced to make 95.85 per cent haircut to their claims.

Details

The Mumbai branch of National Company Law Tribunal (NCLT) thinks that the bid of Rs 2,962 crore by Twin Star Technologies of Vedanta group was very meagre.

Resolution plan

- The assenting secured creditors of the company will get 4.89 percent of their amount whereas dissenting secured creditors will get 4.56 percent of the amount.
- The assenting unsecured creditors will receive only 0.62 percent whereas dissenting unsecured creditors will get no money. Operational creditors will get only 0.72 percent.
- The lending banks had made claims for Rs 71,433 crore but will receive only Rs 2,962 crore. The banks will lose 64,838.63 crore under the current plan.

Effects of resolution

- There were large lenders in form of MSMEs. Under current plan, they will be only paid 0.72 percent. If they don't receive their dues, they may also face bankruptcy in future.
- The equity shareholders will receive no amount during resolution as the liquidity value of the company is nil. The shares will be delisted from NSE and BSE.

Haircut for banks

- Banks have suffered huge losses due to the haircut process during resolution. The amount Rs 2.97 lakh crore is the total value of haircut.
- Banks are trying to use the SARFAESI act to seize the assets of the company and recover the due amount they owe.

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