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***Securities Exchange Board of India vide circular dated June 20, 2024, has introduced special call auction mechanism for price discovery of scrips of listed Investment Companies (ICs) and listed Investment Holding Companies (IHCs)***

- SEBI vide circular dated June 20, 2024, has introduced special call auction mechanism for price discovery of scrips of listed Investment Companies (ICs) and listed Investment Holding Companies (IHCs).
- It is observed that scrips of a few listed ICs and IHCs are being traded infrequently and at a price which is significantly lower than the book value disclosed by these companies in their latest audited financial statements. Moreover, these companies generally have no day-to-day operations and hold investments in different asset classes including in scrips of other listed companies.
- It has been decided to put in place a framework for “special call auction with no price bands” for effective price discovery of scrips of such ICs and IHCs.
- The circular is herein attached.

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***Securities Exchange Board of India vide circular dated June 20, 2024, has issued Modification induration for Call Auction in pre-open session for Initial Public Offer (IPO) and Relisted scrips***

- SEBI vide circular dated June 20, 2024, has issued Modification induration for Call Auction in pre-open session for Initial Public Offer (IPO) and Relisted scrips.
- It was observed that during the call auction in pre-open session for certain IPO and relisted scrips, orders were placed at higher price in large volumes and significant portion of such orders were cancelled just before the closure of



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call auction session. This may have created false demand and supply and possibly manipulating the price of the scrips to the detriment of common investors.

- It has been decided to modify the current provisions related to call auction session for IPO & relisted scrips and introduce additional surveillance measures at stock exchanges.
- The circular is herein attached.

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### **Defaulter Promoters Of MSMEs Eligible To Be Granted Ease On Net Worth Threshold For Resolution Plan Submission**

#### **Overview and Brief Facts**

Wearit Global Ltd., the Corporate Debtor, registered under the MSME Act, 2006 was admitted into corporate insolvency under IBC, 2020. On the publishing of invitation by the Resolution Professional or RP for Expression of Interest, Mr. Manish Kumar, a suspended Director of the Corporate Debtor implored the RP vide a letter dated 20<sup>th</sup> December, 2023 to grant him a relaxation in the eligibility threshold that enumerates a requirement of a minimum net worth of INR 15 crores for the Resolution Applicant to submit a Resolution Plan along with Expression of Interest. However, Mr. Manish Kumar was refused to be put onto the list of Prospective Resolution Applications by CoC on the grounds that in addition to not meeting the minimum net worth criteria, the Director had not turned in the requisite Earnest Money Deposit or EMD. Hence, he moved the NCLT against the RP and CoC for denying him a relaxation from the net worth threshold as expounded above.

#### **NCLT Judgement**

In the impugned case of *Mr. Manish Kumar vs Rachna Jhunjunwala (RP) and Anr.*,



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*decided on June 5, 2024*, the NCLT post admission of the Applicant's application granted the Applicant the requested relaxation from the above-mentioned criteria and further directed the RP to allow its Expression of Interest and plan upon the supply of the required security deposit and Earnest Money Deposit. The NCLT cited that in its judgment it relied on the rationale that the objective of IBC and the ILC Report shall be conformed to and that relaxations have been provided under Section 240A of IBC.

### **Conclusion**

The case at hand demonstrates the flexibility and fairness embedded within the legal framework to address unique situations. The NCLT's decision on June 5, 2024 to grant Mr. Manish Kumar a relaxation from the net worth threshold underscores the tribunal's commitment to upholding the objectives of IBC while ensuring equitable treatment of applicants. The NCLT's reliance on Section 240A of IBC and the ILC Report emphasizes the adaptability in the resolution process, allowing for necessary relaxations to promote effective resolution of insolvency matters.

**Case Title:** Mr. Manish Kumar, suspended director of Wearit Global Ltd. vs. Rachna Jhunjunwala, RP and Anr.

**Case No.:** I.A. (IB) No. 53/KB/2024 in Company Petition (IB) No. 100/KB/2019



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