

TT Alert

June 2023

Conversion of liability into shares would be subject to lock in

Background

SpiceJet Limited ('Company') a listed public company which had an outstanding lease liability payable to aircraft lessor ('vendor'). The management proposed to issue equity shares on preferential basis to the vendors in lieu of its lease liability to restructure its outstanding liabilities ('proposed transaction').

In reference to this, the company has sought informal guidance from SEBI on applicability of Regulation 163(3) & 167(2) of SEBI ICDR Regulations¹ on the proposed transaction.

SEBI Guidance

SEBI via its interpretive letter² clarified the following:

- The provisions of Regulation 163(3) of ICDR Regulations would not be applicable to the proposed transaction as the preferential shares are issued in lieu of the rental obligation, being a monetary liability. In other words, valuation report by independent valuer as normally required under Regulation 163(3) for issuance of preference shares for a consideration other than cash, may not be required for the proposed transaction.
- It further clarified that the provisions of Regulation 167(2) will apply to the vendor and a lock-in period of 6 months to be imposed from the date of trading approval.

Disclaimer: The informal guidance by SEBI is an opinion on the issue and not an order or decision of the regulator's board.

¹The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

²SEBI Interpretive letter SEBI/HO/CFD/CFD-PoD-2/OW/P/2023/20934/1 dated 23 May 2023

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