

March 27, 2017

To,

The Manager (Listing), BSE Limited Mumbai	The Manager (Listing), National Stock Exchange of India Ltd. Mumbai
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Dear Sir,

Sub : Brief Note on Notice of Postal Ballot / E-voting

In continuation of our letter dated 24th February, 2017 on the subject matter, we send herewith a brief note on Notice of Postal Ballot / E-voting dated 8th February, 2017.

Kindly find the same in order.

Thanking you.

Yours faithfully,
For Elecon Engineering Company Limited



Parthiv Parikh
Company Secretary & Compliance Officer



Encl: a/a



Cranes



Rubber Industry



Marine Industry



Plastic Industry



Power Industry



Steel Industry



Sugar Industry



Mining



Cement Industry

Gearing industries. Gearing economies.

Note on Postal Ballot Voting Requirement**Rationale for Postal Ballot Voting**

- Postal ballot voting being done to seek approval as special resolution pursuant to provisions of Companies Act, 2013 and RBI's circular DBR.BP.BC.No. 101 / 21.04.132/2014-15 on "Strategic Debt Restructuring Scheme" regarding the framework for reviving distressed assets in case of default
- Provisions mandatory for all companies to avail any debt henceforth
- Issue of security applicable in the extreme case of default of payments of loans to the banks

Background of RBI Guidelines

- RBI's Strategic Debt Restructuring (SDR) has been introduced with a view to ensuring more stake of promoters in reviving stressed accounts and providing banks with enhanced capabilities to initiate change of ownership, **where necessary, in accounts which fail to achieve the agreed critical conditions and viability milestones.**
- Banks will consider using SDR only in cases where change in ownership is likely to improve the economic value of the loan asset and the prospects of recovery of their dues.
- **The trigger for SDR must be non-achievement of viability milestones and /or non-adherence to 'critical conditions' linked to the option of invoking SDR, as stipulated in restructuring agreement, and SDR cannot be triggered for any other reason.**
- The circular prescribes that henceforth, banks should include necessary covenants in all loan agreements, including restructuring, supported by necessary approvals/authorisations (including special resolution by the shareholders) from the borrower company, as required under extant laws/regulations, to enable invocation of SDR in applicable cases'.

Abstract of RBI's Scheme on Strategic Debt Restructuring

- **Rationale in the Scheme (Strictly for documentation specifically in case of default or our inability to pay dues to bank)**
 - Possibility of transferring equity of the company by promoters to the lenders to compensate for their sacrifices;
 - Promoters infusing more equity into their companies;
 - Transfer of the promoters' holdings to a security trustee or an escrow arrangement till turnaround of company. This will enable a change in management control, should lenders favour it
- The decision on converting the whole or part of the loan into equity shares will be taken by the Joint Lenders Forum(JLF) as early as possible but within 30 days from the review of the stressed account.
- Such decision should be well documented and approved by the majority of the JLF members (minimum of 75% of creditors by value and 60% of creditors by number);

Provisions applicable in Companies Act, 2013

- Section 62(3) of the Companies Act, 2013 regarding Further Issue of Share Capital
 - Conversion of Loan into capital (Sec 62(3))
 - Sec 62(3) states if company takes a loan on the term that loan will be converted into share capital & such an option have been approved before raising of loan by a special resolution, subscribed capital can be increased.
 - Procedure for conversion of loan into shares:
 - **Approve terms of loan by passing special resolution before taking of loan & file special resolution within 30 days.**
 - Convert loan into shares by passing resolution in Board Meeting & File E-form for allotment of shares within 30 days.
 - Also issue share certificate by passing Board resolution & file E-form within 30 days for issue of shares.
- Limit of the borrowing power is restricted to the extent of approval sought under **Section 180(1)(c) of the Companies Act, 2013**
- Provisions given an option to the Lenders to convert either the whole or any part of the outstanding principal amount under the Loan Facility into fully paid up and voting equity shares of the Company at par provided by such Lenders to the Company, of their respective intention to convert the loans (Refer to language in the notice)

