

PROCESS DOCUMENT

[Invitation for a Scheme of Compromise or Arrangement Under Section 230 of Companies Act 2013 read with Regulation 2B of the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations]

COMPANY IN LIQUIDATION: M/s FRANCO LEONE LIMITED

Issued by:

MR. ANIL KOHLI

Resolution Professional in the matter of Franco Leone Limited

Reg. No.: IBBI/IPA-001/IP-P00112/2017-2018/10219

E-mail id: insolvency@arck.in

FRANCO LEONE LIMITED-In Liquidation

Regd. Office: RZ-142, NEW VISHNU GARDEN EXT, NEW DELHI -110018

Date: 21.03.2023

Invitation for Proposing a Scheme of Compromise or Arrangement under Section 230 of the Companies Act, 2013 by the Creditors and/or Members of FRANCO LEONE LIMITED (in Liquidation) under the Insolvency and Bankruptcy Code, 2016

1. Introduction

Background:

M/s. Franco Leone Limited (formerly known as Franco Leome Shoes Private Limited) the youth fashion brand of men's footwear incorporated on 19.12.1995 under Companies Act & Company having registered office as per website of Ministry of Corporate Affairs at R-Z 142, New Vishnu Garden Extension, New Delhi 110018.

This company has a very well-established business setup from the past 26 years. At the early stages the Company was involved in leather footwear of men. In the year 2011, Franco appointed Ranbir Kapoor as its Brand Ambassador aiming to strengthen Franco Leone and connect with the men's youth. At Franco, the products reflected the revolution of the brand in keeping with the changing consumer attitudes.

With the change of the Era, the company Launched in E-Commerce by adding a mix of unpretentious, contemporary and smart collection of wide range of over 300 plus styles in men's footwear which were rapidly ramped up to tap into the growing market and by making their products available on every possible online platform and therefore, Franco Leone has outstood as one the India's top most searched Footwear available on Amazon, Flipkart, Reliance, Myntra and many more. Franco Leone was recognised as a Brand of Footwear.

The Hon'ble Adjudicating Authority, i.e., National Company Law Tribunal, Bench-IV, New Delhi has admitted the application filed by the financial creditor, under section 7 on 09.05.2022 initiating Corporate Insolvency Resolution Process under Insolvency & Bankruptcy Code, 2016 ("**Code**") against M/s FRANCO LEONE LIMITED (**Corporate debtor**). The Adjudicating Authority vide its order dated 09.05.2022 has appointed the Mr. Vijender Sharma as Interim Resolution Professional ("**IRP**").

Further, Hon'ble NCLT was pleased to appoint Mr. Anil Kohli as Resolution Professional in the matter vide order dated 27.07.2022.

During the CIRP, resolution plans for the corporate debtor were submitted by prospective resolution applicants pursuant to the Expression of Interest floated by the RP, as approved by the COC. However, resolution plans were rejected by the CoC in its Commercial Wisdom. Pursuant to the rejection of the Resolution Plans by the members of the COC in its 8th COC Meeting, the then Resolution Professional filed an application before the Hon'ble Bench on 28.01.2023 under Section 33 (2) of Insolvency & Bankruptcy Code, 2016 ("**the Code**") thereby intimating the Adjudicating Authority of the decision of the COC to liquidate M/s Franco Leone Limited.

The Liquidator further published a Notice inviting prospective bidders, i.e., Creditors and/or members of the corporate debtor, for submission of a scheme of Compromise or Arrangement with creditors under Section 230 of the Companies Act, 2013 ("**Scheme**") in the following newspapers:

- (i) Business Standard (English- Delhi/NCR & Chandigarh Editions)
- (ii) Dainik Jagran (Hindi- NCR, Haryana & Himachal Pradesh Editions)

2. Invitation from potential applicants:

2.1 Eligibility

Proposal for Scheme is invited from the following category of people:

- a. Member(s) or any class of members of the Company; or
- b. Creditor/s or any class of Creditors like Financial Creditors of the Company; or
- c. Operational Creditors of the Company.

The expressions *financial creditor* and *operational creditor* shall have the meaning ascribed to them in the Code.

2.2 Ineligible Persons:

Regulation 2B of Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016 (“Liquidation Regulations”), provides as- **“A person, who is not eligible under the Code to submit a resolution plan for insolvency resolution of the corporate debtor, shall not be a party in any manner to such compromise or arrangement”**. In terms of Section 29 A of the Code, a person shall not be eligible to submit a resolution plan, if such person, or any other person acting jointly or in concert with such person—

- a) is an undischarged insolvent;
- b) is a willful defaulter in accordance with the guidelines of the Reserve Bank of India issued under the Banking Regulation Act, 1949 (10 of 1949);
- c) at the time of submission of the resolution plan has an account, or an account of a corporate debtor under the management or control of such person or of whom such person is a promoter, classified as non performing asset in accordance with the guidelines of the Reserve Bank of India issued under the Banking Regulation Act, 1949 (10 of 1949) 3 or the guidelines of a financial sector regulator issued under any other law for the time being in force, and at least a period of one year has lapsed from the date of such classification till the date of commencement of the corporate insolvency resolution process of the corporate debtor:

Provided that the person shall be eligible to submit a resolution plan if such person makes payment of all overdue amounts with interest thereon and charges relating to nonperforming asset accounts before submission of resolution plan:

Provided further that nothing in this clause shall apply to a resolution applicant where such applicant is a financial entity and is not a related party to the corporate debtor.

Explanation I.- For the purposes of this proviso, the expression "related party" shall not include a financial entity, regulated by a financial sector regulator, if it is a financial creditor of the corporate debtor and is a related party of the corporate debtor solely on account of conversion or substitution of debt into equity shares or instruments convertible into equity shares or completion of such transactions as may be prescribed, prior to the insolvency commencement date.

Explanation II.— For the purposes of this clause, where a resolution applicant has an account, or an account of a corporate debtor under the management or control of such person or of whom such person is a promoter, classified as non-performing asset and such account was acquired pursuant to a prior resolution plan approved under this Code, then, the provisions of this clause shall not apply to such resolution applicant for a period of three years from the date of approval of such resolution plan by the Adjudicating Authority under this Code;

- d) has been convicted for any offence punishable with imprisonment –
- I. for two years or more under any Act specified under the Twelfth Schedule; or
 - II. for seven years or more under any law for the time being in force:
Provided that this clause shall not apply to a person after the expiry of a period of two years from the date of his release from imprisonment:
Provided further that this clause shall not apply in relation to a connected person referred to in clause(iii) of Explanation I;
- e) is disqualified to act as a director under the Companies Act, 2013 (18 of 2013):
Provided that this clause shall not apply in relation to a connected person referred to in clause (iii) of Explanation I;
- f) is prohibited by the Securities and Exchange Board of India from trading in securities or accessing the securities markets;
- g) has been a promoter or in the management or control of a corporate debtor in which a preferential transaction, undervalued transaction, extortionate credit transaction or fraudulent transaction has taken place and in respect of which an order has been made by the Adjudicating Authority under this Code:
Provided that this clause shall not apply if a preferential transaction, undervalued transaction, extortionate credit transaction or fraudulent transaction has taken place prior to the acquisition of the corporate debtor by the resolution applicant pursuant to a resolution plan approved under this Code or pursuant to a scheme or plan approved by a financial sector regulator or a court, and such resolution applicant has not otherwise contributed to the preferential transaction, undervalued transaction, extortionate credit transaction or fraudulent transaction;
- h) has executed a guarantee in favour of a creditor in respect of a corporate debtor against which an application for insolvency resolution made by such creditor has been admitted under this Code and such guarantee has been invoked by the creditor and remains unpaid in full or part;
- i) is subject to any disability, corresponding to clauses (a) to (h), under any law in a jurisdiction outside India; or

j) has a connected person not eligible under clauses (a) to (i).

Explanation [I]. — For the purposes of this clause, the expression "connected person" means—

- I. any person who is the promoter or in the management or control of the resolution applicant; or
- II. any person who shall be the promoter or in management or control of the business of the corporate debtor during the implementation of the resolution plan; or
- III. the holding company, subsidiary company, associate company or related party of a person referred to in clauses (i) and (ii):

Provided that nothing in clause (iii) of Explanation I shall apply to a resolution applicant where such applicant is a financial entity and is not a related party of the corporate debtor:

Provided further that the expression "related party" shall not include a financial entity, regulated by a financial sector regulator, if it is a financial creditor of the corporate debtor and is a related party of the corporate debtor solely on account of conversion or substitution of debt into equity shares or instruments convertible into equity shares or completion of such transactions as may be prescribed, prior to the insolvency commencement date;

Explanation II—For the purposes of this section, "financial entity" shall mean the following entities which meet such criteria or conditions as the Central Government may, in consultation with the financial sector regulator, notify in this behalf, namely:

- a) a scheduled bank;
- b) any entity regulated by a foreign central bank or a securities market regulator or other financial sector regulator of a jurisdiction outside India which jurisdiction is compliant with the Financial Action Task Force Standards and is a signatory to the International Organization of Securities Commissions Multilateral Memorandum of Understanding;
- c) any investment vehicle, registered foreign institutional investor, registered foreign portfolio investor or a foreign venture capital investor, where the terms shall have the meaning assigned to them in regulation 2 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 made under the Foreign Exchange Management Act, 1999 (42 of 1999);
- d) an asset reconstruction company registered with the Reserve Bank of India under section 3 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);
- e) an Alternate Investment Fund registered with Securities and Exchange Board of India;
- f) such categories of persons as may be notified by the Central Government.

The interested applicants are required to submit the Undertaking to above effect zin **Annexure D**.

2.3 Meeting cost of Scheme incurred by the Liquidator (Regulation 2B (3) of Liquidation Regulations)

Any cost incurred by the liquidator in relation to compromise or arrangement shall be borne by the corporate debtor, where such compromise or arrangement is sanctioned by the Tribunal under sub-section (6) of Section 230 of the Companies Act, 2013. However, such cost shall be borne by the parties who proposed compromise or arrangement, where such compromise or arrangement is not sanctioned by the Tribunal under sub-section (6) of Section 230.

2.4 Submission of the Scheme

The interested applicant shall be required to provide the information sought in **Annexure A**, the Affidavit in format prescribed in **Annexure B** and copy of the proposed Scheme as per Companies Act, 2013 along with executive summary of the Scheme in **Annexure C** not later than 06.04.2023 to the Liquidator.

2.5 Shortlisting of Applicants

All the proposals/schemes received by the Liquidator by the stipulated date/time shall be reviewed by the Liquidator and the Applicants shortlisted based on the documents submitted vide clause 2.5, shall be intimated about their shortlisting.

2.6 Manner of submission of the Scheme

The Applicant shall submit the hard copy of the proposed Scheme in a sealed envelope along with the requisite annexures at the following address by post or in person:

Anil Kohli
Liquidator in the matter of Franco Leone Limited
Reg. No.: IBBI/IPA-001/IP-P00112/2017-2018/10219
Email: insolvency@arck.in
AFA Valid Upto: 28-03-2024

The Applicant shall also submit a soft copy of the proposed Scheme along with requisite annexures stated above vide email at insolvency@arck.in.

2.7 Evaluation of the Scheme by CoC

On receipt of the full Scheme(s), the Liquidator shall seek directions from Hon'ble NCLT to allow him to constitute a 'Committee of Creditors' ("CoC"), as constituted during the CIRP period of the Company, for its opinion to find out whether the Scheme is viable, feasible and having appropriate financial matrix. Thereupon the Scheme/s shall be put up before the CoC for their assessment and consideration. Only the Scheme approved by the Creditors/CoC, in terms of the provisions of Section 230 of the Companies Act, 2013 and directions of Hon'ble NCLT, shall be submitted before the Hon'ble NCLT for approval in terms of Section 230 of the Companies Act 2013.

3. Last Date of Submission of Scheme

The last date for submission of Scheme is 06.4.2023.

Note:

1. The Liquidator reserves the right to cancel or modify the process without assigning any reason and without any liability. This is not an offer document and is issued with no commitment. Applicants should regularly visit the website of the Liquidator's IPE i.e. www.arck.in to keep themselves updated regarding clarifications/amendments/time-extensions, if any.
2. The Liquidator reserves the right to withdraw the invitation for submission of Scheme under section 230 of the Companies Act, 2013 and change or vary any part thereof at any stage, should it be so necessary at any stage.
3. No oral conversations or agreements with the Liquidator or any official, agent or employees of the Liquidator, any creditor or class of creditors, any member or class of members shall affect or modify any terms of the invitation for submission of Scheme.
4. Neither the Applicant/s nor any of representatives of the Applicant/s shall have any claims whatsoever against the Liquidator or its advisors or any of their officials, agents or employees arising out of or relating to this Scheme.
5. By submitting the Scheme, each Applicant shall be deemed to acknowledge that it has carefully read the document and has fully informed itself as to all existing conditions and limitations. Ignorance of law/s will not be treated as any excuse.
6. The Applicant acknowledges that the investment in the Company shall be made by the Applicant on an "**As is, Where is**"; "**As is, What is**"; "**Whatever there is**" and "**Without Recourse**" basis and the Liquidator will not be providing any representations or warranties for the Company.

For any clarifications on the process of submission of Scheme, please mail at insolvency@arck.in

Annexure A

[Note: In case of joint applicants, the details set out below are to be provided for each of the entities / groups submitting each joint applicant.]

1. Name and Address:

- a. Name of the Firm/Company/Organisation:
- b. Address:
- c. Telephone No:
- d. Email:
- e. PAN/CIN:

2. Date of Establishment:

3. Core Area of Expertise:

4. Contact Person:

- a. Name:
- b. Designation:
- c. Telephone No:
- d. Mobile No:
- e. Email:

5. Applicant's Profile:

- a. Financial Profile (consolidated / standalone as applicable):

[Note: In case of Company, the Company profile should necessarily include net worth and revenue numbers of the preceding three years. Where the entity submitting the Scheme is a financial creditor, please provide details pertaining to 'assets under management' and/or "committed funds" for the preceding five years or the committed funds available as on March 31, 2022, for investment.

In case of Individual, CIBIL Reports and ITR of last 2 financial years]

- b. Names & DIN of Directors including Independent Directors
- c. Experience of the Company in the relevant sector.
- d. Names of key lenders, if any, to the Company or its affiliates
- e. History if any, of the Company or affiliates of the Company being declared a 'willful defaulter', 'non-cooperative borrower', 'non-impaired asset' or 'non- performing asset'.
- f. Any other relevant details which would be useful for the Liquidator to be aware of in respect of the Scheme

Annexure B

AFFIDAVIT BY THE APPLICANT

(To be executed on non-judicial stamp paper of appropriate stamp duty value relevant to the place of execution, duly notarized)

I,.....[*name of the Individual /chairman/managing director/director/authorized person of Applicant, authorised by the Board of the Applicant for giving such affidavit*], son of [•], aged about [•]years, currently residing at [Address to be inserted] and having Aadhaar/ Passport number[•], on behalf of [name of the Applicant] having registered office at [] , do solemnly affirm and state to the Liquidator of FRANCO LEONE LIMITED (in liquidation) that I/we am/are meeting the qualification criteria as required for submission of Scheme vide advertisement dated as disclosed in the information and records with me/us.

I,..... [name of the Individual /chairman/managing director /director/authorized person of Applicant, authorised by the Board of the Applicant for giving such affidavit], further acknowledge that I have carefully read the entire document and am aware of all existing conditions and limitations in relation to the same.

I,..... [name of the Individual/chairman/managing director /director/authorized person of Applicant, authorised by the Board of the Applicant for giving such affidavit] state that I/we have attached necessary information requested by the Liquidator. The information furnished by me/ us is true, correct and accurate to the best of my/our knowledge. Based on this information, I/we understand that you would be able to evaluate our proposed scheme.

Solemnly affirmed at.....on the..... day of2023

Before me,

**DEPONENT
Notary/Oath Commissioner**

VERIFICATION:

I,..... *[name of the Individual/chairman/managing director/director/authorised person of Applicant, authorised by the Board of the Applicant company (in case of a company) for giving such affidavit]*, the deponent above named, on behalf of *[name of the Applicant]*, currently residing at [□], do hereby solemnly state on oath and declare and verify that the contents of the above affidavit are true, correct and complete to the best of my knowledge and nothing material has been concealed therein.

Verified at, on this theday of2023

DEPONENT

Annexure C

The executive summary of the scheme is as under:

- (a) Total funds proposed to be brought in for implementation of the Scheme along with sources of such funds;
- (b) Timeline for disbursement of the funds subject to approvals and permissions from NCLT;
- (c) Brief note on the proposed settlement of secured and unsecured financial creditors, operational creditors; other creditors and employees/workers;
- (d) The treatment of statutory liabilities;
- (e) Any restructuring of the capital of the Company or hiving off the existing units of the Company and treatment of such hived off units.

Annexure D

Undertaking about eligibility under Section 29 A of the Insolvency and Bankruptcy Code, 2016

(In case of joint applicants, undertaking to be submitted individually for all the persons)

I,.....(Name of Authorized Representative of Prospective Scheme Applicant in case of company or LLP) son of/ daughter of, aged about years, currently residing atand having Aadhaar / Passport number....., on behalf of(Prospective Scheme Applicant or “PSA” in case of company or LLP), having registered office at, pursuant to authorization of the Board of Directors of the PSA dated (as enclosed herewith) undertake as follows:

1. That I am duly authorized and competent to make the undertaking for and on behalf of the PSA in terms of resolution of its board of directors/ power of attorney dated The said document is true, valid and genuine to the best of my knowledge, information and belief.
2. That the Prospective Scheme Applicant (hereinafter referred to as “PSA”) or any person acting jointly with the PSA or in concert with PSA or any person who is a ‘connected person’ (as defined under the Insolvency and Bankruptcy Code, 2016 (“Code”)
 - i. is not an undischarged insolvent;
 - ii. is not a willful defaulter in accordance with the guidelines of Reserve Bank of India (“RBI”) issued under the Banking Regulation Act, 1949 (the “BR Act”);
 - iii. at the time of submission of the Expression of Interest for Scheme u/s 230 of Companies Act, 2013, does not: (i) have an account which has been classified as non-performing asset in accordance with the guidelines of the RBI under the BR Act or the guidelines of a financial sector regulator issued under any other law for the time being in force, and (ii) controls or manages or is the promoter of a corporate debtor whose account has been, classified as non-performing asset in accordance with the guidelines of the Reserve Bank of India issued under the Banking Regulation Act, 1949 or the guidelines of a financial sector regulator issued under any other law for the time being in force; and such classification has continued for a period of one year or more from the date of such classification till the date of commencement of the corporate insolvency resolution process of the Corporate Debtor;
 - iv. has not been convicted for any offence punishable with imprisonment:
 - a. for 2 (two) years or more under any Act specified under the twelfth schedule ; or
 - b. for seven years or more under any other law for the time being in force.

- v. has not been disqualified to act as a director under the Companies Act, 2013;
 - vi. has not been prohibited by Securities and Exchange Board of India from trading in securities or accessing the securities markets;
 - vii. has not been a promoter or in the management or control of a corporate debtor in which a preferential transaction, undervalued transaction, extortionate credit transaction or fraudulent transaction has taken place and in respect of which an order has been made by the National Company Law Tribunal or any other bench of the National Company Law Tribunal under the provisions of the Code;
 - viii. has not executed a guarantee in favour of creditor(s), in respect of a corporate debtor (as per the Code) which is under insolvency resolution process or liquidation under the Code and such guarantee has been invoked by the creditor (s) and remains unpaid in full or part;
 - ix. has not been subject to any disability, corresponding to clauses (i) to (viii) above, under any law in a jurisdiction outside India.
 - x. does not have a connected person who is not eligible under clause (i) to (ix)
3. That the PSA unconditionally and irrevocably agrees and undertakes that it shall make full disclosure in respect of itself and all its connected persons as per the provisions of the Code/Companies Act 2013 and the rules and regulations framed thereunder to submit the Scheme and also while submitting a scheme and that it shall provide all documents, representations and information as may be required by the Liquidator or the CoC to substantiate to the satisfaction of the Liquidator and the CoC that the PSA is eligible under the Code/Companies Act 2013 and the rules and regulations thereunder to submit the scheme in respect of the Corporate Debtor.
 4. That the PSA unconditionally and irrevocably undertakes that it shall provide all data, documents and information as may be required to verify the statements made under this undertaking.
 5. That the PSA agrees that the Liquidator is entitled to rely on the statements and affirmations made in this undertaking for the purposes of determining the eligibility of the PSA.
 6. That in the event any of the above statements are found to be untrue or incorrect, then the PSA unconditionally agrees to indemnify and hold harmless the Liquidator against any losses, claims or damages incurred by the Liquidator on account of such ineligibility of the PSA.
 7. That the PSA agrees and undertakes to disclose/inform forthwith, to the Liquidator, if the PSA becomes aware of any change in factual information in relation to it or its connected

person (as defined under the Code) which would make it ineligible under any of the provisions of Section 29A of the Code at any stage during the approval and implementation of the Scheme of compromise or arrangement, after the submission of this undertaking.

9. That this undertaking shall be governed in accordance with the laws of India and the courts of Delhi shall have the exclusive jurisdiction over any dispute arising under this undertaking.

SIGNED BY/ON BEHALF OF

(Name and Designation)
Authorized Signatory