Can Liberty House bid for Bhushan assets?

With increasing noise around Liberty House's move, not everyone is amused.

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Lenders of Bhushan Steel are at present meeting the resolution professional to examine the bids and resolution plans submitted by JSW Steel and Tata Steel.

The outcome of the meeting is being watched closely as the possible entry of Liberty House in the auction of Bhushan Steel and Bhushan Power & Steel has evoked sharp reactions from its competitors in India.

Earlier this week, a spokesperson of Liberty House told Moneycontrol the lenders of the two Bhushan companies have invited the UK-based group to submit bids. This is after the deadline for submitting the bids got over in February 8.

JSW Steel and Tata Steel had submitted the bids with the Jindal company emerging as the higher bidder for both the Bhushan companies.

Now with increasing noise around Liberty House's move, not everyone is amused.

“How can a company, which would by now know the bid amounts and resolution plans of earlier bidders, be allowed to put in a bid past the deadline?" said an executive from the industry.

To make matter worse, reports emerged that Tata Steel wants to revise its bid for Bhushan Power & Steel.

Lenders of Bhushan Power & Steel are meeting the resolution professional next week, say sources.

The main issue

The moot question everyone is asking is this – under the Insolvency and Bankruptcy Code, is it possible to submit a bid past the deadline?

In some of the cases, including in the auction of Binani Cement, bidders have been asked to revise their offers. But till now, a fresh bid hasn’t been accepted post the deadline.

The answer is not a clear one.

The resolution professional (RP) plays an integral role in the entire resolution process. He accepts the bids and checks each for compliance under the Insolvency and Bankruptcy Code and related regulations. “The RP guides the Committee of Creditors (COC), which consists of the lenders. His job is to present compliant resolution plans to the CoC. The CoC doesn’t accept or consider any bid directly,” said Jyoti Singh, Insolvency and Disputes Partner at Phoenix Legal.

Singh adds that an interested bidder could submit bids to the RP until the expiry of statutory limit for submission of resolution plan.

In other words, if the RP doesn’t accept a fresh bid - as the deadline has passed - then the interested resolution applicant can take a legal position; and argue that it can still participate in the process as statutory limit for the resolution process is not yet over.

Interestingly, sources say the resolution process deadline for both, Bhushan Steel and Bhushan Power & Steel, expires by the end of this month.