BIRA 91: HOW A CLUMSY NAME CHANGE TRIGGERED COMPLIANCE CHAOS

Bira 91, launched by B9 Beverages Pvt. Ltd. and founded by the entrepreneur Ankur Jain, is an Indian craft beer brand which has emerged as a flavourful, less bitter beer brand catering to urban millennials. It has been in the news after suffering a dramatic loss of nearly Rs 780 crore in FY24 with declining sales volume, employee unrest, production halts grappled with compliance complexities. Many employees have petitioned for leadership change, crucial funding deals remain unfinished, casting doubt on Bira 91's survival and future growth. This write up seeks to talk about the same and highlights the relevant legal necessities a company must consider before making changes to its established name.

HOW A CLUMSY NAME CHANGE ATTRACTED LEGAL FETTERS

Bira 91's parent company, 'B9 Beverages Private Ltd', removed "Private" to become 'B9 Beverages Ltd' in its attempt to offer shares of the company to the public through IPOs in 2026. Private companies generally can't offer shares through Initial Public Offers (IPOs), thus can't generate capital from the public market while retaining the 'private' in their company name. For a company to issue an IPO and list shares on stock exchange platforms like BSE, NSE, it must be a public company under the Companies Act, 2013.

A private company is restricted to a maximum of 200 shareholders and can't invite public subscriptions. To go public with an IPO, the company must become a public company and comply with SEBI and stock exchange guidelines. Bira 91 had reached the shareholder limit which differentiates a private company from a public company under *section 2(68)* of the Companies Act of 2013 and therefore, Bira 91 was obligated to drop 'Private' from its name in order to comply with statutory requirements. Following the name change, states treated Bira 91 as a different company requiring it (the company) to re-register itself in order to resume its operations; and since the alcohol industry is regulated by state-specific laws, compliance became complex.

WHAT WENT WRONG ?

The company acted in accordance with the provision of section 2(68), then how come it still managed to attract legal fetters? Well, the abrupt name change without a phased approach triggered a financial crisis and compliance chaos. This was born out of regulatory hurdles along with the company's failure to anticipate and plan for legal hurdles. Failure to seek regulatory approvals for the new labels ended up halting the company's operations. Apart from this, there are no apt provisions for companies to sell products under their old label after a corporate restructuring. Slow & non-uniform re-registration process combined with the requirement to halt sales during this process sheds light on the inadequate laws at exercise.

WHAT COULD'VE BEEN DONE– TAKEAWAYS FOR THE COMPANIES

The company could've avoided its current issues by taking a well prepared and strategically phased approach to its conversion from private to public entity.

- **Risk assessment and proactive coordination with regulating authorities**: Bira 91 could have coordinated with regulatory bodies, authorities to assess and keep a check for mandatory statutory compliance. This would have helped the timely and structured transfer or renewal of all manufacturing licenses, registrations and approvals under the new label. This would have lessened operational disruptions.
- A **phased license transition** would have facilitated a structured and smooth transition to prevent multiple re-registration processes across the states and disruptions in supply chain.
- **Securing mandatory licenses and approvals**: Since the company planned its IPO for 2026, it should have secured all required licenses and approvals in the new public company name before the IPO process formally began. This would have let them garner capital investment from the public without hampering sales.
- **Familiarity with Industry-Specific challenges**: Heavily regulated industries like alcohol, finance, pharmaceuticals require extra diligence, thus, businesses must familiarize themselves with the existing challenges in the industry while staying updated with their industry-specific statutory compliance.

The compliance chaos occurred because the mandatory conversion (as a result of shareholder count limit) happened earlier without complete regulatory preparedness and coordination at the state level, resulting in halted operations, financial losses, cancelled investment deals– together signaling uncertainty over the survival and growth of Bira 91. Better strategic planning of the conversion keeping regulatory approvals in check could have helped mitigate the present issues significantly.