



Suitability of Converting Debt Into Shares As A Means of Homologizing Company Bankruptcy

Novita Sari¹, Anis Rifai² dan Aris Machmud³

^{1,2,3} Faculty of Law, Al-Azhar Indonesia University

Abstract: The present paper examines the efficacy of debt conversion into shares as a means of corporate bankruptcy homologation, with particular emphasis on Waskita's vendor debt case study. In this case, one possible way to repair business finances and pay off debts to creditors—particularly vendors—is to convert debt into shares. Postponement of debt payments refers to the suspension of debt payments for a predetermined amount of time as stipulated by law. During this time, debtors and creditors can talk about debt settlement options through rulings made by commercial courts. This entails creating a repayment schedule that can call for restructuring the debt in addition to paying back the entire amount owed. Because it stresses the use of secondary data to explain the homologation process and the effects of converting debt into shares at PT Waskita Beton Precast Tbk (WSBP), this research employs a normative legal approach. The findings of this study indicate that submitting a Peace Plan by the PKPU Debtor, PT Waskita Beton Precast, Tbk (In PKPU), is appropriate. The actions conducted by the PKPU Debtor are compliant with the terms of Article 281 paragraph (1) of Law Number 37 of 2004 about Bankruptcy and Postponement of Debt Payment Obligations, given that the voting results regarding the settlement plan have been completed. Recalling that on June 17, 2022, PT Waskita Beton Precast, Tbk (In PKPU) was a party to the Peace Agreement pertaining to the Peace Plan, and that on that same day, PKPU Debtors and Creditors were present and took part in the voting on the Peace Plan, which was approved.

Keywords: Bankruptcy, Homologation, Shares

1. Introduction

Any commercial entity that regularly engages in economic activity with the goal of generating measurable revenue and/or profits is considered a corporation (Abdulkadir, 2021). A Limited Liability Company (PT), on the other hand, is an organization whose capital consists of shares, each of which has a nominal value. As a legal entity (Recht Person), it must adjust socioculturally to the context in which it can be held accountable, such as the general law topic (Abdulkadir Muhammad 2021). The embodiment of humanity as a legal entity and object of law is a limited liability company (NatuurlijkPersoon).

A state-owned enterprise is defined as a corporate firm that has all or most of its capital held by the state by direct involvement made possible by isolated governmental resources, as per Law Number 19 of 2003 respecting State-Owned Enterprises (BUMN) (Mirahadisaputro et al. 2022). A distinct kind of wealth known as divided state wealth (KND) is obtained through the APBN or other lawful acquisitions of government capital that are invested in BUMNs under the management of the business (Paramitha, Nugraheni, and An-Nabila 2023).

Law Number 40 of 2007 governs Limited Liability Companies (UUPT) and its implementing regulations. A Limited Liability Company is a legal entity founded based on an agreement and operating a business with capital that is allowed to be divided into shares. The company's founders use a "agreement" (overeenkomst) to carry out the

Correspondence:

Name : Novita Sari

Email: Novitazhira@gmail.com

Received: Sep 30, 2024;

Revised: Oct 10 2024;

Accepted: Oct 22, 2024;

Published : Oct 30, 2024;



Copyright: © 2024 by the authors.

Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution-NonCommercial 4.0 International License (CC BY-NC 4.0) license (<https://creativecommons.org/licenses/by-nc/4.0/>).

<https://creativecommons.org/licenses/by-nc/4.0/>

establishment of the business, "where the founders bind themselves to each other." Establishing a business on the basis of an agreement complies with the relevant company law standards. According to Yahya (2021), a corporation is a recognized legal entity that has been founded by an agreement and has several shareholders. In order to function as a legal entity (*rechtspersoon*, *juridische persoon*, or *juridische entiteit*), a limited corporation needs people or organizations to fulfill specific roles in line with predefined goals. The company's three organs are the General Meeting of Shareholders (GMS), the Board of Directors, and the Board of Commissioners. Each of which has the responsibility for managing, provided that they also oversee general operations, particularly any duties that are not assigned to the commissioners and board of directors (Harahap 2021)

Amidst a period of accelerated trade and economic growth, corporations confront grave dangers of insolvency. The sudden appearance of bankruptcy might be linked to a number of debt and accounts receivable issues that come with capital expansion and commercial achievement (Owuor, Agusioma, and Wafula 2021). If a debtor is unable to pay their creditors or other parties, it can significantly disrupt business continuity. If a company or individual is unable to pay its debts, creditors or other parties with rights to receivables may petition for bankruptcy (Ismail 2022). Assets belonging to the firm or the individual are frequently seized during this process in order to satisfy debts. In this case, under the framework of the bankruptcy trial, all of the debtor's assets were confiscated (Al Hakimi and Budhiawan 2023). A curator appointed by the court is in charge of overseeing the bankruptcy process. The curator's role is to manage and keep an eye on the debtor's assets so they can pay back creditors (Sianturi, Iryani, and Setiawan 2023). A supervising judge oversees the curator, who follows the rules outlined in bankruptcy law (Alweni 2022)

Law Number 37 of 2004, which describes Indonesia's Bankruptcy Law and Suspension of Debt Payment Obligations, provides the legal framework for bankruptcy operations. A debtor may be declared bankrupt under Article 2 Paragraph 1 of this law if they satisfy specific requirements, such as having several creditors and being unable to pay at least one bill that is due and payable. According to Kiemas et al. (2023), the debtor may choose to file for bankruptcy on his own initiative or at the request of one or more creditors (Kiemas, Matheus, and Gunadi 2023). Peace initiatives are still feasible during the process, though. Not only is there movement in the direction of a nonviolent conclusion, but there are ways to delay paying off debt. Furthermore, specific guidelines for deferring debt payments have been established under the Bankruptcy Law and Suspension of Debt Payment Obligations, Chapter Three (UUK-PKPU). These guidelines are governed by Article 222 (Hartini 2020).

In the case of PT Waskita Beton Precast Tbk (WSBP), the application of UUK-PKPU played a crucial role in addressing the company's financial instability. Under UUK-PKPU, WSBP entered into a process where the debt owed to vendors and creditors was restructured through a Peace Plan. The plan notably included the conversion of debt into equity, allowing the company to reduce its debt burden while maintaining operational capacity. This homologation process, regulated by Law No. 37 of 2004, provided a structured approach for debtors and creditors to reach an agreement under the supervision of the commercial court. By converting debt into shares, WSBP was able to stabilize its financial position, demonstrating how UUK-PKPU can be effectively used to promote business continuity while protecting creditors' rights.

According to Sutan Remy Sjahdeini's book, debtors have two choices for being protected under the Bankruptcy Law and Suspension of Debt Payment Obligations (UUK-PKPU) (Putra and Hariyana 2022). The first option available to debtors is the PKPU (Postponement of Debt Payment Obligations) application, which permits them to keep asset security even in the event of a sale (Kenteng and Parulian 2022). Secondly, creditors might choose to keep their assets and stay out of trouble with liquidity. Following the court's declaration of the debtor bankrupt, these two strategies seek to bring creditors and debtors together (Antill and Grenadier 2019)

This study examines the intricacy of financial difficulties that businesses encounter, particularly when considering homologation as a method of bankruptcy settlement. Research was conducted on PT Waskita Beton Precast Tbk (WSBP) due to its experience with homologation and converting debt into shares. In this situation, converting debt into shares is mentioned as a possible way to fix the company's financial situation and pay off debts to creditors, particularly suppliers. In Indonesia, PT WSBP is a subsidiary of PT Waskita Karya (Persero) Tbk and is involved in the precast and construction industries. As part of the homologation procedure, this company decided to start the debt conversion process into shares due to the insolvency position it was facing, particularly with regard to debts owed to vendors.

The following factors impact the decision to convert debt into shares: (a) Good corporate governance: The company's health is dependent on the caliber of its management, board of directors, and share ownership; (b) Cost of borrowing: The company's loan payment costs will have an impact on the choice to convert debt into shares; (c) Business risk: The company's exposure to business risk will affect the choice to convert debt into shares; (d) Tangibility of assets: Ownership of land and equipment controlled by the company will impact the decision to conduct debt conversion into shares; (e) Profitability: The choice to convert debt into shares will be influenced by how well the business generates profits; (f) Government rules: The decision to convert debt into shares will be influenced by applicable government restrictions.

Postponement of debt payments refers to the suspension of debt payments for a predetermined amount of time as stipulated by law. During this time, debtors and creditors can talk about debt settlement options through rulings made by commercial courts. This entails creating a payment schedule that may involve paying off the entire debt or only a portion of it, as well as restructuring the loan if required (Agitha and Afriana 2021). Not only do debtors have the ability to make a PKPU application, but creditors also have this right, as stated in Article 229 Paragraph 3 UUK-PKPU. A debt settlement arrangement or restructuring may be used to convert debt into shares. Remember, though, that if debt is converted into shares, owners of shares may experience share dilution if their shares are not properly maintained.

2. Materials and Methods

Because it stresses the use of secondary sources, this research takes a normative juridical approach to its investigation. Research that is conducted using the written and unwritten norms of positive law is known as normative legal research. Legal issues, rights and obligations, legal events, legal relationships, and legal objects are all included in this kind of research. The data analysis method in this study employs a qualitative data methodology based on a variety of literary sources, discussing a wide range of legal concerns based on legal theories that are emerging in society and are backed by relevant laws and regulations. As a result, secondary data—that is, data from libraries and other sources—will be employed in this study. The PT Law, the Civil Code, and other legislative regulations are the main sources of legal information. In the meantime, legal dictionaries, books, journals, theses, and the internet are employed as secondary legal materials.

3. Results and Discussion

Key data about the efficacy of debt to equity conversion as a bankruptcy homologation tactic will be covered in the research. The question of whether this conversion qualifies as an effective solution will be thoroughly examined.

3.1. Debt to Shares

In actuality, debt conversion plans into shares are based on the freedom of contract to enter into agreements. Article 1338 of the BW/Civil Code states that "all agreements made legally apply as law for those who make them." Article 1320 BW/Perdata stipulates that an agreement must abide by the terms of a legal agreement, even though

there is the concept of freedom of contract. "All agreements" can refer to any sort of agreement, regardless of its name, whether subject to legislative rules or not.

In Indonesia, PT Waskita Beton Precast Tbk (WSBP) is a PT company that operates in the readymix, precast, and construction services sectors. PT WSBP was founded as a legal entity by agreement among the founders of the company. Law Number 40 of 2007 respecting Limited Liability Companies defines a Limited Liability Company as a legal body that is a capital partnership and does business utilizing permissible capital that is divided into shares. Shares, or company capital, are therefore an essential part of PT WSBP's capital structure.

Receivable compensation is closely tied to the conversion of a portion of the debt and is a means of transferring the share price into the business capital of a limited liability company. "A company with limited liability is a legally recognized business that is established as a capital association, in accordance with an agreement made by the founders of the limited liability company." The founders' independent financial contributions, which are distinct from their own or the shareholders' wealth, provide capital. Two laws that govern the process of raising a company's capital are UUPT and UUPT 1995. Business actors are required by the Company Law to get a valid GMS decision prior to adding or raising the allowed capital. be done so by taking into account the necessity of a quorum and the quantity of votes in support of amendments to the articles of association, which also call for ministerial approval. A similar method may also be found in the 1995 Company Law, which stipulates that the GMS decision about extra company capital must be implemented by compliance with the provisions pertaining to meeting summons, quorum, and number of votes for budget changes. The foundation is either the 1995 UUPT or the articles of association of the relevant limited business.

The Debt to Equity Swap technique can be utilized as a payment method if the bonds are to be converted as part of the PKPU procedure and the debtor's debt arrangement is still being worked on during the active period. The conversion of bonds into shares, however, is not specifically governed by any legislation; as a result, it can only occur with the approval of the General Meeting of Bondholders (RUPO). The bond's maturity must be accelerated prior to conversion in order for it to be deemed mature and eligible for payment toward the conversion of debt into shares.

RUPO has the power to decide when the bonds mature before they are converted into shares. Regulation VI.C.4 permits the inclusion of bond term modifications on the agenda of the RUPO meeting. If the RUPO quorum is attained, non-convertible bonds can be exchanged into shares following their accelerated maturity. Due to this, debt might become equity in the organization that is in debt (Swaradheka and Suryandono 2019a).

As part of debt structuring through a Debt to Equity Swap, issuers are required by Article 35 of the Limited Liability Company Law (UUPT) to acquire clearance from the GMS in order to accelerate bond maturity or amend the bond term. The method turns the bonds into shares by giving the bondholders' creditors new shares. As long as the issuance of these shares is authorized by the GMS, pre-emptive rights (HMETD) are not necessary, per Financial Services Authority Regulation Number 38/POJK.04/2014.

According to Article 281 paragraph (1) of the Bankruptcy Law and PPKPU, the debtor must create a peace plan so that creditors are prepared to accept it. The peace plan may be accepted if it satisfies the following two requirements: (a) approval of more than half of all contending creditors, including those designated by Article 280, whose rights are acknowledged or temporarily recognized and who attend the meeting of creditors as specified in Article 268 In order for their authorization to attend particular meetings, creditors must collectively represent at least $\frac{2}{3}$ of the claims as a whole acknowledged by competing creditors, whether formally or informally; (b) approval of more than half ($\frac{1}{2}$) of the creditors present, who together represent at least $\frac{2}{3}$ (two-thirds) of all the claims made by creditors or their proxies, and whose receivables are

protected by security rights over other assets, mortgage guarantees, fiduciary guarantees, or mortgage rights.

In this instance, extra internal information notification is also necessary in compliance with Article 7 of POJK Number 38 of 2014, which refers to the responsibility to disclose information: (a) Information on the creditors who will consent to and take part in the Issuing Company's debt restructuring; (b) The debt restructuring's terms; (c) The share price at the moment of capital participation; and (d) Accounts that have an impact on the company's financial stability are explained. As long as the lender does not have an affiliate relationship, the issuer that issues it is subject to the terms that the business actor is unable to pay the debt at maturity from the lender without affiliation. The party consents to receive convertible bonds from a publicly traded firm or shares in exchange for the loan.

The General Meeting of Shareholders (GMS) is restricted in its ability to convert debt into shares if the necessary quorum and number of votes are met. Only when the GMS that possesses the permission satisfies the conditions for the quorum of present shareholders and the number of votes needed to make a decision is the conversion deemed genuine. These requirements must be fulfilled in order for the GMS decision to be deemed void and for the debt-to-share conversion to be executed correctly (Mulya, Abubakar, and Afriana 2024a). When bonds are converted to shares through a bond-to-share swap, current shareholders keep their shares (Swaradheka and Suryandono 2019b). The dividends paid out could be impacted by share dilution, which could result in more shares being held by new investors (bond holder debtors) (Junita 2021). Therefore, consent from the GMS is needed to protect the interests of current shareholders.

3.2. The effectiveness of exchanging debt for shares in cases of bankruptcy

Convertible debt securities, sometimes referred to as convertible bonds, provide the bondholder or owner the option to convert their debt security into shares of the issuer or company that issues the debt security. When converting debt into shares for mandatory convertible bonds, the terms specified in the convertible bond issue agreement must be adhered to. This obligation takes effect on the day that all payments are due (at which point the creditor may seek payment), or it may take effect on the day that the debtor is obligated by law to pay off his entire debt at that time.

Debt-to-share conversions can benefit or hurt the company, its suppliers, and its shareholders. An analysis of the effects on each group is provided: (a) Shareholders: The value of shareholders' shares may be impacted by the conversion of debt into shares. The value of owners' shares may rise if the company's financial situation is improved through the conversion of debt into shares. Nonetheless, the value of shareholders' shares could drop if the debt conversion into shares fails or has a detrimental effect on the business; (b) Vendors: A company's vendor relationships may be impacted by the conversion of debt into shares. Should the debt-to-shares conversion prove effective in strengthening the company's financial position, it will be able to settle vendor payments faster and more effectively. However, if the conversion of debt into shares is unsuccessful or has a negative impact on the company, then the corporation can pay debts to suppliers more slowly or pay a smaller amount; (c) Firm: The success of a firm may be impacted by the conversion of debt into shares. Performance of the corporation may improve if the debt-to-shares conversion is successful in strengthening the company's financial position. However, the company's performance could suffer if the debt conversion into shares fails or has a detrimental effect on the business.

"In the event that the applicant is a debtor, an application for postponement of debt registration obligations must be included which includes the characteristics, amount of receivables and debts of the debtor with sufficient evidence," states Article 224(2) of the Bankruptcy and PKPU Law. This agreement requires the debtor to successfully complete a debt restructuring in order to maintain business operations and enhance its capacity to pay creditors. Thus, deferring payments not only shields debtors from bankruptcy but

also gives companies a chance to improve their financial situation and continue operating (Salim and Lie 2024).

There are various steps involved in filing for bankruptcy, such as filing the application with the court, setting up hearings, evaluating the debtor's financial situation, choosing a bankruptcy administrator, and beginning the debt settlement procedure (Tampemawa 2019). To hear the arguments from the parties and decide whether to accept or reject the bankruptcy petition, the court will schedule a hearing. Comprehending the legal process of declaring bankruptcy in its entirety is crucial, as it encompasses the responsibilities and entitlements of creditors, debtors, and bankruptcy administrators (Hendra 2023). Stakeholders, including creditors, desire to obtain as much money as they can from delinquent debts and to make sure that their claims against debtors are handled equitably. The development of the bankruptcy legal system as a whole can benefit from a thorough understanding of the legal procedures surrounding bankruptcy petitions, as this can lead to new perspectives, increased comprehension, and the creation of a system that is better able to handle challenges. state of finances (Serlika Aprita 2019).

Applications for bankruptcy are typically filed with a court that has the jurisdiction to hear bankruptcy matters (Aprita 2019). Depending on the jurisdiction and national laws that apply, there may be differences in the location of filing a bankruptcy application. A bankruptcy petition is often filed with a court that has jurisdiction over the debtor's residence or place of residence. For instance, in Indonesia, the Commercial Court of the nation where the debtor resides or possesses substantial assets receives a petition for bankruptcy (Dewi 2023). The Commercial Court has the authority to hear bankruptcy proceedings and render judgments on business liquidations and restructurings. Furthermore, a bankruptcy petition may be filed with a court in a different nation if the debtor's assets, obligations, or business dealings have cross-border connections. International legal norms governing forum organization and different jurisdictions' court recognition are applicable in these circumstances (Puspitasari et al. 2021). It is crucial to refer to the bankruptcy laws that apply in the relevant nation or jurisdiction before filing a bankruptcy petition in order to ascertain the necessary steps to take and which court will receive the case.

In case of insolvency, a *verstek* ruling may be made. When one of the parties to a dispute is not present or does not answer the other party's demands or requests, a *verstek* ruling is made by the court. One can make *verstek* decisions in a variety of ways when dealing with bankruptcy. For instance, the court may issue a *verstek* decision declaring the debtor bankrupt if the debtor to whom a bankruptcy application has been submitted fails to show up for the hearing or responds negatively to the application (Nadriana 2024).

It should be kept in mind, too, that before rendering a *verstek* ruling, the court typically gives the absent party an opportunity to provide justifications or defenses for his absence. Furthermore, in many countries, debtors condemned to a *verstek* judgment may still bring a lawsuit to have the judgment revoked, provided they can provide a convincing justification for their nonattendance. For the non-present parties, the *Verstek* ruling in the bankruptcy case has significant ramifications. This may have an effect on the bankruptcy procedure, including deciding whether to reorganize or liquidate the business and what rights and responsibilities follow from filing for bankruptcy. Parties with an interest in a bankruptcy case must be at the trial or submit responses in line with established procedures in order to successfully defend their rights.

Applications for bankruptcy typically entail outstanding debts that the debtor is unable to pay (Prabowo and Saputra 2024). The debt must not be able to be paid off by the debtor and must have passed the date for payment. The filing for bankruptcy must be accompanied by proof that the debtor has neglected to make required payments on time. Proof of delinquency can be provided via invoices, bills, account statements, and other documents demonstrating past-due payments. The debtor's inability to repay his debts must be demonstrated in the bankruptcy application. Financial records, balance sheets, or other documentation demonstrating the debtor's difficult or insolvent financial

situation can be used to support this claim. In addition, the bankruptcy application needs to be accurate and compliant with the law. This entails completing the appropriate application form, including pertinent documentation, and according to the application specifications set forth by the court or other appropriate body (Rongkonusa, Yuhelson, and Tondy 2023).

3.3. PT Waskita's Effectiveness in Putting the Central Jakarta District Court's Decision 497/Pdt.Sus-PKPU/2021/PN.Niaga.Jkt.Pst) on the Conversion of Debt into Shares into Practice

Beginning a homologation application, choosing an administrator, creating a plan, submitting it to creditors, getting their approval, filing with the court, completing the debt-to-share conversion, and putting the homologation into effect are all steps in the homologation process (Mulya, Abubakar, and Afriana 2024b). This is a complicated process that requires cooperation with relevant parties like the District Court and creditors—particularly vendors. The conversion of debt into shares is implemented once the court gives its approval, creating a reorganized financial structure for businesses like PT Waskita Beton Precast Tbk (WSBP).

If the process has been completed lawfully and satisfies the standards outlined in Law Number 15 of 2006 governing the Financial Audit Agency, homologation in the conversion of debt into shares has been approved by the Financial Audit Agency (BPK). Here is how the homologation procedure works: (a) BPK obligations: The BPK is in charge of auditing the management and accountability of state finances, including the processes for turning debt into shares. The BPK is in charge of making sure that these protocols are adhered to in a transparent manner and in accordance with all applicable legislation. (b) Endorsement of Peace: The BPK is also responsible for endorsing peace treaties that incorporate equity swaps in lieu of debt. This includes verification that the contract satisfies legal requirements and has received approval from all pertinent parties..

Decision Number 497/Pdt.Sus-Pkpu/2021/Pn.Niaga.Jkt.Pst of the Rhode Island Supreme Court pertaining to the Postponement of Debt Payment Obligations (PKPU). Through their attorneys, Risha Shindiyani Halim, S.H., and Vingky Engeny Saripah Intang, S.H., Magdalena Yohan Heryadi (as PKPU Petitioner I) and Suwito Muliadi (as PKPU II Petitioner) filed a request for a postponement of debt payment obligations (PKPU) against PT. Waskita Beton Precast, Tbk (as PKPU Respondent). The Central Jakarta District Court received this application from Waskita Beton Precast, Tbk. as a formal step toward restructuring PT. Debt payment obligations. The Court appoints a Supervisory Judge to oversee this legal process. The Supervisory Judge duly acknowledged and documented the ruling of the Panel of Judges on May 24, 2022, formally granting the petition.

The request for a temporary postponement of debt payment obligations (PKPU) made by Magdalena Yohan Heryadi and Suwito Muliadi against PT. Waskita Beton Precast, Tbk. was granted by PKPU Decree Number 497/Pdt.Sus-PKPU/2021/PN.Niaga.Jkt.Pst. The issuance of a 30-day temporary PKPU was approved by the court. The Supervisory Judge's reports, the PKPU management team's findings, and the outcomes of creditor meetings held during the PKPU process are some of the sources of information that went into this evaluation. The relevant parties will have more time to draft a peace plan and carry on with debt recovery negotiations thanks to this temporary PKPU judgment.

A creditors' meeting was conducted on June 17, 2022, with the primary item on the agenda being additional discussion about modifications to the peace plan that PT. Waskita Beton Precast, Tbk. had presented on June 15, 2022. A number of people attended this meeting, including Mr. Dheny Indarto, S.H., M.H., the substitute registrar, and Mr. Yusuf Pranowo, S.H., M.H., who was the supervisory judge. Aside from that, creditors were present as well as the management team of PT. Waskita Beton Precast, Tbk. and his lawyers from Kyora Lawfirm. The revision of the debtor's peace offer was

the primary item on the summit agenda. After the conference, most creditors agreed to put the peace proposal to a vote. The outcome of the vote showed that the majority of the creditors in attendance approved the peace plan put forth by PT. Waskita Beton Precast, Tbk., making it final. As a result, it was decided to keep the peace plan in place as part of the liabilities restructuring process of the business.

In order to facilitate the offering of debt settlement plans or patterns, this Settlement Agreement categorizes creditors. Within the classification are: (a) Banks and separatist creditors were among the financial creditors who took part in the peace accord. (b) Holders of Sustainable Bonds I Waskita Beton Precast Tbk Phase I and II 2019 are among the bondholder creditors. (c) Vendor and unsecured creditors are included in trade creditors. These creditors for trade are divided into two groups: (d) Trade creditors who are actively involved in trade and who back the Peace Agreement.

Previous Trade Creditors, consisting of: (a) Trade creditors whose invoices, as a result of further verification or administrative settlement, are still in the temporary recognition status with the PKPU Management Team. (b) Trade creditors with pending claims before Indonesian or foreign courts, regulatory bodies, or dispute settlement organizations. (c) Trade creditors that fail to ratify the peace accord, are listed as overdue creditors, or do not show up for the vote session. (d) Trade creditors who do not take part in or file claims through the PKPU process but have claims against the Company, whether registered or unregistered.

With unique provisions for each creditor group, this separation of creditor classes aims to support the implementation of various restructuring schemes. The PKPU ruling regulates debt repayment sources and creditor settlement plans through a number of measures. The "cash falls" principle, which is modified to the order of priority stated in the Settlement Agreement (Cash Flow Available for Debt Services, or "CFADS"), will be applied to all creditors before any cash that becomes available in the Escrow Account. Payment will be made on the 25th of each six months; if this day falls on a holiday, payment will be made on the next business day. Second, debt can be paid off by selling business assets and using the earnings to settle debt. Third, although it is not specifically governed in the ruling, the creditor's obligation may be settled by conversion into a Mandatory Convertible Bond (MCB). But in this instance, the method of turning debt into equity or company shares was selected as the fix. In order to guarantee the value of the resulting shares of debt conversion fairly and accurately, this conversion must be finished no later than six months after the Effective Date. The equity conversion value will be determined using the volume-weighted average price (VWAP) mechanism for forty-five days prior to the effective conversion. Because it is founded on the knowledge and consent of the majority of creditors, the conversion of debt into shares in PKPU decision no. 497/Pdt.Sus-PKPU/2021/PN.Niaga.Jkt.Pst. is therefore effective and strengthens PT's financial stability. Waskita Beton Precast, Tbk. will oversee the homologation process in an entirely transparent and accountable manner.

3.4. Discussion

One of the most crucial steps in addressing the issue of late debt payments to creditors is debt restructuring. There were two key strategies used to carry out this restructure. First, through discussion and agreement-making between creditors and debtors, in which both sides attempt to come to a mutually acceptable understanding on the terms of payment, interest deductions, and debt repayment extensions. Secondly, by deferring payment of debt as stipulated in PKPU No. 37 of 2004 and the Bankruptcy Law. Restructuring debts successfully is expected of debtors in order to maintain business operations and increase their capacity to pay creditors. Not only does deferring payments avoid bankruptcy, but it also gives companies time to rebuild their finances

and continue operating. Converting debt into shares needs to be done lawfully, following the rules outlined in the Company Law and its modification regulations.

The debtor is required under PPKPU and Article 281 paragraph (1) of the Bankruptcy Law to prepare a peace plan that creditors can approve. If this plan satisfies these two requirements, it can be approved: (1) Authorized by over 50% of rival creditors whose rights are acknowledged or provisionally acknowledged, signifying at least 60% of the overall claims; and (2) Authorized by over 50% of creditors possessing liens, fiduciaries, or other security, signifying at least 60% of the overall claims of current creditors.

When arranging debt through a Debt to Equity Swap, issuers are required by Article 35 of the Company Law to acquire clearance from the GMS in order to amend the term or accelerate the maturity of the bonds. In compliance with Number 38/POJK.04/2014, creditors owning bonds obtain new shares through this mechanism without requiring HMETD. Existing shareholders retain their shares; yet, there is a chance that share dilution could impact dividends; therefore, GMS approval is necessary to safeguard their interests.

A homologation application, the choice of an administrator, the creation and adoption of a plan by creditors, and the execution of the conversion following court approval are all steps in the homologation process, which includes the conversion of debt into shares. PT Waskita Beton Precast Tbk (WSBP) collaborated with the District Court and creditors as part of this intricate process. The 2007 UUPT superseded the government's 1995 UUPT, governing comparable matters but with different capital and share regulations, including minimum capital, shareholder rights, and the ban on holding multiple shares.

Therefore, if PT Waskita Beton Precast, Tbk (the PKPU Debtor) presents a Peace Plan, it is permissible. The actions conducted by the PKPU Debtor are compliant with the terms of Article 281 paragraph (1) of Law Number 37 of 2004 about Bankruptcy and Postponement of Debt Payment Obligations, given that the voting results regarding the resolution plan have been completed. In light of the fact that PT Waskita Beton Precast, Tbk (In PKPU) was a party to the Peace Agreement pertaining to the Peace Plan on June 17, 2022, and that PKPU Debtors and Creditors were present and took part in voting on the Peace Plan, which was approved after the Peace Plan was submitted by PKPU Debtors.

4. Conclusions

The main conclusions of this study about the efficacy of debt conversion are presented. One of the most crucial steps in addressing the issue of late debt payments to creditors is debt restructuring. There were two key strategies used to carry out this restructure. First, through discussion and agreement-making between creditors and debtors, in which both sides attempt to come to a mutually acceptable understanding on the terms of payment, interest deductions, and debt repayment extensions. Second, by deferring the payment of debts as required by PKPU No. 37 of 2004 and the Bankruptcy Law.

Macroeconomic conditions play a crucial role in the decision to convert debt into shares. Interest rates directly impact the cost of borrowing for companies. In a low-interest-rate environment, the cost of servicing debt is relatively lower, which might delay the urgency for a debt-to-equity conversion. However, when interest rates rise, the cost of servicing debt increases, making it less attractive to maintain high levels of debt. In such cases, companies may opt to convert debt into shares as a means to reduce financial strain. Economic growth also influences this decision. In periods of strong economic growth, companies may find it easier to raise capital or generate profits, making debt servicing more manageable. Conversely, in times of economic downturn or slow growth, companies may struggle to meet debt obligations. Converting debt into equity in such a scenario helps improve liquidity and ensures the company's survival by reducing the overall debt burden, which can improve the financial standing of the company and make it more attractive to investors.

Existing shareholders do not forfeit their shares during the conversion of bonds into shares, but share dilution may take place, thereby impacting dividend payments. Therefore, in order to safeguard the interests of current shareholders, approval from the GMS is required. Furthermore, all further money contributed by the Debtor must be disclosed in compliance with POJK Nos. 38/POJK.04/2014 and 10/POJK.04/2017.

The companies stated in Article 1 of the Minister of State-held Enterprises (BUMN) Regulation No. 2/MBU/03/2023 are those whose capital is either completely or mostly held by the government. Article 2 classifies limited liability businesses as subsidiaries of BUMN if BUMN directly controls them or if BUMN owns more than 50% of their shares. Consequently, a corporation is not regarded as a BUMN or a subsidiary of a BUMN if a BUMN owns less than 50% of its shares.

A company is referred to as a State-Owned Enterprise (BUMN) if the government holds more than half of its equity. Less than that, it is also known as privatization since the government no longer has control over BUMN. Selling all or a portion of a company's shares to a third party with the intention of boosting the performance and value of the firm as well as earnings for the public and private sectors is known as privilege.

The primary goals of privatization, according to the explanation of Law Number 19 of 2003 about BUMN Article 27, are to uphold national economic stability and provide businesses a bigger say in endeavors to enhance the welfare of the public by increasing public ownership of businesses. According to estimates, BUMN will be better equipped to compete in comparable industries in domestic, regional, and global markets as a result of the growth in firm value and performance brought about by privatization. In actuality, though, privatization has meant that private business has taken over public ownership, which is represented by the government.

There are several steps in the homologation process, from application start to finish. The primary goal of altering the company's capital structure, lowering its debt load, and boosting liquidity is to convert debt into shares. This homologation procedure, as it relates to PT WSBP, is in line with the Peace Agreement, which was approved by PKPU. If the process has been completed lawfully and complies with the regulations outlined in Law Number 15 of 2006 concerning the Financial Audit Agency, homologation in the conversion of debt into shares has been approved by the Financial Audit Agency (BPK).

Although the conversion process might enhance business performance, shareholders and vendors are also impacted. Company performance, share performance, company worth, and the debt-to-share ratio can all be used to gauge how successful debt conversion was. Depending on its performance, the conversion of debt into shares in the WSBP case study may or may not have a favorable effect. The value of shareholders' shares may rise or fall, and their relationships with vendors may get better or worse. Performance within the company may also rise or fall. The Convertible Bond Agreement permits the corporation to convert debt into shares, but there are still dangers that could arise, like share dilution for minority and majority shareholders. A debt-to-equity agreement, which is predicated on a deal between the new (creditor) and old (debtor) shareholders, must first be approved by current shareholders before the impact of issuing shares in exchange for debt instruments can be expected.

Therefore, if PT Waskita Beton Precast, Tbk (the PKPU Debtor) presents a Peace Plan, it is permissible. The actions conducted by the PKPU Debtor are compliant with the terms of Article 281 paragraph (1) of Law Number 37 of 2004 about Bankruptcy and Postponement of Debt Payment Obligations, given that the voting results regarding the resolution plan have been completed. In light of the fact that PT Waskita Beton Precast, Tbk (In PKPU) was a party to the Peace Agreement pertaining to the Peace Plan on June 17, 2022, and that PKPU Debtors and Creditors were present and took part in voting on the Peace Plan, which was approved after the Peace Plan was submitted by PKPU Debtors.

References

- Abdulkadir Muhammad, S H. 2021. *Hukum Perusahaan Indonesia*. PT Citra Aditya Bakti.
- Agitha, Agitha Putri Andany Hidayat, and Anita Afriana. 2021. "Penundaan Pengesahan Perdamaian Dalam Penundaan Kewajiban Pembayaran Utang Oleh Hakim Dikaitkan Dengan Asas Kepastian Hukum." *Jurnal Poros Hukum Padjadjaran* 3 (1): 19–36.
- Alweni, Naswa Ayu. 2022. "Pengurusan Harta Pailit Berdasarkan Undang-Undang Nomor 37 Tahun 2004 Tentang Kepailitan Dan Penundaan Kewajiban Pembayaran Utang." *Lex Privatum* 10 (1).
- Antill, Samuel, and Steven R Grenadier. 2019. "Optimal Capital Structure and Bankruptcy Choice: Dynamic Bargaining versus Liquidation." *Journal of Financial Economics* 133 (1): 198–224.
- Aprita, Serlika. 2019. "Kewenangan Pengadilan Niaga Dalam Memeriksa Dan Memutus Perkara Permohonan Pernyataan Pailit." *Jurnal Hukum Samudra Keadilan* 14 (1): 61–79.
- Dewi, Putu Eka Trisna. 2023. "Karakteristik Khusus Pengadilan Niaga Dalam Mengadili Perkara Kepailitan." *Jurnal Hukum Saraswati (JHS)* 5 (1): 332–38.
- Hakimi, Shiddiq Al, and Adlin Budhiawan. 2023. "Kedudukan Harta Pailit Yang Menjadi Barang Sitaan Negara." *Kedudukan Harta Pailit Yang Menjadi Barang Sitaan Negara* 4 (2): 237–44.
- Harahap, Yahya. 2021. *Hukum Perseroan Terbatas*. Sinar Grafika (Bumi Aksara).
- Hartini, Rahayu. 2020. *Hukum Kepailitan*. UMMPress.
- Hendra, Herri. 2023. "PROSES KEPAILITAN DAN TANGGUNG JAWAB PENGURUS TERHADAP PERSEROAN PUTUSA NO. 77/PAILIT/2012/PN. NIAGA. JKT." *DATIN LAW JURNAL* 4 (2).
- Ismail, Atika. 2022. "Analisis Alternatif Restruturisasi Utang Atau Penutupan Perusahaan Pada Pandemi Covid-19 Melalui PKPU, Kepailitan Dan Likuidasi." *Jurnal Kepastian Hukum Dan Keadilan* 3 (1): 44–57.
- Junita, Cyntia Catharina. 2021. "Konversi Utang Menjadi Saham Sebagai Kompensasi Tagihan Yang Mengakibatkan Dilusi Saham (Studi Kasus: Putusan Mahkamah Agung Republik Indonesia Nomor 118 PK/Pdt/2017)." *Indonesian Notary* 2 (4): 36.
- Kenting, Yohanes Alexander, and Hizkia Dapot Parulian. 2022. "Kedudukan Kreditor Separatis Terhadap Rencana Perdamaian Dalam Proses Penundaan Kewajiban Pembayaran Utang." *Jurnal Ilmu Hukum: ALETHEA* 5 (2): 91–110.
- Kiemas, Andre, Juan Matheus, and Ariawan Gunadi. 2023. "Redefining Bankruptcy Law: Incorporating the Principle of Business Continuity for Fair Debt Resolution." *Rechtsidee* 11 (2): 10–21070.
- Mirahadisaputro, Moch Arif, Rohman Hakim, Anna Miraharsari, Anwari Anwari, and Dahar Dahar. 2022. "Analisis Yuridis Kedudukan Hukum Anak Perusahaan BUMN Terhadap Perusahaan Induk.(Studi Kasus Putusan Mahkamah Agung RI Nomor: 21 P/HUM/2017 Dan Putusan Mahkamah Konstitusi RI Nomor: 01/PHPU-PRES/XVII/2019)." *Jurnal Kolaboratif Sains* 5 (8): 570–85.
- Mulya, Jonathan Fide, Lastuti Abubakar, and Anita Afriana. 2024a. "Praktik Konversi Utang Menjadi Saham Sebagai Penerapan Prinsip Business Going Concern Dalam Kepailitan Dan PKPU." *Jurnal Ilmu Hukum, Humaniora Dan Politik (JIHHP)* 4 (4).
- — —. 2024b. "Praktik Konversi Utang Menjadi Saham Sebagai Penerapan Prinsip Business Going Concern Dalam Kepailitan Dan PKPU." *Jurnal Ilmu Hukum, Humaniora Dan Politik (JIHHP)* 4 (4).
- Nadriana, Lenny. 2024. *Serba-Serbi Beracara Di Pengadilan Niaga: Hukum Acara PKPU, Kepailitan, Sengketa Hak Kekayaan Intelektual, Sengketa Likuidasi Bank*. Rajawali Pers, Depok.
- Owuor, George Okoth, Nickson Agusioma, and Fredrick Wafula. 2021. "Effect of Accounts Receivable Management on Financial Performance of Chartered Public Universities in Kenya." *International Journal of Current Aspects in Finance, Banking and Accounting* 3 (1): 73–83.
- Paramitha, Diky, Novita Nugraheni, and Izzia An-Nabila. 2023. "Analysis of State Capital Participation." *International Journal of Business and Applied Economics* 2 (6): 951–62.
- Prabowo, Rahmat Eko, and Tri Eka Saputra. 2024. "Penyelesaian Utang Debitur Terhadap Kreditor Melalui Kepailitan Dalam Sistem Hukum Indonesia." *Vifada Assumption Journal of Law* 2 (1): 18–26.

- Puspitasari, Lia Nopiharni, Dian Septiandani, Diah Sulistyani Ratna Sediati, and Kadi Sukarna. 2021. "Problematika Eksekusi Harta Pailit Dalam Cross Border Insolvency." *Jurnal USM Law Review* 4 (2): 743–55.
- Putra, Reval Pradana, and Trinas Dewi Hariyana. 2022. "Pertanggungjawaban Debitur Yang Tidak Melaksanakan Kewajibannya Terhadap Kreditur Berdasarkan Perjanjian PKPU (Studi Kasus PT. ST)." *WELFARE STATE Jurnal Hukum* 1 (2): 123–54.
- Rongkonusa, Rulman Ignatius, Yuhelson Yuhelson, and Cicilia Julyani Tondy. 2023. "Diskresi Penentuan Pembuktian Sederhana Dalam Persidangan Permohonan Kepailitan Dan Penundaan Kewajiban Pembayaran Utang (Pkpu)." *SEIKAT: Jurnal Ilmu Sosial, Politik Dan Hukum* 2 (2): 137–45.
- Salim, Patrick Winson, and Gunardi Lie. 2024. "ANALISIS HUKUM RESTRUKTURISASI UTANG PT SRI REJEKI ISMAN, TBK.(SRITEX) SEBAGAI SOLUSI PENUNDAAN PEMBAYARAN UTANG." *NUSANTARA: Jurnal Ilmu Pengetahuan Sosial* 11 (7): 2838–49.
- Serlika Aprita, S H. 2019. *Penerapan Asas Kelangsungan Usaha Menggunakan Uji Insolvensi: Upaya Mewujudkan Perlindungan Hukum Berbasis Keadilan Restrukturitatif Bagi Debitor Pailit Dalam Penyelesaian Sengketa Kepailitan*. Pustaka Abadi.
- Sianturi, Martunas, Dewi Iryani, and Puguh Aji Hari Setiawan. 2023. "Tugas, Peran Dan Tanggung Jawab Kurator Dalam Kepailitan." *Co-Value Jurnal Ekonomi Koperasi Dan Kewirausahaan* 14 (6): 751–60.
- Swaradheka, Shahnas Ayu, and W Suryandono. 2019a. "Kepastian Hukum Atas Pelaksanaan Debt to Equity Swap Terhadap Obligasi Yang Dikonversi Menjadi Saham Dalam Rangka Penundaan Kewajiban Pembayaran Utang." *Indonesian Notary* 1 (002).
- . 2019b. "Kepastian Hukum Atas Pelaksanaan Debt to Equity Swap Terhadap Obligasi Yang Dikonversi Menjadi Saham Dalam Rangka Penundaan Kewajiban Pembayaran Utang." *Indonesian Notary* 1 (002).
- Tampemawa, Stevi G. 2019. "Prosedur Dan Tatacara Penundaan Kewajiban Pembayaran Utang (PKPU) Menurut Undang-Undang No. 37 Tahun 2004 Tentang Kepailitan Dan Penundaan Kewajiban Pembayaran Utang." *Lex Privatum* 7 (6).