



RESOLVING THE UNRESOLVED

(A Collection of Success Stories of
Insolvency Professionals)



INSTITUTE OF INSOLVENCY PROFESSIONALS

(Subsidiary of ICSI and Insolvency Professional Agency of IBBI)

Resolving the Unresolved

(A Collection of Success Stories
of Insolvency Professionals)

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FOREWORD

“In the midst of every crisis, lies great opportunity.”– Albert Einstein

The Insolvency and Bankruptcy Code, 2016 (Code), has proven to be a transformative piece of legislation, significantly enhancing India’s insolvency ecosystem. In a relatively short span, the Code has brought about a paradigm shift in the resolution of financial distress, promoting transparency, discipline, and a rescue culture. It is heartening to see how insolvency professionals (IPs), as key pillars of the IBC framework, have played a pivotal role in delivering impactful results while balancing the interests of all stakeholders.

The Code’s emphasis on resolution as the preferred outcome, with liquidation as a last resort, requires IPs to demonstrate not only technical expertise but also creativity, resilience, and strategic acumen. Success stories in this context serve as a beacon of inspiration, offering insights and learnings to practitioners and stakeholders alike.

This book titled **“Resolving the Unresolved: A Collection of Success Stories of Insolvency Professionals,”** encapsulates some of the most remarkable achievements by IPs in resolving distressed companies under the IBC framework. Each success story in this book highlights the multifaceted challenges encountered during CIRP cases and showcases the innovative strategies adopted to overcome them.

I extend my heartfelt gratitude to the esteemed authors whose contributions have brought this book to life. **Dr. CS Adv. Mamta Binani, IP Rajesh Sheth, CS Pratibha Khandelwal, CS Kranti Mohan Rustagi, CS Pinakin Shah, CS Ritesh R Mahajan, CS Satydevi A, Adv. Hemant Sharma and CS Adv Maya Gupta.** Their commitment to sharing these inspiring stories underscores their dedication to the profession and their belief in the transformative power of the IBC.

This publication is also a testament of the dedicated efforts of **CS Peer Mehboob,** Assistant Director (Education, Research & Publications), and the leadership of **Dr. Prasant Sarangi,** Managing Director of ICSI IIP. Their relentless commitment to capturing and presenting these success stories has culminated in this invaluable publication. I extend my sincere appreciation to them for conceptualizing and executing this project with such excellence. My gratitude also goes to the insolvency professionals whose exemplary efforts form the heart of this book. Their dedication and strategic foresight have not only resolved complex cases but also reinforced confidence in the efficacy of the IBC framework.

I am confident that this book will serve as a significant resource for insolvency professionals, academicians, and all stakeholders in the insolvency ecosystem. It will not only inspire but also contribute to capacity building by sharing the innovative approaches and best practices adopted by IPs in resolving financial distress.

(CS B. Narasimhan)
President, ICSI & Director, ICSI IIP



LIST OF ABBREVIATIONS

Abbreviation	Full Form
AA	Adjudicating Authority
AA Rules	The Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016.
AFA	Authorisation for Assignment
Board/ IBBI	Insolvency and Bankruptcy Board of India
CA 2013	The Companies Act, 2013
CD	Corporate Debtor
CIRP	Corporate Insolvency Resolution Process
CIRP Regulations	The Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016
CoC	Committee of Creditors
Code/IBC	Insolvency and Bankruptcy Code, 2016
DRT	Debts Recovery Tribunal
ED	Enforcement Directorate
EPFO	Employees' Provident Fund Organisation
FC	Financial Creditor
HC	High Court
IP	Insolvency Professional
IRP	Interim Resolution Professional
Liquidation Process Regulations	The Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016
MCA	Ministry of Corporate Affairs
NCLT	National Company Law Tribunal
NCLAT	National Company Law Appellate Tribunal
NI	Negotiable Instruments Act, 1881
OC	Operational Creditor
RERA	Real Estate Regulatory Authority
RP	Resolution Professional
SARFAESI Act	Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SC	Supreme Court

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Synergies Dooray Automotive Limited: A Journey of Resolve and Redemption



Dr CS Adv Mamta Binani
Insolvency Professional,
Former ICSI President

Dr. CS Adv. Mamta Binani, a trailblazer and a distinguished insolvency professional, gained prominence as the Resolution Professional (RP) for **Synergies Dooray Automotive Limited**, the first successful resolution under the Insolvency and Bankruptcy Code (IBC). Her steadfast leadership in navigating this landmark case showcased her exceptional expertise and resilience in the face of challenges.

Despite operating in uncharted territory with no precedents, Ms. Binani successfully steered the resolution process, balancing the interests of creditors, employees, and stakeholders. Her unwavering integrity and innovative approach earned judicial commendation and set a benchmark for the insolvency profession in India.

Ms. Binani's journey is a testament to her commitment to excellence and her pivotal role in shaping the IBC's legacy of revival and value maximization.

INTRODUCTION

The National Company Law Tribunal (NCLT) pronounced the first insolvency resolution order under Insolvency and Bankruptcy Code, 2016, in the matter of **Synergies-Dooray Automotive Ltd**, a maker of alloy wheels for cars.

The company's plea for insolvency was admitted on 23 January 2017. The resolution plan was submitted to NCLT on 21 July 2017, within the 180-day period as envisaged

The National Company Law Tribunal (NCLT) pronounced the first insolvency resolution order under Insolvency and Bankruptcy Code, 2016, in the matter of **Synergies-Dooray Automotive Ltd**, a maker of alloy wheels for cars.

The company's plea for insolvency was admitted on 23 January 2017. The resolution plan was submitted to NCLT on 21 July 2017, within the 180-day period as envisaged by the code, and the tribunal approved the plan on 2 August 2017.

The total claim amount against the Vishakhapatnam-based Dooray from financial creditors, including three asset reconstruction companies (ARCs) stood at Rs. 972 crore and the cost of the proposed scheme is Rs.54 crore. The financial creditors involved in the proceedings are Alchemist ARC Ltd, Edelweiss ARC Ltd, Synergy Castings Ltd and Millennium Finance Ltd. Edelweiss took over the debt from EXIM bank.

The proposed scheme as per the NCLT, Hyderabad order involves merging Synergies-Dooray with Synergies Casting, a creditor and so-called related party. It also involves financial restructuring of the dues of financial and operational creditors, payment of dues to the government, and an infusion of capital (including equity) from the promoters.

The resolution plan was to be funded against receivables from other corporate debtors and through operations. The payments to the creditors and the government was staggered over the next three years at a deep haircut, where only the principal amount will be paid.

“There were three resolution plans out of which one was selected. The other two plans had good money in them, but the companies infusing capital were from a trading background. We went with the plan which had some manufacturing background to keep the company as a going concern,” said Mamta Binani, the Insolvency Resolution Professional for Synergies-Dooray and past president of Institute of Company Secretaries of India (ICSI). “Putting in money is not the end of it.”

While it might be reading too much into one insolvency resolution order, albeit the first, the Dooray case does indicate that creditors may want to keep a company running.

“The selected plan also takes care of dues of operational creditors and the government, which is generally not the case when the liquidation value is zero. We are increasingly seeing that committee of creditors are conscious of the dues of operational creditors, as these are mostly small and medium enterprises and if their dues do not get paid then the companies can go under and overall hurt the economy,” Binani said.

OVERVIEW OF SYNERGIES-DOORAY AUTOMATIVE LIMITED

Synergies-Dooray automotive Limited	
Company type	Public Limited
Industry	Manufacturer of alloy wheels for cars
Founded	1995; 29 years ago
Headquarters	Flat No; 4a, 6-3-855/10/Asampathji Apartments Saadat Manzil, Ameerpet, Hyderabad, Andhra Pradesh-500016
Authorised Capital	Rs. 63,00,00,000/-
Paid Up Capital	Rs. 19,58,76,800
Total Claim	Rs. 972 crore
CIRP Application	Section 10 under Insolvency and Bankruptcy Code, 2016

CORPORATE INSOLVENCY RESOLUTION PROCESS

The National Company Law Appellate Tribunal, Hyderabad Branch vide its order dated 23.01.2017 admitted the petition filed by the Corporate Debtor seeking initiation of the Corporate Insolvency Resolution Process under Section 10 of the IBC, to appoint Ms. Mamta Binani as Interim Resolution Professional (IRP).

Ms. Binani issued a public announcement and invited claims from the creditors of the Corporate Debtor as envisaged under the IBC. On receiving such claims, the Committee of Creditors was constituted. The first meeting of committee of creditors was called on 22.02.2017, on which date, Ms. Binani herein was confirmed as the Resolution Professional (RP) of the Corporate Debtor.

In pursuance of the same, the RP ensured statutory compliance of all provisions of the IBC and the Rules and Regulations thereunder. After collation of claims, the RP duly filed the list of Committee of Creditors, which was updated time to time after verification and placed before the Tribunal. The position of creditors as per the list, reflecting the percentage exposure and the voting share is mentioned hereunder:

S. No.	Name of the Financial Creditors	Amount of Claim admitted	Percentage share in committee of creditors	Percentage share in voting
1.	Alchemist Asset Reconstruction Company Limited (AARC)	122.06	12.56%	13.83%
2.	Edelweiss Assets Reconstruction Company Limited (EARC)	86.92	8.94%	9.84%
3.	Millennium Finance Ltd.	673.91	69.32%	76.33%
4.	Synergies Castings Ltd.	89.26	9.18%	0
	TOTAL	972.15	100%	

EXPRESSION OF INTEREST

As per the requirements of Section 25(2)(h) of the IBC, the Applicant herein initiated the process of inviting prospective Resolution Applicants for submission of Resolution Plans for the Corporate Debtor. The above process was carried out through a Merchant Banker, who invited the applications from prospective Resolution Applicants and also made publication in this regard.

IN response to the aforesaid expression of interest, 4 participants applied for the offer document, out of which, only following entities sent Resolution Plan.:

- a. SMB Ashes Industries
- b. Synergies Casting Limited
- c. Suiyas Industries Private Limited

The resolution plan submitted by SMB Ashes Industries and Suiyas Industries placed before the COC meeting held on 24.06.2017 was unanimously rejected by the members of COC. However, Resolution Plan submitted by Synergies Castings Ltd. (SCL) was approved by a majority vote of 90.16% with certain modifications.

RESOLUTION PLAN

The Resolution Plan envisaged by SCL for insolvency resolution of SDAL and to ensure continuity of business along with most effective use of the assets and equipment of SDAL and to ensure continuity of business along with most effective use of the assets and equipment of SDAL is as below:

- a) **CIRP Cost** in priority of all other debts of the corporate debtor.
- b) **Financial Restructuring-** Restructuring of Debts by way of settlement in terms of directions of the BIFR and payment of restructured dues over a period of three years. Payment to financial creditors of corporate debtor in equal instalments over a period of three years, without interest.
- c) **Operational Restructuring-** Amalgamating of Corporate Debtor with the SCL.
- d) **Capital Restructuring-** Allotment of shares of the merged entity to the shareholders of corporate debtor and payment of cash towards fractional shares.
- e) **Payment to Operational Creditors and Statutory Dues-** Dues to the Operational Creditors be restructured and payment to such operational Creditors and the Statutory Dues to be made in a staggered manner after completion of payment to financial creditors.
- f) **Infusion of fresh funds by the promoters-** Funds infusion by promoters of the SCL, if required.
- g) **Payment of Insolvency Resolution Process Cost** in priority to all other debts.
- h) **Statutory Dues-** The amount outstanding towards Statutory Dues was Rs.389.53 lakhs. SRA proposed to make full payment of Rs. 389.53 lakhs towards statutory dues.
- i) **Continued usage and operations of the facilities of the corporate debtor in the manner as they are being utilised.**
- j) **The plan envisaged lesser cash outage as the resolution applicant itself was one of the major secured financial creditors of the major secured financial creditors of the corporate debtor.**
- k) **Continued employment of all the erstwhile workmen of the corporate debtor.**

Cost of Schemes and means of finance-

As per the proposed settlement and payments envisaged to various creditors of SDAL and also the payment of the insolvency process cost, the total cost of scheme was arrived at Rs.5, 408.21 lakhs.

Payment Plan to Financial Creditors and the Operational Creditors-

The plan for making payment of the amount to financial creditors and class of creditors has been tabulated below:

(Rs. In Lakhs)

Particulars/ year	2017- 18	2018-19	2019-20	2020-21	2021-22	2022-23	Total
Insolvency	50.00	-	-	-	-	-	50.00
Resolution Cost							
Payment of EARC		163.00	163.00	163.00	-	-	489.00
Payment of AARC	-	228.92	228.92	228.92	-	-	686.17
Total Secured Payments	50.00	1655.84	1655.84	1655.84	-	-	5017.52
Deferred Sales Tax Loan	-	-	-	117.23	117.23	117.23	351.69
Current Liabilities	-	-	-	0.39	0.39	0.39	1.16
Statutory Dues				12.61	12.61	12.61	37.84
Total	50.00	1655.84	1655.84	1786.07	130.23	130.23	5408.21
Means of Financing							
Receivable from other corporate debtors	-	762.60	762.60	762.60	130.23	130.23	2548.26
Internal Accruals from operations	50.00	893.24	893.24	1023.47	--	--	2859.95
Total	50.00	1655.84	1655.84	1786.07	130.23	130.23	5408.21

Vide order dated 02nd August, 2017, the NCLT approved the resolution plan submitted by Synergies Casting Limited and also approved by CoC in its meeting held on 24.06.2017.

CHALLENGES FACED AND OVERCOME

- **Uncharted Territory:** With no judicial precedents, standardized formats, or established practices, Ms. Binani navigated the complexities of a nascent legislation with sheer resolve.
- **High-Stakes Litigation:** She faced relentless litigations, including personal accusations and professional scrutiny, both within tribunals and in public forums.

- **Stakeholder Pressure:** From financial creditors debating the contentious “haircut vs. bald cut” narrative to safeguarding the livelihoods of 1,800 employees, every decision carried profound implications.

KEY CONTRIBUTIONS

- **Innovative Resolution Leadership:** Under her stewardship, the resolution plan was approved within the statutory 180 days, ensuring the revival of a sick company that had been languishing in the Board for Industrial and Financial Reconstruction (BIFR) for years.
- **Unyielding Integrity:** Despite intense scrutiny, including a media trial, Ms. Binani upheld the sanctity of the resolution process with dignity and transparency.
- **A Benchmark Case:** The resolution value far exceeded the liquidation value, demonstrating the IBC’s intent of revival and value maximization.

RECOGNITION AND LEGACY

- Ms. Binani’s efforts earned judicial accolades and marked Synergies Dooray as a landmark in IBC history.
- Her journey highlights the role of insolvency professionals as catalysts for economic rejuvenation, exemplifying courage, governance, and perseverance.
- Beyond the case, Ms. Binani continues to inspire peers, especially women professionals, urging them to rise above challenges with resilience and dedication.

IN THE WORDS OF IP Ms. MAMTA BINANI

It was trying times. A Resolution Professional born out of the womb of an enacted legislation being endowed with an important duty, viz. facilitating ‘rebirth’. This clarion call comes with its own severe pangs as it not only involves dealing with chiselled minds and documents but heaps of prejudices, sometimes eclipsing rays of hope.

The IBC resolution journey started with ‘**Synergies Dooray Automotive Limited**’. A much dissected and talked about case in the earlier days of IBC. Like a Golden Quadrilateral which is aiming and moving ahead to join dots so that it can give this Nation a robust road network and therefore each dot assumes that much more significance, the IBC gives by law this humongous opportunity to rebuild lost fates, lost livelihoods and repair despair by giving a chance to join the remnants and give it a shape. A selected few gets the huge blessing to perform this sacred act to steer the resolution process in IBC. Synergies Dooray was one such opportunity that was given to me by the Almighty.

4 financial creditors. Not many operational creditors. 1800 odd employees depending on the lifeline of the Corporate Debtor and 1 promoter who has not been able to pay the promised dues and whose Company has been in the gallows for many many years as a Sick Company and registered in the BIFR. IBC process starts. No precedents to look back. No judicial pronouncements to refer to. No set formats and practices to rest or rely upon. The society just starting to read about the enactment, the Adjudicating

Authority just about as fresh as this legislation itself and the Regulators sensitising its officers about the working aspects of the law.

Trials and Tribulations

The utmost task imbibed and etched in the hearts of all is 'Resolution, Revival and Rehabilitation'. The functions and tasks embodied in the law begins from the office of Resolution Professional. Claim verification, which seems to one of the most mundane task becomes a nightmarish experience. The clouds of litigation sets in from the 27th day of the CIRP initiation date. On one hand the zeal to take the matter to a logical conclusion and eyes firmly set on the target being 'resolution' and on the other hand, combating forces of high tides and set mindsets.

Each action and each email from the RP inviting an interlocutory application from one of the financial creditor against the RP. An RP who is not a naïve professional and comes with her own skill sets and prodigy and a tag of being in a public office. Each case gets filed with she being named as a respondent but for the outside world, it means being the 'accused'. Trial starts, not only in the Benches of the Tribunal but also outside the bounded and butted walls of the Tribunal...the media trial and the trial of the professional fraternity and so many others, whose voice the RP could clearly hear though murmured. This was testing times, when it is like the 'whole outside universe Vs. the RP'.

Questions raised one after another. The professional expertise gained over the years kept on telling her that the string of actions taken by her, emanating from the Code, not only capturing the letter but also the spirit was correct. The gargantuan arguments in the Tribunal by the other side, trying to prove everything as gravely incorrect, mischievous and mala-fide. So much so that she also got the designation of being called a mere 'Postman'. Those tribulations will always remain etched in her memory.

After all the exchanges in CoC meetings, Tribunal, so many calls from different foras inflicting injections of uncomfortable questions, not only from India but also abroad, she kept her foot firm on the ground, held her head high with dignity and honesty, kept her heart intact with passion towards the lives that were meandering. Only 2 things gave her full courage, one was the conviction that she has not made any intentional errors and had the confidence that she has not even made judgemental errors. Second was the fact that keeping a hawk's eye view on resolution, she was able to see some light at the end of the tunnel. She felt like a doctor who was trying to cure cancer by giving chemotherapy and curative therapies. The scheme of resolution was given by the parent company and there came in another wave of controversy as to how a parent company should be allowed to bail out a Company under distress and that too at a price offered which is far less than the amount admitted towards claims. The narrative of hair-cut started and with sudden progression, the narrative changed to 'bald' cut. The majoritarian was swaying with the hair cut vs. bald cut and the amount of hair getting lost forever in the process.

There was another set of people which was thinking that if the business is still viable with matching cash flows and commercially, if there is a trade-off between the liquidation value and resolution value and the resolution value is fetching much higher than the liquidation value, then this should be and must be given a chance to survive and be of value not only to the economy of the nation but to the immediate set of stakeholders who depends solely on the proceeds of the Company.

The Turning Point

Looking at this trade-off, this set of financial creditors decides to go for this leap of faith and takes a commercial call. The resolution plan gets the seal and stamp of the Committee of Creditors by 75% plus percentage and the RP with a gleeful and joyous heart, submits the same to the Tribunal for its approval. All within 180 days from the CIRP initiation date. After its share of pain and tribulations, it finally gets a nod and one chapter closes but only to open a can of worms for the RP. New set of allegations comes in from different corners, outside the judicial forum. Her name becomes a taboo to be mentioned in public forums. Her name gets struck off from speaking and teaching assignments. Guests suddenly become hesitant to share dais. No one proposes her name for any important Committees and so much more. Her spouse and professional advisers gets very much a similar treatment. All this inspite of the fact that the Judicial forum not only approved the Resolution Plan but also showered accolades on the working of the RP and absolved her of all allegations in clear terms.

She withstood all of it with no questions asked. Well wishers suggested for filing defamation suits etc. No assignments came by. No quotes were sought and it so seemed to people on the fence that her career as an insolvency professional met with a fatal accident at the very beginning of it. She didnot get shaken. Appeal proceedings started and media became active yet again. She with a firm faith on judiciary waited for the final order and when it came, tears rolled down her cheeks for the first time in the course of this process. She was nowhere found at fault.

Synergies Dooray Automotive Limited will always remain etched in the history of the Insolvency & Bankruptcy Code and the creditors who showed the courage to give a new lease of life to an ailing company will always be thanked by the thousands of visible beneficiaries and so many invisible mouths which is being fed by the workers who earns their livelihood from the Company.

Kudos to the most important economic legislation which the Country has been endowed with, post independence and it becomes our ardent duty to live up to the expectations of this great legislation, with uprightness, governance, complete dedication and wisdom.

Lessons and Reflections

I am sharing this story with all my peers, friends and seniors in the profession, especially folks from the same gender. Believe you me, there is so much to learn and yearn and yet so much to give. Our greatest weakness lies in giving up. In today's world, people donot like to agree to disagree, because it seems that dissent is anathema. Yet, that should leave our spirit unfettered and we need not shy away from our aim. There is no reason why we should not be giving audience to the views of the others but it is the inner call from an undisturbed peaceful mind which should guide us. And when in profession, each action of ours has such spiralling impact that one should be extremely governed and conscious of the decisions being taken by her.

To err is human and mistakes are only made by people who are in action is the humane side of it and this remains universally accepted; even the IBC vide section

233 accepts the same. I have had the opportunity to serve as the National President of The Institute of Company Secretaries of India in the year 2016 and I am the second lady President in the Institute's illustrious history of 50 plus years. I had to go through an arduous path and the experience whilst reaching that pinnacle had been full of so many learnings that I can actually wire it in a book. It sometimes is said that 'It's a man's world', which I cannot but less agree, but I also wish to mention that there is no divide. It is our fathers, our brothers, our son and our friends who have stood like rock in the whole process of our caterpillar to butterfly journey and have probably withstood more than us, without any pro-bono aspiration. When a dear and near one undergoes a surgery, more than the wounded, it is the caretakers who goes through a severe yet silent pain.

When we are in war, we have to be armed with ammunitions. We cannot be leaving ourself to the mercy of others, meaning thereby that we have to be well read, well informed, make use of our prognosticate skills and keep our other tensions at bay, as 'If we have tensions, we cannot pay attention'. We have to learn the art of plugging in and plugging out and always be in positive frame of mind and try to keep our spirit close to the line of success and not to the line of failure. When our mind is able to cross the laxman rekha which tells us that 'I have had enough and cannot withstand anymore', we will achieve goals in our life. Half the battle is already won.

There is enough and more for everyone in this professional world and we need not engage ourselves in jumping to eat a slice from the same cake, instead contribute to make the size of the cake bigger. It is goodwill which brings pride to a professional and building goodwill takes years in terms of clock and lot in terms of sacrifice to so many things, the list of which is endless but which if summed up in a word is nothing but 'self-governance'. This has a great value and who better than us knows the valuation of this invaluable asset. Let us all gear ourselves for the next leap of faith in us.

It is we and we alone who can keep the fire in the belly burning and no outside factor can motivate us for long. Happiness is a state of mind and so is success. Just 'Don't give up, as great things take time.' And when it comes, it comes all of a sudden, so be a 'work in progress' all the time. What is the fun in becoming static.

Bravo! Let us pledge to bring peace to ourselves by bringing peace to all others. Let us accept the fact that professional world will not be bereft of clashes, which can be handled without being violent. Learn the art of making your point yet not being stubborn. Learn the talent of giving audience to others and having ample empathy. Let us all be human, above all.

I am fortunate to have been born as a girl child from the womb of my mother, 47 years ago and I am very blessed to have received lessons of culture, simplicity and values from my parents, not only by teachings but by being a live example. I owe it all to my roots and equally to my parents and family of the in-laws side who have let me leave footprints in this world. My spouse who is my best teacher and an impeccable guide and who saw me before I could see 'me' and who led me to pursue my studies and leadership pursuits....for whom before his ownself, it is me.

Blessed to be an Indian and so very lucky to have been born in Independent India. Let us free our minds as mind is the biggest asset which if left struggling at all times, becomes the greatest liability.

CONCLUSION:

The story of **Synergies Dooray Automotive Limited** and the relentless efforts of Ms. Mamta Binani exemplify the transformative potential of the Insolvency and Bankruptcy Code (IBC). As the first successful resolution under the IBC, this case laid the groundwork for the revival of distressed companies and the reinvigoration of economic confidence.

Ms. Binani's journey as a Resolution Professional highlights the courage, expertise, and resilience required to navigate the complexities of insolvency processes. Her ability to withstand trials, both professional and personal, underscores the spirit of determination and the pivotal role of insolvency professionals in ensuring economic stability and growth.

This landmark case not only shaped the evolution of the insolvency framework but also inspired a new generation of professionals to embrace challenges with integrity, vision, and an unwavering commitment to the principles of resolution and revival. The lessons from this journey will continue to resonate in the annals of insolvency practice, reminding us that every challenge is an opportunity for transformation.

Navigating Challenges and Achieving Operational Excellence: Resolution of Karaikal Port Private Limited




Mr. Rajesh Sureshchandra Sheth is an Insolvency Professional. Financial Creditor M/s. Omkara Assets Reconstruction Private Limited proposed the name of the Interim Resolution Professional viz. Mr. Rajesh Sureshchandra Sheth before the Hon'ble NCLT, Chennai Bench in the matter of Omkara Assets Reconstruction Private Limited versus Karaikal Port Private Limited. In a tale of resilience and strategic prowess, the Port of Karaikal (Karaikal Port Private Limited), located about 300 kilometers south of Chennai, embarked on a remarkable journey towards financial recovery and operational stability. Despite its remote location and a sparse vendor network with various outstanding dues, the port management, under the astute guidance of Mr. Rajesh Sheth, the Resolution Professional (RP) of Karaikal Port, navigated through a maze of obstacles to secure a prosperous future.

INTRODUCTION:

Karaikal Port came into the ambit of the Corporate Insolvency Resolution Process (CIRP) when the Hon'ble National Company Law Tribunal, Chennai Bench (NCLT) approved an application for initiation of CIRP on 29th April 2022. Mr. Sheth was appointed as the Interim Resolution Professional and thereafter he was appointed as the RP. As per the provisions of the Insolvency & Bankruptcy Code 2016 (IBC), various functions were undertaken by Mr. Sheth as the RP including inviting claims from public, managing the operations of the port as a going concern and engaging with prospective resolution applicants to submit a resolution plan for Karaikal Port as a going concern.

Taking control over the operations of a running port is an intricate and multifaceted endeavor that presents a myriad of challenges. From navigating complex logistical operations to mitigating financial risks and complying with stringent regulatory frameworks, port management requires a delicate balance of strategic foresight and operational agility. Factors such as fluctuating market demands, geopolitical tensions, environmental concerns, and technological advancements further compound the challenges faced by port authorities. Additionally, ports often serve as crucial hubs for trade and commerce, amplifying the pressure to ensure seamless connectivity and efficient handling of goods. Thus, while ports play a pivotal role in facilitating global trade and economic growth, the task of managing them demands meticulous planning, robust risk management strategies, and adept leadership to navigate the complexities inherent in the maritime industry.

BACKGROUND OF THE CORPORATE DEBTOR:

Karaikal Port Private Limited	
	
Company type	Private
Industry	Marine
Founded	2006; 18 years ago
Headquarters	Karaikal Port Private Limited, Khezhavanjoor Village, T.R.Pattinam, Karaikal – 609602, India
Key people	Mr. Gautam Adani
Authorised Capital	Rs.35,00,00,00,000/-
Paid Up Capital	Rs. 1,00,00,000/-
Owner	APSEZ (2023–present)
Claim	Rs.2804, 55, 70, 549/- (Rupees Two Thousand Eight Hundred and Four Crore Fifty Five Lakhs Seventy Thousand Five Hundred and Forty Nine

Government of Puducherry had granted to Marg Limited, the rights to build, develop and operate the project located in the Karaikal District in the Union Territory of Puducherry in accordance with the terms of Concession Agreement dated 23.01.2006.

In order to execute the project, Marg Limited had incorporated the Corporate Debtor as a 'Special Purpose Vehicle' (SPV). Corporate Debtor is a private limited company incorporated under the provisions of Companies Act, 1956 on 16th December 2006 and having its Registered Office at Khezhavanjoor Village, T. R. Pattinam, Karaikal -609606.

Marg Limited has assigned its rights under the aforesaid Concession Agreement to the Corporate Debtor as per the terms contained in the Deed of Assignment which was accepted by the Government of Puducherry. In pursuance of this assignment of rights under the aforesaid Concession Agreement, the Corporate Debtor has been engaged in the business of building, developing and operating the project.

COMMENCEMENT OF CIRP

In connection with the construction and development of the project, the Corporate Debtor has availed various financial assistance, inter-alia, under the consortium from Indian Overseas Bank, Allahabad Bank, Central Bank of India, Punjab National Bank of Commerce, United Bank of India, Indian Bank, India Infrastructure Finance Company Limited, Corporation Bank, State Bank of Hyderabad and Syndicate Bank. With respect to such financial assistance, various facility documents and security document came to be executed from time to time between the Corporate Debtor and Lenders. Indian Bank was designated as Leader or Lead Bank of the consortium.

The Corporate Debtor did not adhere to the schedule of payment of instalment to the lenders and requested consortium member banks to consider restructuring of the term

loan, merge the loans into a single term loan and grant funded interest term loan to the corporate debtor. Out of aforesaid 11 lenders mentioned hereinabove, 9 lenders (except Corporation Bank and State Bank of Hyderabad) assigned their respective debts pertaining to the corporate debtor along with underlying security to Edelweiss Asset Reconstruction Company Limited (hereinafter referred to as 'EARC').

After acquiring the debt along with underlying securities, EARC at the request of the Corporate Debtor vide Restructuring Agreement dated 26.07.2018 (hereinafter referred as "Restructuring Agreement of 2018") restructured the debt, on the terms and conditions stated therein. Subsequently, EARC was trying to sell its debt pertaining to corporate debtor through Swiss Challenge E-Auction Method. Marg Limited filed a writ petition before the Hon'ble High Court of Judicature of Madras, inter-alia, praying that Reserve Bank of India may direct EARC not to hold the Swiss Challenge E-Auction as it is violative of the directions issued by it. By the said petition, Marg Limited challenged the validity of selling the debt of the corporate debtor by not following the requisite procedure. The Hon'ble High Court of Judicature at Madras vide order dated 20.09.2021 dismissed the writ petition filed by Marg Limited.

CORPORATE INSOLVENCY RESOLUTION PROCESS:

The Corporate Insolvency Resolution Process (CIRP) in respect of the Corporate Debtor viz. Karaikal Port Private Limited was initiated by the NCLT, Chennai Bench vide order dated 29.04.2022 under Section 7 of the IBC, 2016 by Omkara Asset Reconstruction Private Limited and consequently, Rajesh Sureshchandra Sheth was appointed as the Interim Resolution Professional.

PUBLIC ANNOUNCEMENT

Mr. Sheth in terms of Section 15 of IBC, 2016 has caused a Public Announcement in Financial Express and Business Standards, and Daily Thanthi (English) as well as in Makkal Kural and Dinamani (Tamil) on 02.05.2022 inviting claims in relation to corporate debtor.

Based upon the claims submitted by the stakeholders, Mr. Sheth constituted the Committee of Creditors (CoC) comprising of two financial creditors, namely (i) Omkara Reconstruction Private Limited & (ii) Phoenix ARC Private Limited. The initial list of financial creditors as well as voting shares of the CoC is as follows:

S.No.	Particulars of the claims	Amount Claimed (Rs.)	Amount Admitted (Rs.)	Voting Share
1	Omkara Assets Reconstruction Private Limited	2864, 72, 70, 079	1563, 77, 36, 620	96.60%
2	Phoenix ARC Private Limited	99, 12, 01, 518	55, 00, 06, 000	3.40%
	Total	29, 63, 84, 71, 597	16,18,77,96,620	100%

On 26.05.2022, the CoC during its 1st meeting by a majority of 96.60% in voting share, confirmed the appointment of Mr. Sheth (IRP) as the Resolution Professional.

Thereafter, one of the two financial creditors i.e. Phoenix ARC Private Limited holding 3.4% voting share of the CoC proceeded to assign its debt to the Omkara Assets Reconstruction Private Limited, and as a result Omkara Assets Reconstruction Private Limited became the sole member of CoC with 100% voting rights.

INFORMATION MEMORANDUM

The Information Memorandum (IM) prepared by the RP in terms of Section 29 of the IBC, 2016 was approved by the CoC in its 02nd meeting held on 22.06.2022. During the said meeting the eligible criteria with respect to net worth and consortium proposals in relation to the Corporate Debtor were deliberated and fixed as follows:

1. In relation to net worth of Rs.500 crores at individual level and in case of corporates, net worth of Rs. 500 crores in the immediately preceding financial year for which audited financial financials are available not earlier than 31.03.2021 and for financial institutions/PE funds/Assets Reconstruction Companies having assets under management of atleast Rs. 2000 crores as on 31.03.2022 or committed funds available for investment/deployment in Indian Companies or Indian assets of atleast Rs. 300 crores as on 31.03.2022.
2. In relation to consortium, the eligibility criteria was fixed at weighted average net worth of Rs. 500 crores at Consortium levels in the case of body corporate or individuals. In the case if the consortium is a financial institution/ PE funds/ NBFCs/ARCs AIF the minimum weighted average of Rs.1000 crores as on 31.03.2022 or weighted average committed funds available for investment/ deployment in Indian companies or assets of atleast Rs. 300 crores as on 31.03.2022.

EXPRESSION OF INTEREST

The Resolution Professional proceeded with the proceeded with the issuance of 'Form-G' calling for Expression of Interest (EOI) in relation to the Corporate Debtor on 23.06.2022 in five newspaper namely; Business Standard, Financial Express (English Daily), Dina Mani, Dina Thanthi & Makkal Kural (Tamil Daily). Subsequently, the Resolution Professional published a revised 'Form-G' dated 09.07.2022 in the abovementioned newspaper inviting PRAs to submit their EOI for participation in the CIRP of the Corporate Debtor followed by submission of the Resolution Plan. Pursuant to the same, the Resolution Professionals had received five (5) EOIs. The Resolution Professional after carrying out due diligence prescribed under the Regulations submitted the final list of the eligible Prospective Resolution Applicants (PRAs) to the CoC by way of an email dated 17.08.2022 and uploaded the same on the website of the Corporate Debtor.

The Evaluation Matrix i.e. the evaluation criteria which were to be incorporated in the Request for Resolution Plan (RFRP) was approved by the CoC during its 03rd meeting held on 01.08.2022. The Resolution Professional proceeded to issue the RFRP to Prospective Resolution Applicants along with the Information Memorandum which was uploaded on a 'virtual date room' by which documents, data and information in relation to the Corporate Debtor could be accessed by the PRAs for their due diligence. On request by PRAs, the CoC during its 04th and 5th meeting extended the last date for the submission of the Resolution Plan.

The Resolution Plan had finally received two resolution plans from **(i) Adani Port and SEZ Limited & (ii) Vedanta Limited** on the last date for submission of Resolution Plan and the same were placed before the CoC on its 6th meeting which was held on 03.10.2022. In the said meeting, the Resolution Applicants were invited to brief and to make their presentation of their respective Resolution Plan to the CoC. After several discussions and deliberations during the 7th & 8th CoC meetings, the Resolution Professional vide email dated 19.10.2022 and 20.10.2022 requested the PRAs to submit a revised plan addressing the deficiencies indicated by the Resolution Professional and his agents. Revised Resolution Plans from the two PRAs were received and the Resolution Professional had undertaken to carryout a final compliance check.

In the meantime, NCLT vide order dated 01.12.2022 in the application filed by the Resolution Professional extended the CIRP in relation to the Corporate debtor by a period of 60 days.

RESOLUTION PLAN

During the 9th CoC meeting held on 19.11.2022, the CoC and the Resolution Professional on being satisfied that the Resolution Plan(s) were compliant in terms of section 30(2) of IBC, 2016 proceeded to place the same for voting by way of e-voting line. The said e-voting on the Resolution Plan (s) commenced on 22.11.2022 and concluded on 30.11.2022. The CoC had evaluated both the plans from a commercial perspective and a discussion on the evaluation of both the plans in accordance with RFRP was undertaken in the 9th CoC meeting and scores were accorded to the Resolution Plan by the CoC members based on Quantitative and Qualitative parameters included in the Evaluation Matrix as follows:

S. No.	CATEGORY	APSEZL	VEDANTA LTD.
1.	Quantitative Score	57.36	3.10
2.	Qualitative Score	19.00	17.00
	Total	76.36	20.10

Therefore, the e-voting on the Resolution Plan commenced on 22.11.2022 and the e-voting concluded on 30.11.2022 and consequently, the CoC voted 100% in favour of the Resolution Plan submitted by M/s. Adani Ports and SEZ Limited.

CLAIMS RECEIVED AND ADMITTED

In the insolvency resolution process of the Corporate Debtor a total of 239 claims were received from various categories of the claimants amounting to INR 3045.11 Cr out of which 144 claims were accepted, amounting to INR 2977.66 Crs. which is approximately 97.78% of the total claims received. Out of the total admitted claims 99.38% belonged to the Financial Creditors and remaining 0.62% belonged to Employees, Government Dues and other Operational Creditors.

The summary of the claims admitted by the RP for the various classes of creditors is given below:

PARTICULARS OF CLAIMANTS	NO OF CLAIMS	AMOUNT ADMITTED (RS.)
Financial Creditor	1	2959,29,25,467
Operational Creditor	140	17,50,90,757
Statutory Authorities and Government Body	4	45,392
Employees and Workmen	95	92,47,965
Total	240	2977,73,09,581

ABOUT RESOLUTION APPLICANT- ADANI PORTS AND SEZ LIMITED

Adani Port and Special Economic Zone Limited is stated to be the largest commercial ports operator in India accounting for nearly one-fourth of the cargo movement in the country. The SRAs presence is stated to be wide spread across 12 domestic ports in seven maritime states of Gujarat, Maharastra, Goa, Kerala, Andhra Pradesh, Tamil Nadua and Odisha. The port facilities are equipped with the latest cargo handling infrastructure which are best in class and capable of handling the largest vessel at the Indian Shore.

The SRAs has a net worth of Rs. 26219.08 crores as per the audited financial statements of the financial year ended 31.03.2022. The SRA is stated to have promoters and management who have a strong track record of accomplishment of acquisition and turnaround of distressed companies post acquisitions and track record of executing several large and complex projects.

DETAILS OF RESOLUTION PLAN:

As per the Resolution Plan approved by the CoC, the SRAs intended to acquire the Corporate Debtor as an ongoing concern and upon approval of the resolution plan by the NCLT, the SRA was to settle the admitted claims by the Resolution Professional in accordance with the terms and timelines contained under the Resolution Plan.

The SRA proposed to acquire the complete control of the ownership of the Corporate Debtor on the 'Effective Date' (60th day from the date of this order in terms of the Resolution Plan. The SRA on the 'Effective Date' would infuse an Rs. 1485 crores as an upfront infusion amount along with utilization of Rs.95 crores of the available cash balance of the corporate debtor for payment towards the settlement of the claims of the financial creditors.

Further, the SRA was also required to utilize the cash balance of the corporate debtor for the settlement of CIRP costs and interim period costs and the claims of the Operational Creditors to the extent of Rs.3.06 crores. The SRA intended to acquire the complete ownership of the corporate debtor on the effective and further to infuse the additional funds to the tune of Rs. 153 crores as and when required in order to facilitate the Corporate Debtor as an ongoing concern.

FINANCIAL PROPOSALS UNDER RESOLUTION PLAN

The SRA under the Resolution Plan committed to make a payment of Rs. 1583,06,53,357/- towards discharge of all claims of the creditors against the corporate debtor prior to the effective date as per the list of creditors dated 08.11.2022 and undertook to pay the CIRP costs and the interim period costs at actuals. The payment agreed under the resolution plan is tabulated under the application as under:

S.NO.	CLASS OF CREDITORS	ADMITTED AMOUNT	AMOUNT PROVIDED IN THE RESOLUTION PLAN
1.	Financial Creditors	2959,29,25,467	1580,00,00,000
2.	Employees and Workmen	92, 47,965	92, 47,965
3.	Statutory Authorities and Government Body	45,392	45,392
4.	Operational Creditors (Other than Government, employees and workmen)	17,50,90,757	2,13,60,000
5.	Other Creditors	Nil	Nil

WORKMEN AND EMPLOYEE

As per the successful resolution plan, the SRA has assessed the liquidation value of the Corporate Debtor to be insufficient to even satisfy the claims of financial creditors and hence NIL amount is required to be paid to employees as per Section 30(2)(b) of the IBC. However, the Resolution Applicant has proposed to pay Rs.92,47,965/- out of the available cash balance of the corporate debtor towards the settlement of all claims of employees against the corporate debtor.

OPERATIONAL CREDITORS (OTHER THAN GOVERNMENT, WORKMEN AND EMPLOYEE)

As per the Resolution Plan, the SRA assessed the liquidation value of the corporate debtor to be insufficient to even satisfy the claims of financial creditors and hence NIL amount was required to be paid to operational creditors (other than Government, workmen and employee). However, the Resolution Applicant proposed to pay to Rs.2,13,60,000/- out of the available cash balance of the corporate debtor towards full and final settlement of the claims of the operational creditors (Other than Government, Workmen and Employee).

FOR CLAIMS OF GOVERNMENT AUTHORITIES:

As per the Resolution Plan, the SRA assessed the liquidation value of the corporate debtor to be insufficient to even satisfy the claims of financial creditors and hence NIL amount was required to be paid to Government authorities as per section 30(2) of the Code. However, the SRA proposed to pay Rs. 45,392/-out of the available cash balance.

Resolution plan provides that in case the amount payable to any operational creditor under the section 30(2) of the Code is more than the amount provided under this successful resolution plan to such operational creditors as per applicable law then such operational creditor shall be paid from the available cash balance with the corporate debtor on the effective date and in the event that the cash balances of the corporate debtor are insufficient to pay whole or part of such amounts then such unpaid amount will be paid from contingent funds.

APPROVING FINANCIAL CREDITORS

The resolution plan provides that after payment of dissenting financial creditors (if any) and excluding the admitted financial creditors debt constituting necessary bank guarantees, the SRA proposed to pay Rs. 1,485/- crores to the approving financial creditors as upfront infusion amount on the effective date towards full and final settlement of the admitted financial creditors debt.

Additionally, the Resolution Plan also proposed to provide for payment of amount not exceeding Rs. 95,00,00,000/- to the approving financial creditors from the available cash balance of the corporate debtor on the effective date.

ACQUISITION OF THE CORPORATE DEBTOR AS A GOING CONCERN

The Resolution Applicant subscribed the 10,00,000 equity shares of the Corporate Debtor of Rs.10 each aggregating to Rs.1,00,00,000/- (Rupees One Crore only) such that the Resolution Applicant and/or its Affiliates/Nominees (which entity shall be eligible under section 29A of the Code) were holding 100% of the share capital of the corporate debtor and following the Capital reduction, acquired control of the corporate debtor. The Resolution Applicant agreed to hold and maintained 51% or more of the shares and voting rights of the corporate debtor and control the management and affairs of the corporate debtor, till the implementation of the Resolution Plan with the condition that Resolution Applicant can transfer the shares of the corporate debtor to its affiliates.

FEATURE OF THE RESOLUTION PLAN:

In the face of the formidable challenges, the RP received a comprehensive plan aimed at achieving balance and equitable treatment for all stakeholders of Karaikal Port. Key features of the plan included:

- 1. Balanced treatment:** Ensuring fair treatment for all stakeholders, ranging from vendors and creditors to government entities, is paramount in fostering a conducive environment for resolution.

By upholding principles of equity and transparency, trust is built among all parties involved in the resolution process, laying a solid foundation for constructive

dialogue and collaboration. Fair treatment not only promotes a sense of justice but also encourages stakeholders to actively engage in negotiations, thereby increasing the likelihood of reaching mutually beneficial agreements. Moreover, when all stakeholders feel respected and valued, it enhances the likelihood of successful implementation of resolution plans and paves the way for sustainable outcomes. Ultimately, prioritizing fair treatment for all stakeholders is not only ethically imperative but also instrumental in achieving long-term stability and success for the port and its associated entities.

2. **Bullet payments:** Prioritizing payments as per the provisions of the IBC is essential for facilitating a swift resolution process and instilling confidence among stakeholders. By ensuring timely payments to these crucial parties, the resolution process gains momentum, minimizing disruptions and uncertainties. This proactive approach demonstrates a commitment to honoring financial obligations and upholding contractual agreements, which in turn fosters trust and confidence among stakeholders. Financial creditors are reassured of their investments being safeguarded, operational creditors can continue their business operations without interruption and government entities receive the dues owed to them, thereby contributing to the stability of the overall business environment. Prioritizing payments not only accelerates the resolution process but also sets a positive precedent for future dealings, positioning the port for sustainable growth and success in the long term.
3. **Unconditional plan with capex potential:** Presenting an unconditional plan with provisions for further capital expenditure signifies a steadfast commitment to the long-term growth and sustainability of the port. By offering a plan devoid of contingencies or conditions, stakeholders were assured of a clear and unwavering vision for the port's future development. This approach instilled confidence among employees, creditors, and other stakeholders, as it demonstrates a willingness to invest in the port's infrastructure and expansion initiatives. Moreover, the plan also acknowledges the importance of continual investment in upgrading facilities, enhancing operational efficiency, and adapting to evolving market demands. This forward-looking strategy not only ensures the port's competitiveness in the short term but also lays the groundwork for its enduring success and resilience in the face of future challenges. Ultimately, by presenting an unconditional plan with provisions for capital expenditure, the port underscores its commitment to fostering sustainable growth and prosperity for years to come.

VALUE REALIZATION FROM THE RESOLUTION PLAN

The below table provides a snapshot of the value realized from the resolution plan in comparison to the admitted claims, Fair value of the Corporate Debtor and Liquidation value of the Corporate Debtor:

Date of Commencement of CIRP	Date of Approval of Resolution Plan	Amount (in ₹ crore)				Realizable value as % of		
		Total Admitted Claims	Liquidation Value	Fair Value	Total Realizable Value	Admitted Claims	Liquidation Value	Fair Value
29-04-22	31-03-23	2977.67	822.18	1215.8	1583.07	53.16	192.54	130.2

The resolution plan's successful implementation not only provided significant returns to creditors but also preserved the operational viability of the port, safeguarding its strategic importance in the region.

MONITORING COMMITTEE

Upon occurrence of the NCLT approval date, a committee was also constituted which comprised of one nominee each of the Resolution Professional, the Resolution Applicant and the Approving Financial Creditors ("Implementation and Monitoring Committee"). On and from the NCLT approval date and till the effective date, the management and affairs of the corporate debtor was managed by the monitoring and implementation committee. The implementation and monitoring committee stood dissolved on and from the effective date without any further action or deed required from the effective date.

On the Effective Date, the suspended Board of Directors of the corporate debtor was dissolved and all directors of the suspended board of directors of the corporate debtor were deemed to have resigned without any further act or deed from any other person and the Resolution Applicant reconstituted the Board of the Corporate debtor on such date, in accordance with the applicable law.

COMPLIANCE CERTIFICATE BY RESOLUTION PROFESSIONAL

The Compliance Certificate in Form-H was filed by the Resolution Professional, provided the averments pertaining to mandatory compliances prescribed under IBC, 2016.

As per the Compliance Certificate filed by the Resolution Professional, the fair value of the corporate debtor was arrived at Rs. 1215, 88,27,500/- and the Liquidation Value of the corporate debtor was arrived at Rs.822,18,01,500/-. The present Resolution Plan submitted by the Resolution Applicant was for a value of Rs. 1583,06,53,357/-

CHALLENGES FACED BY THE RESOLUTION PROFESSIONAL

- 1. Remote location and vendor network:** The port's remote location posed logistical challenges, compounded by a limited vendor network with significant outstanding dues from the pre-CIRP period. With limited understanding of the legal and financial implications of the insolvency proceedings, vendors were understandably cautious about extending their support. The uncertainty surrounding the resolution process, including the potential impact on their outstanding dues and future business prospects, further exacerbated their reluctance.
- 2. Dependency on vendors and Government entities:** Given its operational nature, the port heavily relied on manpower agencies to fulfill essential staffing needs. These agencies provided skilled labor for a wide range of tasks, including cargo handling, maintenance, security, and administrative duties. However, the port's dependence on these agencies became a double-edged sword in the context of the insolvency proceedings. This dependency underscored the urgency of addressing vendors' apprehensions and ensuring their continued participation to maintain operational efficiency and uphold the port's essential functions. Moreover, governmental entities like the Government of Puducherry had limited familiarity with the Insolvency and Bankruptcy Code (IBC), thereby adding to the existing challenges. The RP proactively engaged with all stakeholders including

government agencies to educate them on the workings of the IBC framework. Through these interactions, the RP provided insights into the intricacies of the process, ensuring clarity on the roles and responsibilities involved.

3. **Customer engagement:** Similarly, certain key customers, including TENGEDCO, a State Utility Company, had no prior exposure to the intricacies of the IBC, further complicating negotiations and resolutions. Through interactions, the RP effectively managed port operations through proactive engagement and effective communication.
4. **Employment uncertainty:** The port's financial instability casted a looming cloud of uncertainty over the livelihoods of local employees and villagers, exacerbating existing socio-economic challenges within the community. As the backbone of employment and economic activity in the region, any disruption or instability in the port's operations directly impacts the lives of those dependent on it for their livelihoods. With the specter of potential job losses and economic downturn looming large, families and individuals in the vicinity were grappling with heightened anxiety and insecurity. However, regular and proactive interactions helped the RP and the port officials to effectively manage the operations at the site.
5. **Operational and legal battles:** The port faced ongoing litigations with the Goods and Services Tax (GST) department, along with challenges from a financial creditor during the initial phases of the CIRP. Despite these legal challenges, the port's management, under the guidance of the Resolution Professional, remained resolute in their determination to navigate through the legal intricacies and also emerge successfully from the insolvency proceedings.

KARAIKAL PORT POST -IMPLEMENTATION:

The implementation of the resolution plan for Karaikal Port yielded tangible results, catapulting the port into a new era of prosperity and stability. Post-implementation:

1. **Successful handover:** The port was seamlessly handed over to the Successful Resolution Applicant (SRA), ensuring continuity in operations. The completion of all formalities and requirements within a remarkably short timeframe of less than two weeks stands as a testament to the efficiency and dedication of the port's management team. This swift and decisive action not only demonstrates a high level of organizational preparedness but also underscores a proactive approach towards resolving the port's financial challenges. This achievement not only signifies compliance with regulatory obligations but also marks a significant milestone in the port's journey towards financial stability and operational excellence. With the CIRP over, the port can now focus its efforts and resources on implementing strategic initiatives as outlined in the resolution plan, thereby charting a course towards sustained growth and prosperity.
2. **Positive Cash Flows and EBITDA:** The port achieved positive cash flows and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA), demonstrating its newfound financial resilience and operational efficiency.
3. **Seamless Transition:** The port was handed over to the Successful Resolution Applicant (SRA) within two weeks, ensuring operational continuity and stakeholder satisfaction.

4. **Financial and Operational Resilience:** Post-implementation, the port achieved positive cash flows and robust EBITDA margins, marking a turnaround in its financial health.
5. **Strategic Growth:** Under new ownership, the port has been poised for further expansion and increased market presence, enhancing its strategic value in the region.

CONCLUSION:

Under Mr. Sheth's leadership, the port was managed as a going concern, ensuring operational continuity and engaging with stakeholders to achieve a resolution plan.

Managing a running port involves intricate challenges, including logistical operations, financial risks, regulatory compliance, and addressing fluctuating market demands. Despite these hurdles, Karaikal Port, with its strategic importance as a trade hub, was effectively guided towards stability and growth. The resolution journey of Karaikal Port highlights the critical role of efficient governance, stakeholder management, and adherence to IBC provisions in addressing complex insolvency cases.

The resolution of Karaikal Port serves as a testament to the effectiveness of the IBC framework and the pivotal role of a dedicated Resolution Professional in addressing complex insolvency cases. Through equitable treatment of stakeholders, transparent processes, and strategic foresight, the port emerged as a model of success, showcasing the potential of collaborative problem-solving and innovative strategies. This case underscores the importance of resilience, adaptability, and stakeholder engagement in achieving operational excellence during insolvency proceedings. The Karaikal Port resolution story not only highlights the success of the IBC framework but also inspires confidence in its ability to revitalize distressed assets and contribute to economic stability.

Resilience in Action: The Successful Resolution of Mount Shivalik Industries Limited

“Success comes when you depend on your backbone, not on your wishbone.”

-CS Pratibha Khandelwal



CS Pratibha Khandelwal
Practicing Company
Secretary & Insolvency
Professional

CS Pratibha Khandelwal is a highly respected Insolvency Professional, known for her expertise and strategic approach in managing complex insolvency cases. Appointed as the Interim Resolution Professional (IRP) and subsequently as the Resolution Professional (RP) for Mount Shivalik Industries Limited, Ms. Khandelwal demonstrated exceptional leadership and resilience. Her ability to navigate the intricacies of the Insolvency and Bankruptcy Code (IBC) and her adept handling of various stakeholders were key to the successful resolution of the distressed company. Her commitment to resolving the issues, coupled with her skills in maintaining relationships with creditors, vendors, and employees, ensured the revitalization of MSIL and the safeguarding of interests across the board.


INTRODUCTION:

Mount Shivalik Industries Limited (MSIL), a corporate debtor incorporated on January 19, 1993, was originally established to manufacture beer. With a brewery unit located in Behror, Alwar, Rajasthan, and an installed capacity of 3 lakh HI per annum, MSIL quickly gained recognition for its well-known brands such as Thunderbolt, PB 6K, Thunder 10K, and Golden Peacock. In addition to its brewing business, MSIL ventured into the hospitality sector with heritage restaurants in the royal tourist destinations of Jaipur and Jodhpur. One of these restaurants, located at the Amer Fort in Jaipur, was operated under an agreement with the Rajasthan Tourism Development Corporation, catering to high-end international tourists, including guests of “Palace on Wheels.”

However, around 2012, MSIL’s business faced significant setbacks. A sudden shift in government taxation policies, coupled with the liquor ban in states like Bihar, caused a sharp decline in operations. As a result, MSIL was declared a “Sick Company” by the Board for Industrial and Financial Reconstruction (BIFR) in 2015, following the erosion of its net worth by accumulated losses. Unable to maintain financial discipline, MSIL’s sole banker, Oriental Bank of Commerce, filed an application under Section 7 of the Insolvency and Bankruptcy Code (IBC), 2016, to initiate Corporate Insolvency Resolution Process (CIRP). The application was admitted by the Hon’ble NCLT, New

Delhi Bench on June 12, 2018, and the Interim Resolution Professional (IRP), Ms. Pratibha Khandelwal, was appointed, later confirmed as the Resolution Professional. The matter was subsequently transferred to the NCLT, Jaipur Bench after the establishment of its jurisdiction.

BACKGROUND OF THE CORPORATE DEBTOR:

Mount Shivalik Industries Limited	
	
Company type	Public
Industry	Beer Manufacturer
Founded	1993; 21 years ago
Headquarters	140th Mile Stone, N.H.-8, Vill-Gunti, Teh-Behror, Alwar, Rajasthan
Key products	Thunderbolt, PB 6K, Thunder 10K, Golden Peacock
Authorised Capital	Rs. 10,00,00,000/-
Paid up capital	Rs.1,00,00,000/-
Insolvency Commencement Date	12.06.2018
Insolvency Completion Date	13.10.2021
Claim	Total claims were approx. 98 cr

Mount Shivalik Industries Limited (MSIL), a prominent player in the beer manufacturing sector, was incorporated on January 19, 1993. The company gained significant market presence with its brewery unit located in Behror, Alwar, Rajasthan, which boasted an impressive installed capacity of 3 lakh hectolitres (HL) per annum. Over the years, MSIL became synonymous with its flagship beer brands, including *Thunderbolt*, *PB 6K*, *Thunder 10 K*, and *Golden Peacock*, which enjoyed widespread popularity across India.

To diversify its portfolio, MSIL ventured into the hospitality industry by establishing heritage restaurants at iconic tourist destinations in Rajasthan, such as Jaipur and Jodhpur. One of its marquee projects was a prestigious restaurant situated within the historic Amer Fort, Jaipur, operated under an agreement with the Rajasthan Tourism Development Corporation. This restaurant attracted elite international tourists, including those traveling on the luxury train *Palace on Wheels*.

COMMENCEMENT OF CIRP

The Oriental Bank of Commerce, a financial creditor of Mount Shivalik Industries Limited, filed a petition under Section 7 of the Code before this Adjudicating Authority

NCLT, New Delhi Bench seeking initiation of CIRP against the said corporate debtor. This Adjudicating Authority vide its order dated 12.06.2018 admitted the said CP and declared moratorium. Further, Ms. Pratibha Khandelwal was appointed as the Interim Resolution Professional.

PUBLIC ANNOUNCEMENT

Public announcement in Form A was made on 15.06.2018. Pursuant to the public announcement, claims were received from 5 (five) financial creditors. After the verification and admission of the claims, the Committee of Creditors (CoC) was constituted consisting of 5 (five) financial creditors. The CoC in its 1st Meeting on 12.07.2018, unanimously resolved to continue Interim Resolution Professional as the Resolution Professional.

INFORMATION MEMORANDUM

CoC in its 2nd meeting dated 04.08.2018, the Resolution Professional informed that an undertaking is required for the members of the CoC to maintain confidentiality of the information contained in Information Memorandum. The CoC in the same meeting has discussed and decided the eligibility criteria for submission of resolution plan which is mentioned as follows:

- (a) Net worth of at least Rs. 50 Crores
- (a) Along with Expression of Interest, the prospective resolution applicant shall deposit Rs. 50 lakhs towards earnest money deposit in favour of corporate debtor.

EXPRESSION OF INTEREST

The Form G for the first time was published on 22.08.2018 and thereafter, CoC in its 4th meeting was informed that four prospective resolution applicants have submitted the Expression of Interest along with the earnest money of Rs. 50 lakhs. An undertaking under Section 29A was also submitted by the prospective resolution applicants.

As per order dated 05.10.2018, the CoC was reconstituted and the voting shares of the members of the CoC were revised.

In the 6th Meeting of the CoC which was held on 19.11.2018, out of four prospective resolution applicants, only two prospective resolution applicants namely Carlsberg India Private Limited and Som Distilleries Pvt. Ltd. submitted their resolution plans. The other two resolution applicants withdrawn from the process and their EMD was refunded. In the 8th Meeting of CoC, the resolution plans of resolution applicants were discussed in length and the resolution applicants were asked to submit the revised offer. Thereafter, CoC discussed the resolution plan of Som Distilleries Pvt. Ltd. but the negotiations with the resolution applicants were unsuccessful. Afterwards, CoC has decided to issue fresh Expression of Interest for invitation of submission of resolution plan in the same meeting.

A fresh Expression of Interests were issued on 01.01.2019 in Form G as per terms of Section 25 (2)(h) of the Code. Thereafter, only one EOI has been received by RP and Corrigendum was issued on 20.01.2019 extending the timelines for submission of EOI

by 10 days. The copies of newspaper publication made in Business Standard (English) and Punjab Kesari (Hindi) of Form G.

In the 11th meeting of CoC, RP has informed to the members of CoC that four Expression of Interests have been received. In the meanwhile, vide order dated 28.02.2019 (Annexure A-19), this Adjudicating Authority has allowed the application for exclusion of certain period which was lost in litigation.

EXTENSION OF CIRP PERIOD

This Adjudicating Authority NCLT, Jaipur Bench extended the period of CIRP by 90 days vide order dated 29.11.2018.

RESOLUTION PLAN

In the 14th Meeting of COC which was held on 27.03.2019, the resolution plan submitted by Som Distilleries Pvt. Ltd. was put forward by RP before the members of CoC. Another resolution applicant namely 'Kals Distilleries Pvt. Ltd.' was allowed to submit the resolution plan within two weeks vide order of this Adjudicating Authority dated 04.04.2019. After detailed discussions by the Members of CoC in further meetings, both resolution plans were modified/amended many times.

In the 19th Meeting of COC, which was convened on 04.06.2019, the members of COC has discussed in detail the resolution plan submitted by Som Distilleries Pvt. Ltd. and by Kals Distilleries Pvt. Ltd. The Members of COC, after detailed discussions, have unanimously rejected the resolution plan of Som Distilleries Pvt. Ltd. mainly on the grounds of credit worthiness of Som Distilleries Pvt. Ltd. The COC has also discussed the plan submitted by Kals Distilleries Pvt. Ltd. and has unanimously approved the same.

Accordingly, a letter of intent dated 07.06.2019 was issued to the Successful Resolution Applicant and the same was unconditionally accepted.

RP submitted that the resolution plan of Resolution applicant, as approved by the Committee of Creditors, to the Tribunal along with the compliance certificate in Revised Form H, as per the requirements of Regulation 39(4) of the CIRP Regulations meeting all the requirements of the Code and the CIRP Regulations.

DETAILS OF RESOLUTION PLAN

Finally, after the humongous exercise, Kals Distilleries Private Limited was voted as the successful Resolution Applicant ("SRA") by the Committee of Creditors. "SRA" is engaged in the business of trading, distribution and manufacturing of Indian Manufactured Foreign Liquor and Beer in South India. The Resolution plan has taken into account interest of all stakeholders including Secured Financial Creditors, unsecured Financial Creditors, statutory dues, Operational Creditors and employees. The Resolution Plan provided for continuity of current employees and generation of fresh employment opportunities, quality goods for the customers, economic utilization of assets lying unproductive for years and revenue generation for the exchequer. Interest of all the stakeholders has been taken into account and no one was worse off on approval of Resolution plan than in the event of liquidation.

The term of the Implementation of Plan was 12 months with a grace of 3 months.

Besides resolution of the corporate debtor, the greatest achievement of this plan was “No hair cut” for the Secured Financial Creditor. Oriental Bank of Commerce (now PNB) got 100 % of its outstanding dues of approx. Rs 18.28 crores, Unsecured Financial Creditors got 93% of its dues.

Few months after the initiation of CIRP in August 2018, one of the Unsecured Financial Creditor challenged the decision of RP for categorization of one creditor as unsecured Financial creditor.

However, Hon’ble NCLT, Jaipur Bench was pleased to allow the decision of RP to certain extent and on the basis of that judgement, certain other Operational Creditors were included in the category of Unsecured Financial Creditor. The respondent, however, preferred an appeal with Hon’ble NCLAT in 2019 and the order of Hon’ble NCLT was reversed. Subsequent to that order by Hon’ble NCLAT, the Resolution Plan was approved by Hon’ble NCLT. The matter of classification of Security Deposit as Unsecured Financial Creditor did not end there and an appeal was filed against the order of NCLAT with Hon’ble Supreme Court, that ultimately reached finality on April 2024.

SETTLEMENT OF CLAIMS

- The resolution applicant undertook to pay any outstanding Insolvency Resolution Process cost in priority to any other payment under the resolution plan and has made a provision of Rs.1.25 Crores in respect of the same.
- Dues of 150 unrelated employees of the corporate debtor were settled at 33% of the admitted claim.
- The claims of non-related operational creditors (Goods and Services) were settled at 10% of the admitted claims.
- The statutory dues of the corporate debtor are also settled at 10% of the admitted claims.
- The statutory dues which were not admitted were settled at 0.1% of the principal amount.
- The resolution applicant has submitted a performance guarantee of ₹2 Crores by way of fixed deposit receipt dated 11.06.2019 has been received by RP with lien marked to Oriental Bank of Commerce, New Delhi.

APPROVAL OF RESOLUTION PLAN BY TRIBUNAL

NCLT, Jaipur Bench vide its order dated 13th October, 2021 approved the Resolution Plan submitted by the “Kals Distilleries Pvt. Ltd.”

RESOLUTION STRATEGY

The Resolution Professional adopted a multi-pronged strategy to attract potential investors and revive MSIL:

1. **Asset Valuation and Marketing:** A comprehensive valuation of MSIL's assets, including its brewery, heritage restaurants, and brand portfolio, was conducted. The brewery's strategic location and its established brands were highlighted as key selling points to attract prospective investors.
2. **Stakeholder Engagement:** The RP actively engaged with financial creditors, operational creditors, and other stakeholders to build consensus on a viable resolution plan. The creditors' support was crucial in ensuring the success of the CIRP.
3. **Operational Revival Plan:** A detailed plan to revive brewery operations was prepared, focusing on modernization, cost optimization, and expansion into new markets.
4. **Attracting Bidders:** The RP launched a transparent bidding process, inviting expressions of interest from strategic investors and financial institutions. Given MSIL's brand value and operational potential, the process attracted multiple bidders, including Multinationals.

SUCCESSFUL RESOLUTION

After several rounds of negotiations, a leading strategic investor with expertise in the beverage industry emerged as the successful resolution applicant. The approved resolution plan involved a significant capital infusion to modernize the brewery and expand its distribution network. The resolution plan also ensured a substantial recovery for the financial creditors, operational creditors, and other stakeholders, marking a successful turnaround for MSIL.

CHALLENGES AND HARDSHIPS IN THE PROCESS

At the time of this CIRP in 2018, IBC,2016 was in its infancy and the law was evolving. The process was new not only for all the stakeholders but also for all the agencies involved such as Insolvency Professionals, Adjudicating Authority, Local courts, High Courts, Government departments, Financial Institutions, Sectoral Regulators and the other Regulators like SEBI, Stock Exchanges (BSE/NSE), Depository Participants.

“With great power comes great responsibility” the famous saying seem to be doomed. All around the Resolution professional, there was a hostile environment. On papers it looked that RP is entrusted with great power and position but the powers were clinched. It was exactly like “inheritance of loss”.

Corporate debtor was handed over to RP with no usable productive assets and loads of responsibilities. There were no funds even for essential services like Security, Insurance, electricity and water. The employees were suddenly put into the lurch, with little hope of the revival of Brewery.

The Corporate debtor had a Restaurant division that was in operation and it was to be managed as a going concern. The news of initiation of CIRP spread like a wild-fire amongst all the vendors. And before RP took reins, they were misled and misguided by outside forces. The vendors ranging from Sabji-wala to Accounting services, Web site managers, Tour operators, Transporters, Security agencies, Grocers, Decorators, Cooking Gas agency,

employees threatened to disassociate themselves from the CD till the time their outstanding dues were cleared. The existing support system of the CD was on the verge of collapse and at the same time no one new was inclined to sail in the so called “sinking boat”.

It was hard to make them understand that pre CIRP period dues cannot be paid now and claim has to be submitted for the same. With continuous communication and dialogue with all of them, slowly the process was streamlined by the RP.

Form G was published three times and owing to the strategic location of the Brewery, few of well- known Companies in the Liquor sector including multi nationals submitted their Resolution plans. But for the one or the other reason, no Resolution plan could see the light of the day.

Suddenly the savior in the name of “Kals Distilleries Private Limited” made a sort of “wild card entry”, of course, with the due approval of Hon’ble NCLT and presented its Resolution Plan which was duly approved by COC.

But that was not the end of the road blocks. The road to success was blocked when the approval of Resolution plan remained stucked with NCLT due to pending appeals and later on disappointing addition was caused due to massive disruptions by COVID.

IN THE WORDS OF MS. KHANDELWAL

During the process, there were times, when everyone feared that the Corporate Debtor will be forced into Liquidation. With my endeavor to resolve the CD, we all made untiring efforts and used all the available tools in our kit like Extension, Exclusion and publishing Form G three times.

The insolvency profession is a demanding, 24/7 endeavor, requiring practitioners to embrace and overcome challenges posed by various stakeholders and regulators. Early on, I realized that the role of a Resolution Professional (RP) often feels like being a “punching bag” for frustrations and grievances. But I resolved to transform this perception and became a “comforting bag” for all stakeholders, providing them with reassurance and a sense of direction during turbulent times.

The cumulative efforts of my team cannot be understated. This collaborative synergy kept us moving forward despite a process that spanned nearly six years. The contentious matter of classifying security deposits as either financial or operational credit remained a crucial issue. The issue of treatment of Security Deposit as Financial Creditor ultimately reached attained finality on April 2024 by the Apex Court for the good of all.

This endless litigation, dragged the shut and open case for almost six years. But **“All is well that ends well”**. Now its implementation is on the verge of the completion and we are in the process of filing Closure Report with Hon’ble NCLT, Jaipur Bench.

CONCLUSION

The successful resolution of Mount Shivalik Industries Limited stands as a testament to the effectiveness of the Insolvency and Bankruptcy Code in reviving distressed companies. The case highlights the critical role of an Insolvency Professional in

navigating complex challenges, balancing the interests of diverse stakeholders, and steering a financially troubled company toward revival and growth.

Today, MSIL has regained its position in the market, with its flagship brands once again enjoying popularity. This success story highlights the importance of timely intervention, strategic planning, and collaborative efforts. It offers valuable insights for insolvency professionals and industry stakeholders, emphasizing the potential of the IBC framework to revitalize distressed assets and contribute to economic growth.

CIRP: A Panacea for Bad Loans

The Success Story of Unicast Autotech Pvt. Ltd.



Kanti Mohan Rustagi
Insolvency Professional, &
Company Secretary

Mr. Kanti Mohan Rustagi is a seasoned Insolvency Professional. Financial Creditor Minda Industries Ltd. proposed his name as the Interim Resolution Professional (IRP) before the Hon'ble NCLT in the matter of Minda Industries Ltd. versus Unicast Autotech Pvt. Ltd. Under his expert guidance, the Corporate Insolvency Resolution Process (CIRP) of Unicast Autotech Pvt. Ltd., a manufacturer of die-casting and auto parts, navigated through significant challenges, including untraceable promoters, operational shutdowns, and fraudulent transactions. Mr. Rustagi's strategic approach ensured an impressive 82% recovery for Financial Creditors and a remarkable operational revival of the company, showcasing CIRP's transformative potential.

INTRODUCTION

The Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code (IBC) has emerged as a transformative tool for resolving financial distress in companies. Designed to rehabilitate businesses while addressing non-performing assets, CIRP serves as a bridge between creditors and debtors to facilitate economic recovery. A shining example of CIRP's efficacy is the case of Unicast Autotech Pvt. Ltd., a manufacturer of die-casting and auto parts. Despite severe financial challenges and operational setbacks, CIRP enabled the company to achieve an 82% recovery for its financial creditors and set the stage for its operational revival. This article explores the journey of Unicast Autotech Pvt. Ltd., from distress to resolution, shedding light on the practical aspects of CIRP and its potential for economic revitalization.

UNICAST AUTOTECH PRIVATE LIMITED- AN OVERVIEW

Unicast Autotech Private Limited	
Company type	Private
Industry	Manufacturer of die casting and auto parts
Founded	2012;(12 years ago)
Headquarters	27-B/7, New Rohtak Road, New Delhi-110005
Authorised Capital	Rs.10,00,00,000/-
Paid Up Capital	Rs.8,00,00,010/-
Insolvency Commencement Date	08th July 2022
Insolvency Completion Date	31st October 2023
Default Amount	Rs.1,19,00,147/- (Rupees One Crore Nineteen Lacs One Hundred Forty Seven)

Unicast Autotech Pvt. Ltd. was established in 2012 and quickly became a significant player in the automotive supply chain, acting as an Original Equipment Manufacturer (OEM) for leading brands such as Honda and TVS. However, internal conflicts among its promoters, the resignation of a key director, and escalating financial issues led to the cessation of its operations by 2021.

FINANCIAL STRESS LEADING TO CIRP

Around December 2020, the corporate debtor (Unicast Autotech Private Limited) approached Minda Industries Limited (Financial Creditor) seeking to sell its 100% stake in corporate debtor's Narsapura unit. The financial creditor considered the prospects and based on the business prospects, financial creditor made a Non-Binding Offer(NBO) to the corporate debtor for 100% acquisition of the corporate debtor's Narsapura unit. In terms of the said NBO, the Financial creditor offered Rs. 3 crores for acquiring 10% of the outstanding interest in the corporate debtor including but not limited to common shares, preference shares, convertible instruments etc.

The corporate debtor was in precarious situation with no working capital available with it even to fulfill the existing orders. Therefore in order to make the acquisition of the corporate debtor's Narsapura unit, financial creditor agreed to provide the financial assistance to the corporate debtor in order to complete the outstanding customer orders. In lieu of the financial assistance provided, financial creditor raised a debit note of a total amount of Rs. 2,73,91,298/- out of which corporate debtor paid back only Rs. 1,39,00,000/- plus Rs. 25,00,000/- i.e. repaid a total amount of Rs. 1,64,00,000/- but failed to pay the balance Rs.1,09,91,298/-.

On July 8, 2022, Minda Industries Ltd., a Financial Creditor, filed an application under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC) for an outstanding debt of INR 1,19,00,147. The National Company Law Tribunal (NCLT) admitted the application and appointed Mr. Kanti Mohan Rustagi as the Interim Resolution Professional (IRP).



PUBLIC ANNOUNCEMENT AND COC FORMATION

Following his appointment, the IRP issued a public announcement inviting claims from creditors. After verification, a Committee of Creditors (CoC) was constituted, comprising Bajaj Finance Limited, ICICI Bank, and Minda Industries Ltd. The first CoC meeting was held on August 12, 2022, where the members confirmed Mr. Rustagi as the Resolution Professional (RP). This step was critical for ensuring structured decision-making during the resolution process.

EXPRESSION OF INTEREST

In the 02nd Meeting of CoC, the CoC resolved to publish Expression of Interest/ Form G to invite prospective resolution applicants for submission of Expression/Form G to invite prospective resolution applicants for submission of Expression of Interest by 08.09.2022. Till the last date of submission of resolution plan, four Prospective Resolution Applicants submitted their resolution plan. That after various discussions on the resolution plans in the CoC meetings, finally in the 11th CoC meeting held on 23.03.2023, the resolution plan of M/s. Sahuwala Cylinders Private Limited and M/s. ASKAutomotive Private Limited were put to vote, in which resolution plan submitted by M/s. Sahuwala Cylinders Private Limited was approved by the members of CoC with 88.27% voting shares.

RESOLUTION PLAN

The Corporate Insolvency Resolution Process (CIRP) had begun on 10th July 2022, and the resolution plan was approved by the Committee of Creditors (COC) on 23rd March 2023, i.e., within eight (8) months of the commencement of CIRP. During this period, eleven (11) COC meetings had taken place, i.e., more than one COC meeting per month. Four resolution plans were received along with the earnest money deposit, which were duly presented to the COC on 28th December 2022. The members of the COC opted for a challenge process, and the resolution applicants participated in the challenge process. As stated earlier, the Resolution Professional (RP) had created interest among the resolution applicants, and therefore, the challenge process continued for several rounds, resulting in raising the bid to Rs. 33.27 Cr. from the original amount of less than Rs. 25 Cr.

Finally, M/s Sahuwala Cylinders Private Limited (“Successful Resolution Applicant”), emerged as the highest bidder and, upon submitting the revised resolution plan as per the challenge process, was declared the successful resolution applicant by the COC on 23th March 2023 approving the resolution plan with 88.27% voting shares.

COMPLIANCE CERTIFICATE BY RESOLUTION PROFESSIONAL

With respect of compliance regarding Regulation 39(4) of the CIRP Regulations, the Resolution Professional filed compliance certificate in Form-H certifying that the Resolution Plan submitted by the successful resolution applicant meets the requirements as laid down in various sections of the Code and the CIRP Regulations and there are sufficient provisions in the Plan for its effective implementation as required under the Code.

APPROVAL OF THE RESOLUTION PLAN

An application was filed under Section 30(6) read with Section 31(1) of the Code read with Regulation 39(4) of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 (the ‘**CIRP Regulations**’) by the RP of the Corporate Debtor, seeking approval of the Resolution Plan submitted by M/s Sahuwala Cylinders Private Limited (‘Successful Resolution Applicant’) as approved by the Committee of Creditors (‘CoC’) in its 11th CoC Meeting held on 23.03.2023 with 88.27% voting shares, with Hon’ble NCLT.

The Hon’ble NCLT vide its order dated 31.10.2023 approved the Resolution Plan.

KEY ASPECTS OF RESOLUTION PLAN

The key aspects were as follows:

- a) Secured creditors were paid 82.23% of the admitted claim amount;
- b) Operational Creditors (OCs) also got paid;
- c) Appropriate allocations were made towards capital expenditure and working capital, thus ensuring the upgradation of the plant and continuity of the plant operations;
- d) The Successful Resolution Applicant (SRA) himself having considerable expertise in the die-casting process;

- e) All the amounts were paid within ninety (90) days of the receipt of the order of the Hon'ble adjudicating authority;
- b) The SRA requested for waivers like cancellation of existing share capital, extension of lease, and extinguishment of other claims and liabilities.

The Resolution Applicant proposed an amount of Rs. 56,77,76,000/- including the CIRP Cost.

The final proposal of the Resolution Plan was as under:

S.No.	Particulars	Amount
1.	CIRP Cost	Rs.68,00,000/-
2.	Financial Creditors	Rs. 31,93,99,564.20
3.	Operational Creditors	Rs.15,76,435.80
4.	Capital Expenditure	Rs.9,00,00,000/-
5.	Working Capital	Rs.15,00,00,000/-
	Total	Rs. 56,77,76,000/-

DISTRIBUTION OF FUNDS:

S.No.	Category of claims/creditors	Amount admitted	Amount proposed in resolution plan	Remarks
A.	CIRP Cost	Rs.68,00,000.00	Rs.68,00,000.00	100% of the total CIRP cost
B.	Payment towards claims			
(i)	Secured Financial Creditors (Bajaj Finance Limited)	Rs. 32,96,87,689/-	Rs.31,93,99564.20	In proportion to their admitted claim amount
(ii)	Secured Financial Creditors (ICICI Bank)	Rs.4,55,65,669.64		
(iii)	Secured Financial Creditors (Minda Industries Limited)	Rs.1,62,87,746.00		
(iv)	Operational Creditors-other than workmen/ employees	Rs.31,52,87,159.00	Rs.15,76,435.80	In proportion to their admitted claim amount
	Total (A+B)	Rs.71,36,28,263.64	Rs.32,77,76,000/-	

S.No.	Category of claims/creditors	Amount admitted	Amount proposed in resolution plan	Remarks
(C)	Other Costs			
(i)	Capital Expenditure		Rs.9,00,000/-	
(ii)	Working Capital		Rs.15,00,00,000/-	
	Total (C)		Rs.24,00,00,000/-	
	Total (A+B+C)		Rs.56,77,76,000/-	

SOURCES OF FUNDS

The amount proposed in the Resolution Plan was proposed to be paid out of net owned funds and Borrowed funds. Further, the RA obtained confirmation from HDFC Bank, sanctioning in principle amount of Rs.50,00,00,000/- for the acquisition of the Corporate Debtor.

FAIR AND LIQUIDATION VALUE

The average fair value and liquidation value of Corporate Debtor was Rs. 42,29,11,660 and Rs. 33,57,31,318/- respectively

CHALLENGES FACED DURING CIRP

The resolution process for Unicast Autotech was not without its hurdles. Below, we break down the core issues encountered and the resolution team's responses:

- Promoters and Registered office:** The challenge was to locate the promoters and registered office of the CD. Promoters were not to be found and the registered office being a residential building that was locked and entry was prohibited. Therefore, IRP/RP did not have access to either the books of the accounts of the CD or the statutory records of the CD and it was a big challenge to take over the CD due to the non-availability of promoters/ employees.
- Locked Manufacturing Plant:** The plant in Karnataka was locked and initially inaccessible. With persistence, we eventually took control after coordinating with Bajaj Finance Limited, which had previously initiated SARFAESI proceedings on the plant.
- Stolen Assets and Data Loss:** Assets were not fully available on-site, and several were diverted. Missing key assets and an unavailable server code further hindered progress. Records and crucial data were not retrievable, making it difficult to commence plant operations or even prepare accurate financial statements. RP conducted a forensic audit and recovered key assets in coordination with law enforcement.
- Expired Lease and Legal Hurdles:** The land lease for the plant expired during CIRP, necessitating negotiations with Karnataka Industrial Area Development Board for an extension.
- Fraudulent and related party transactions:** A forensic audit revealed fraudulent and preferential transactions involving the promoter family and related companies, leading to further legal challenges.

6. **Theft and Uninsured Assets:** A theft incident at the plant underscored the absence of asset insurance, necessitating extensive follow-up with insurance companies to secure coverage for remaining assets.
7. **Vehicles of the CD:** The Corporate Debtor had several vehicles as per the records available through the Ministry of Corporate Affairs (MCA), and FCs and therefore taking possession of the vehicles viz. four-wheelers and two-wheelers was an onerous task and till last, one four-wheeler was not traceable despite the best efforts.
8. **SARFAESI ('Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002')**: During the CIRP, it was also ascertained that one of the FCs prior to the CIRP had taken possession of the plant. However, the auction under the SARFAESI Act had not taken place and therefore as RP, it took a lot of effort and time to convince the FC to hand over the possession of the plant, as by virtue of duties assigned under Section 18, 20 read with Section 23 and Section 25 of the Code, the IRP/RP was duty bound to take the custody and control of the Assets of the Corporate Debtor and any Financial Creditor or Charge holder cannot take any action or possession of the Assets of the Corporate Debtor after initiation of CIRP and under effective moratorium enforced under Section 14 of the Code. The RP also explained and convinced the Financial Creditors that they had not sold the assets of the Corporate Debtor before the commencement of CIRP, and therefore could not hold possession or custody of the assets of the Corporate Debtor, however, they could submit their claim upto the Insolvency Commencement date in accordance with CIRP Regulations.
9. **Assets leased out to CD:** During the CIRP, an Operational Creditor not only made a claim but also initiated steps for taking possession of certain assets which, as per the Operational Creditor were leased out to the CD. However, such assets were not easily identifiable as there were various assets of same make/model and therefore, it was a challenge to segregate the assets which were to be made available to the SRA and other assets which were to be eventually handed over to the Operational Creditor, as they were on operational lease.
10. **Non-cooperation from the Auditors:** Despite several communications and attempts to reach out to the auditors, they always had one or the other excuse for their non-availability or were otherwise not reachable. Therefore, as an RP, had to file an application before the Adjudicating Authority against the auditors and directors for non-cooperation which was withdrawn at the time of approval of the resolution plan.
11. **Non-compliances:** Since the CD had been functional since 2020, there were various non-compliances including non-filing of financial statement with MCA as also tax returns. Further, there was no person available including promoters, ex-employees to provide any data, records to enable the RP to reconstitute the books and complete the compliances.
12. **Protest by the Ex-employees:** The promoters had allegedly not paid the dues to the ex-employees, labors, and contractors and therefore, there were regular threats of protests and theft from the plant. In fact the one of the theft as highlighted earlier during CIRP was apprehended to have been instigated by local contract labors as reported by the security staff put up by the RP.

- 13. Forensic Audit Findings:** Audit revealed misappropriations and asset siphoning by the promoters, adding layers of complexity. RP tightened asset control and instigated legal actions for asset retrieval.
- 14. Legal Complications:** Multiple litigations, including employee protests and local disputes, interfered with the CIRP's smooth functioning. RP engaged with local authorities and structured a fair negotiation plan with protestors.
- 15. Complex Stakeholder Management:** Unicast's management was initially uncooperative, resulting in delayed information sharing and data inconsistencies. RP implemented a phased communication strategy to ensure transparency and compliance.

In the light of the above, the biggest and most critical among all the aforesaid challenges was to complete and bring about the resolution within the statutory time limit while meeting the numerous compliance requirements under the CIRP Regulations.

PERFORMING DUTIES UNDER THE IBC

Despite these challenges, IRP/RP, RP rigorously adhered to IBC duties:

- Verified creditor claims and formed a Committee of Creditors (CoC) comprising Bajaj Finance Ltd., ICICI Bank, and Minda Industries Ltd.
- Initiated public outreach to invite expressions of interest, generating a competitive bidding environment that ultimately improved recovery prospects.

STRATEGIES EMPLOYED TO MEET THE CHALLENGES

Upon the commencement of the CIRP, the following strategies were deployed to meet the aforesaid challenges:

- a) Identifying the right persons in the team with clear accountability to:**
 - i. Continually call up and communicate with the promoters and use a 'carrot and stick' policy to break one or more of the members from the promoters' family to provide information and documents;
 - ii. Procure as much information as possible from the government portals like MCA;
 - iii. Ascertain the Assets to be under the control and custody of the RP.
 - iv. Liaison with various authorities to preserve and protect the Assets of the Corporate Debtor.
 - v. Include the right information in the Information Memorandum;
 - vi. Follow-ups with PRAs to provide them with adequate information to enable them correct decisions.
 - vii. Reach out to the ex-employees to file their claims and also procure information from them.
 - viii. Follow the provisions of the Code and Regulations made thereunder with compliance of other laws of the land to complete the CIRP hassle free.

- b) **Continued coordination with the FCs** for seeking all documents and information, stock reports, assets data etc. from them and cross check such information with the information obtained from ex-employees and government portals.
- c) **Engaging IT engineers** to get access to the server of the CD as the login id was not available, but this exercise did not yield any result.
- d) **Recasting the accounts:** Collecting all documents and papers, vouchers, and purchase orders from the Bangalore plant and putting the team to cast accounts on the basis of such documents along with GST Returns.
- e) **Engaging an auditor** to audit the accounts basis the accounts made by the team and putting all efforts to match the opening balance with the closing balance of the preceding year.
- f) **Engaging the Forensic Auditor** to help the undersigned to identify the fraudulent and preferential transactions.
- g) **Frequently engaging with the COC** through meetings to seek their suggestions and way forward while keeping them apprised of all the developments, this resulted in a congenial environment in the meetings and otherwise and thereby cooperation.
- h) **Filing criminal complaints** with the police authorities and continuously following up on them. In fact, upon the theft of certain assets at the plant, the RP had to make several visits not only to the local SHO but also meet the DCP and the Commissioner of Police and finally with the intervention of the Commissioner of Police, an FIR was lodged and the police started investigation.
- i) **Invitation for resolution plan:** The invite for resolution plan was not only made through newspapers but also through various websites and contact persons and also calls were made to potential resolution applicants which included auto-component manufacturers and die-cast manufacturers. During the calls, it was highlighted that the Corporate Debtor (CD) was an approved OEM supplier to companies like TATA, Honda, and TVS. Pictures of plants were also shared to generate interest. This resulted in several applicants submitting the resolution plan and, during the bidding process, it led to a healthy realization for the Financial Creditors (FCs).

RESOLUTION OUTCOME: A NEW BEGINNING FOR UNICAST AUTOTECH PVT. LTD.

After an intense process, Unicast Autotech's CIRP culminated in a favorable resolution plan that was accepted by the CoC. The final bid provided a satisfactory recovery to creditors, with the company transitioning into new ownership.

The CIRP achieved its objectives within the eight-month period, resulting in a resolution plan approved by the CoC on March 23, 2023, with 88.27% voting shares in favor. Key outcomes included:

- **High Recovery Rate:** Financial Creditors received approximately 82.23% of their claims.
- **Capital Allocation:** The Successful Resolution Applicant (SRA), Sahuwala Cylinders Pvt. Ltd., committed funds for plant upgrades and working capital.

- **Productive Use of Existing Capital Assets:** The SRA has re-stored the existing capital assets through repairs and a plant which has been non-operative since 2021 has been put into shape and is operational
- **Future Expansion:** With the CD now operational, the SRA is exploring further expansion and potential mergers.

KEY LEARNINGS FROM THE CIRP OF UNICAST AUTOTECH

The journey of Unicast Autotech CIRP offers several valuable insights into CIRP management:

- **Active Engagement with the CoC:** Regular, clear communication with CoC members facilitated innovative solutions to complex problems.
- **Effective Use of Technology and Media:** Utilizing platforms like LinkedIn helped broaden the search for potential resolution applicants.
- **Hands-On Leadership:** Direct involvement in site operations was critical, especially during inspections and compliance checks.
- **Proactive Insurance Measures:** Immediate insurance arrangements are necessary to mitigate risks related to uninsured assets.
- **Proactive Communication:** Maintaining a regular flow of information to the CoC and employees helped mitigate legal challenges and protests.
- **Leveraging Legal Provisions:** Taking swift legal action against asset diversions and leveraging forensic audit data proved essential for asset recovery.
- **Encouraging Diverse Bidding:** Reaching out to national and international bidders maximized recovery potential, emphasizing the importance of a broad approach to EOIs.

QUICK TIPS FOR FUTURE RPS:

- Initiate early communication with stakeholders to build trust.
- Embrace forensic tools to uncover and recover concealed assets.
- Utilize comprehensive EOIs to attract diverse bidders, increasing competition.

Conclusion and Forward Outlook

The resolution of Unicast Autotech is a testament to CIRP's transformative power under IBC. With an encouraging recovery rate and a swift resolution, the case illustrates how a well-executed CIRP can revitalize a distressed company, preserving jobs, creating value for creditors, and bolstering India's financial ecosystem.

Looking ahead, more such cases of successful resolutions will reinforce CIRP's role as a cornerstone for resolving India's mounting corporate debt.

The CIRP of Unicast Autotech Pvt. Ltd. highlights the transformative potential of the IBC in resolving financial distress and revitalizing businesses. By overcoming operational challenges, ensuring substantial recoveries, and achieving a sustainable revival, this

case underscores the strategic importance of CIRP as a tool for economic reform. It serves as an inspiring example for stakeholders and policymakers, demonstrating how effective planning, collaboration, and execution can turn distressed assets into viable economic entities. As CIRP continues to evolve, its success stories like Unicast Autotech Pvt. Ltd. reaffirm its pivotal role in India's financial ecosystem.

The resolution of Unicast Autotech Pvt. Ltd. is a testament to Mr. Rustagi's strategic foresight, ability to manage complex stakeholder dynamics, and dedication to delivering value. It highlights how effective leadership and collaborative problem-solving can drive successful resolutions, even in the most challenging scenarios. This case not only demonstrates the robustness of the IBC framework but also showcases the pivotal role of an RP in steering distressed assets toward recovery and growth. Mr. Rustagi's efforts have set a benchmark for insolvency resolution, inspiring confidence in the IBC's potential to address financial distress and contribute to economic stability.

The Power of Collaboration: Resolution of Jain Studios Limited



CS Manish Agarwal
Insolvency
Professional, & Registered
Valuer

CS Manish Agarwal, an accomplished Insolvency Professional, played a pivotal role in the successful resolution of Jain Studios Limited under the Insolvency and Bankruptcy Code, 2016. Tasked with navigating a complex case amidst operational shutdowns, dormant accounts, and pandemic-induced disruptions, Mr. Agarwal employed innovative strategies, transparent communication, and stakeholder engagement to steer the Corporate Insolvency Resolution Process (CIRP). Under his leadership, a viable resolution plan was approved, ensuring operational revival and sustainable management of the corporate debtor. His expertise highlights the transformative potential of CIRP in addressing financial distress and fostering economic recovery.

“When vision is eternity, cultivate people! People Can do anything”

-IP Manish Agarwal

INTRODUCTION

The resolution of Jain Studios Limited (“JSL”) under the Corporate Insolvency Resolution Process (CIRP) stands as a testament to the transformative potential of the Insolvency and Bankruptcy Code (IBC), 2016. The case presents a real-life example of how the zeal, zest, and unwavering willingness of ‘the people’ can transform what was once perceived as impossible into a remarkable success.

This article delves into the inspiring journey of Jain Studios Limited, illustrating the challenges faced, the strategic measures implemented, and the collaborative efforts that led to the company’s revival. It serves as a beacon of hope and a blueprint for addressing complex insolvency scenarios, showcasing how persistence and innovative thinking can yield extraordinary results.

THE CORPORATE DEBTOR: A GLORIOUS PAST, A TROUBLED PRESENT

Jain Studios Limited



Company type	Public
Industry	Media and Entertainment Company
Founded	1991; 33 years ago
Headquarters	Scindia Villa, Sarojini Nagar, Ring Road, New Delhi 110023.
Authorised Capital	Rs. 35,50,00,000/-
Paid up capital	Rs.28,59,47,000/-
Insolvency Commencement Date	26.02.2020
Insolvency Completion Date	18.07.2022
Claim	Rs.5,84,50,26,698/- (Rupees Five Hundred Eighty-four Crores Fifty Lakh Twenty-six Thousand Six Hundred and Ninety-eight)

Jain Studio Limited incorporated (The famous ‘Jain TV’) on January 3, 1991, is a Public Limited listed company promoted by Dr. J K Jain and associates and Joint American Indian Network INC. USA. The Company registered under the Companies Act, 1956 and was having registered address at Scindia Villa, Sarojini Nagar, Ring Road, New Delhi 110023. This registered office was situated on the Land of Ms. Vashundhra Raje Scindia Ex CM Rajasthan family and they already win the case for vacation of land from Jain Studio Limited and matter was subjudice in Delhi High Court.

In 1994. JSL started broadcasting through ‘Jain Satellite Television’ with the help of a Russian satellite ‘Stationer 21’. It has been in the business of production, marketing and broadcasting of video software. The company has established a network of video production and marketing centers with regional offices at Mumbai, New Delhi, Chennai, Kolkata, Bangalore, Ahmadabad, Lucknow, Guwahati and Hyderabad.

HIGH PROFILE INVOLVEMENT

Promoted by Late Shri J.K. Jain (former Rajya Sabha MP), JSL was a media and entertainment company with significant investments in infrastructure. The company operated the popular channel “Jain TV” but had ceased operations three years before the initiation of the Corporate Insolvency Resolution Process (CIRP) on February 26, 2020. The case garnered high-profile attention due to its association with prominent individuals.

THE FINANCIAL QUAGMIRE

The cause of default for the corporate debtor is that it continued to incur losses due to which it had to shut its operations since last 3 years. Pursuant to the death of Mr. JK Jain (Director & founder of Jain group), the management of the company became instable which led to downfall of the corporate debtor and it did not keep itself abreast with the technology. In March 2000, Jain Studios Limited secured a term loan of ₹24 crore from IDBI Bank (the “Financial Creditor”). Out of this amount, ₹23.49 crore was disbursed. However, the company defaulted on repayment and repeatedly failed to honor settlement agreements with the bank. Consequently,

IDBI issued a legal notice on October 13, 2015, followed by a SARFAESI notice under Section 13(2) on November 22, 2016.

JSL's management acknowledged that the business had accumulated substantial losses and proposed that revival through CIRP was the best course of action.

INITIATION OF CIRP

The Corporate Insolvency Resolution Process against M/s. Jain Studios Limited was initiated by a Financial Creditor viz. M/s. Stressed Asset Stabilization Fund (SASF), a trust of IDBI, under Section 7 of the IBC. The Hon'ble NCLT Principal Bench, New Delhi, admitted the case on February 26, 2020, and appointed Mr Manish Agarwal, as an Interim Resolution Professional (IRP), who was later confirmed as the Resolution Professional (RP) by the Committee of Creditors (CoC) in its 1st Meeting of Committee of Creditors (COC) by passing resolution for appointment.



PUBLIC ANNOUNCEMENT

The Public Announcement regarding the commencement of CIRP was made on 28.02.2020 and the Committee of Creditors i.e. (CoC) was constituted on 20.03.2020. The financial creditor i.e. SASF filed its claim in Form C dated 09.03.2020. The 1st CoC meeting was convened on 26.03.2020, wherein it was resolved to appoint IRP as the Resolution Professional with 100% vote. The 02nd CoC was convened on 22.07.2020, wherein the RP apprised the CoC that in terms of Regulation 27 of the CIRP Regulations, RP appointed two Registered Valuers for two asset class (i.e. land & building, plant & machinery, securities and financial assets). The CoC in the said meeting discussed and approved with 98.1% vote, the Evaluation Matrix, Eligibility Criteria and Form G.

EXPRESSION OF INTEREST

The Resolution Professional published invitation for Expression of Interest in Business Standard (English and Hindi) on 23/07.2020, in FORM-G as approved by the CoC. The RP received Resolution Plan from two separate prospective Resolution Applicant:

S.No.	Proposed Resolution Applicant	Amount proposed
1.	Aesteroid Shelter Homes Pvt. Ltd.	Rs.9 crores
2.	AN International Import and Export	Rs.7 crores

The Resolution Plans of the PRAs i.e. M/s. Asteroid Shelters Homes Pvt Ltd. And A N International Import and Export were placed before the CoC. The members of CoC rejected the Resolution Plan submitted by M/s. A N International Import and Export on putting to vote and approved the resolution plan offered by M/s. Asteroid Shelters Homes Pvt Ltd. (SRA) with 98.10% voting shares.

The list of financial creditors of the CD being members of the COC and distribution of voting shares among them is as under:

S.No.	Name of Creditor	Voting Shares %	Voting for Resolution Plan (Voted for / Dissented/Abstained)
1.	Stressed Assets Stabilization Fund	98.10%	Approved
2.	Standard Chartered Bank	1.90%	Abstained from voting
	Total	100%	

The NCLT vide its order dated 18.07.2022 approved the Resolution Plan which was earlier approved by the CoC by the majority vote of 98.10% voting share.

The Resolution Professional issued the letter of intent in favour of SRA and informed that Rs.90,00,000 (Rupees Ninety Lakhs) was to be deposited as Performance Security within 7 days of passing of the Resolution Plan, which was deposited by the SRA.

The Resolution Professional filed an affidavit and deposed that during the CIRP of the Corporate Debtor, RP has not received any claim from employee provident fund organisation, employees state insurance corporation and claims pertaining to gratuity.

OVERVIEW OF RESOLUTION PLAN

1. The SRA i.e. M/s. Asteroid Shelters Pvt Ltd. is a private limited company incorporated on 19.11.2012. The Registrar of Companies, Delhi and is engaged in the business of real estate. The authorised share capital of Rs. 32,00,00,000 (Rupees Thirty Two Crores) and its paid up capital is Rs. 19,68,00,000/- (Rupees nineteen crore sixty eight lakhs only). The plan for addressing the default is that the SRA.
2. The plan for addressing the default is that the SRA will take over the Corporate Debtor completely by way of mix of equity/preference shares, secured loans/unsecured loan/debentures from the Resolution Applicant. The directors of SRA will form the board of directors of the newly constituted JSL(Corporate Debtor) which will ensure that the SRA has independent control over the Corporate Debtor so as to ensure proper functioning and management of the corporate debtor as per its own style and structure.

3. The Corporate Debtor shall stand automatically delisted from the stock exchanges in terms of the Delisting Regulations from the effective date.
4. The management and control of the business of the corporate debtor during the term of the Resolution Plan shall be as follow:
 - (i) The Reconstituted Board of the Corporate Debtor was to be constituted within three business days after the approval;
 - (ii) On and from the effective date the corporate debtor was to be managed and controlled by the reconstituted board which worked in coordination with the Monitoring Committee upto closing date.
 - (iii) SRA was to appoint suitably qualified and experienced persons as Chief Executive Officer, Chief Financial Officer, other Key Managerial Personnel (KMP) for operations of the corporate debtor and other KMP of the Corporate Debtor.
 - (iv) The SRA proposed to infuse Rs.9 crore to settle the dues, acquire the Corporate Debtor and to execute the Resolution Plan. The Distribution of the distribution of Plan Value (i.e. Rs.9 Cr.) in accordance with sub-section (1) of section 53 of the IBC in the event of liquidation of the Corporate Debtor is tabulated as under:

S. No.	Order of Priority	Distribution (in accordance with sub-section(1) of section 53 of IBC)	Amount Claimed (Rs.)	Amount Receivable (Rs.)
1.	Section 53(1) (a)	Insolvency Resolution Process Costs	-	Full Amount
2.	Section 53 (1) (b) (i)	Workmen's dues for the period of twenty four months preceding the liquidation commencement date	Nil	Nil
3.	Section 53(1) (b)(ii)	Debts owed to secured creditor in the event such secured creditor has relinquished security in the manner set out in section 52	565, 25,70,285/-	8,85,0915/-
4.	Section 53(1) (c)	Wages and any unpaid dues owed to employees other than workmen dues for the period of twenty four months preceding the liquidation commencement date	7,97,75,243/-	Nil
5.	Section 53(1) (d)	Financial debt owed to unsecured creditors	10,93,71,072/-	Nil

S. No.	Order of Priority	Distribution (in accordance with sub-section(1) of section 53 of IBC)	Amount Claimed (Rs.)	Amount Receivable (Rs.)
6.	Section 53(1) (e)(i)	Any amount due to the Central Government and the State Government including the amount to be received on account of the Consolidated Fund of India and the Consolidated Fund of a State, if any, in respect of the whole or any part of the period of two years preceding the Liquidation commencement date.	Nil	Nil
6.	Section 53(1) (e)(ii)	Debt owed to secured creditor for any amount unpaid following the enforcement of security interest.	NIL (assuming that no secured creditor has enforced its security interest)	NIL (assuming that no secured creditor has enforced its security interest)
7.	Section 53(1) (f)	Any remaining debts and dues	33,10,098/-	Nil
8.	Section 53(1) (g)	Preference Shareholders, if any	Nil	Nil
9.	Section 53(1) (h)	Equity Shareholders or partners, as the case may be	Nil	Nil

The extract of the distribution of the total consideration against the liabilities is as under:

S.No.	Creditor/Expenses	Amount
1.	CIRP Expenses	Full payment
2.	Financial Creditor-(Secured) Stressed Assets Stabilization Fund	Rs.8,82,09,175/-
3.	Operational Creditor	Nil
4.	Employees	Rs.17,90,825/-
	Total	Rs.9,00,00,000/-

However, the SRA further deposited to increase the amount payable to employees from Rs.17,90,825 to Rs.40,00,000/- The extract of amended amount payable is as follows:

S.No.	Creditor/Expenses	Amount
1.	CIRP Expenses	Full payment
2.	Financial Creditor-(Secured) Stressed Assets Stabilization Fund	Rs.8,82,09,175/- (Subject to deduction of CIRP costs)
3.	Operational Creditor	Nil
4.	Employees	Rs.40,00,000/-
	Total	Rs.9,22,,09,175/-

THE CHALLENGES FACED DURING THE CIRP PERIOD

“Challenge the challenges head on, then it becomes Doable”

-IP Manish Agarwal

The CIRP of Jain Studios faced numerous roadblocks:

1. **The COVID-19 Pandemic:** Amidst of initiation of CIRP, the global pandemic – COVID -19 started peaking and India was no exception, ahead was Lock Down. The process began amid the global lockdown, severely hampering in-person meetings, site visits, and tribunal proceedings.
2. **and Non-Cooperation of Management:** Coupled with all other challenges, cooperation and collecting information relating to the assets, finances, and operation of the CD, in order to determine the financial position, became the harder challenge for RP team.
3. **Lack of Documentation:** As the company (CD) was closed since last three years, there were no staff / employees to coordinate / handover , in providing the details and information leaving the RP team in a cross roads.
4. **Dormant Bank Accounts:** There were several bank accounts maintained by the promoter, in the name of the Corporate Debtor in different Banks, it was a daunting task for RP asking them to change signatory and provide last 2 years Bank Statement, because majority of accounts was dormant and no bank official were ready to take any initiative due to fear psychosis of matter being sub-judice.
5. **Outdated Assets:** since the CD belongs to the broadcasting of media and entertainment content, the equipment and machinery of the CD was outdated and damaged condition, thus maintaining ‘on going’ status became a great challenge for RP.
6. **Fear Psychosis:** The registered Office of the CD was on rented premises however the suspended director of the CD, claimed its their own. The other party claiming they are the owners namely Scindia Potteries Service Private Limited against RP, filled contempt application against the RP, adding another challenge in the list to address to.

THE PANDEMIC ADDING TO THE VOWS

“The human will and grit to fight moves mountain”

-IP Manish Agarwal

1. The closure of courts and the National Company Law Tribunal (NCLT) due to lockdowns added to the delay in legal proceedings.
2. Restricted movement and social distancing measures hampered the ability of resolution professionals (RPs) to conduct in-person meetings and site visits, affecting the assessment and valuation processes.
 - i. Economic uncertainty and market volatility reduced the interest of potential investors and bidders in distressed assets, impacting the recovery rates.
 - ii. Economic instability made it difficult to accurately assess the value of distressed assets, impacting the formulation of resolution plans.
 - iii. Ensuring the health and safety of employees, creditors, and RPs was a significant concern, affecting the smooth conduct of CIRP activities.
 - iv. Many companies and resolution professionals faced staffing issues due to illness, quarantine measures, and travel restrictions.
3. The combination of financial and operational instability during the COVID-19 pandemic created significant challenges for achieving resolutions under the CIRP.

STRATEGIES THAT TURNED THE TIDE

“The Attitude defines the altitude”

-IP Manish Agarwal

Despite the hurdles, the Resolution Professional (RP) and their team employed innovative strategies to ensure the process's success:

1. Firstly, RP identified, the people, who have been part of moving business and have been driving force with CD.
2. These were contacted and convinced by RP in right manner / motivated to cooperate us in providing information/documents of the Corporate Debtor for the process to go on smoothly for the interest of all the stakeholders.
3. The “fear Psychosis” was neutralized to these workmen as CIRP being a “bad omen” or that ca create adverse impacts to them by making them aware / educated about the process being transparent and RP being a court appointed custodian / administrator.
4. Plausible / possible infrastructure was created by RP, amidst of impact left over by the pandemic adding to the confidence of the team to work and catchup speed of the process such as figuring out work from home facility and to the possible extent, the immediate financial help for immediate needs that they had.tyg
5. Experts/ professionals were identified through a robust process of ascertaining their credentials / experience / past track record etc. and were appointed to ascertain the present Condition, Marketability & Replacement cost of the assets belong to CD.

THE LIGHT AT THE END OF THE TUNNEL

The team's relentless efforts paid off, attracting two resolution plans despite initial scepticism. The RP & Team went all out to the potential investors through the professional network to attract them for resolution as 'resolution is the essence of IBC'

The hardwork, right intentions, exhausting the network in right manner, culminated into positive results, wherein there were 'two' resolution plans received while in the beginning, considering the ongoing / prolonged legal / vvip's maters, it looked like that there may not be any resolution plans coming in!

The plans as per the laid down process / norms, were valuated and were negotiated by RP with the intent to maximize the value. The Relentless pursuit, the zeal for resolution and zest for consistency fructified and finally M/s. Asteroid Shelters Homes Private Limited submitted the best and apt plan, which was considered as Successful Resolution Applicant (SRA) by COC.

THE SUN SHINE; BEST DISINFECTANT

Key highlights of the resolution plan ssubmitted by M/s. Asteroid Shelters Homes Private Limited included:

1. The SRA was experienced in the real-estate industry & also in media, has good exposure of the completed Housing and Commercial Projects.
2. Time line for the payment of Resolution Plan amount was 90 Days from the date of approval of Resolution Plan Application Form the Hon'ble NCLT
3. The SRA was very much capable to implement the Resolution Plan in given time line and had strengths to take on the business.
4. Finally the impossible was made possible by achieving resolution.

POST RESOLUTION: A NEW DAWN

Under the SRA's control, Jain Studios Limited embarked on a journey of renewal. Media licenses were reinstated, and the company's assets were repurposed to align with the resolution plan.

KEY TAKEAWAYS

"Learning is never ending journey"

Considering all above from the Initiation of CIRP to implementation of Resolution Plan we learnt many things and overcome the challenges faced during the CIRP Process and resolved the CD successfully. This case underscored several critical insights:

1. **People Are the Core:** Building trust and fostering collaboration among stakeholders is vital. Managing people and expectations are key factors to identify the problem; identification of the right problems, bring the half of the solution!

Motivation, feeling of belongingness, importance in the system, transparent fact submissions without any sugar coating, enables / add to the confidence of the employees for coordination of the employees as well as the suspended

director and key personals of the Corporate Debtor are very important specially if the CD's is not in operation.

2. **Transparency Is Key:** Clear communication and adherence to regulations prevent unnecessary disputes. Being straight forward, adhere to the guidelines, rule book enabled to work properly despite being a High Profile matter, follow the regulation, don't mince the words or get opinionated, be clear word to word without any excuse enables to get way from any baseless technical issues and lingering on the entire process.
3. **Adaptability Triumphs:** Challenges like the pandemic require innovative solutions to maintain momentum.
4. **Integrity Matters:** The honesty, discipline, strong will power & right attitude are essential ingredients for any RP to sustain in the process else the part of the process may shake you anytime being pressurized, time bound and multiple activity the CIR process has.
5. It was a great learning that RP should conduct the process or work in strict accordance with the Court order, word to word, to avoid any unnecessary pressure or mental tension.

CONCLUSION

The resolution of Jain Studios Limited under the Insolvency and Bankruptcy Code (IBC) stands as a testament to the resilience, vision, and determination of the people driving the process. Despite numerous challenges—ranging from high-profile controversies, legal disputes, outdated assets, and the unprecedented disruptions caused by the COVID-19 pandemic—the collective efforts of the resolution professional, stakeholders, and the Committee of Creditors achieved what initially seemed impossible.

The resolution of Jain Studios Limited serves as a shining example of how collective willpower, strategic thinking, and unwavering commitment can overcome even the most daunting challenges, epitomizing the true spirit of the Insolvency and Bankruptcy Code, 2016.

SINTEX INDUSTRIES – A JOURNEY TO REMEMBER



CS Pinakin Shah
Insolvency Professional,
& Registered Valuer

CS Pinakin Shah, the Resolution Professional for Sintex Industries Limited, demonstrated exceptional expertise in managing one of the most complex insolvency cases under the IBC. With debts in crores, he navigated multi-stakeholder negotiations, ensuring compliance, transparency, and stakeholder value. His leadership resulted in the approval of a resolution plan by Reliance Industries and ARCIL, preserving over 4,000 jobs and reviving the company’s operations. Mr. Shah’s efforts stand as a testament to the transformative impact of skilled professionals in resolving distressed assets and restoring economic value.

INTRODUCTION

The story of successful resolution of Sintex Industries Limited is a testament to the power of perseverance, strategic vision, and collaborative effort in the face of adversity. Once a trailblazer in the textiles and plastics industry, Sintex faced turbulent times that brought its survival into question. However, through the structured and effective resolution framework of the Insolvency and Bankruptcy Code (IBC), the company witnessed a remarkable turnaround. At the heart of this transformation was the dedicated leadership of its Resolution Professional, Mr. Pinakin Shah, whose tireless efforts ensured a sustainable revival for Sintex Industries.

This article delves into the inspiring journey of Sintex Industries through its insolvency resolution process, highlighting the challenges faced, the innovative strategies employed, and the eventual emergence of a revitalized company. Sintex’s story stands as a beacon of hope and a model for corporate recovery, showcasing how a coordinated approach can bring back even the most distressed entities from the brink of insolvency.

BACKGROUND OF THE CORPORATE DEBTOR

Sintex Industries Limited	
	
Company type	Public Limited Listed company
Industry	Textile
Founded	1931, 93 years ago
Headquarters	Kalol, Gujarat, India
Owner	Reliance Industries (2023–present)
Authorised Capital	Rs. 1000,00,00,000/- (Rupees One Thousands Crores Only)

Paid Up Capital	Rs. 857,14,28,576/- (Rupees Eight Hundred Fifty Seven Crore Forteen Lacs Twenty Eight Thousands Five Hundred Seventy Six Only)
Insolvency Commencement Date	06.04.2021
Insolvency Completion Date	10.02.2023
Default Amount	Rs.159,08,05,757/- (Rupees One Hundred Fifty Nine Crores, Eight Lacs, Five Thousands Seven Hundred Fifty Seven Only)

Sintex (formerly known as The Bharat Vijay Mills Ltd and Sintex Industries Ltd) is the world's largest producer of plastic water tanks and Asia's largest manufacturer of corduroy fabrics.

The company operates in Europe, America, Africa, and Asia, especially in France, Germany, and the US. It primarily works with building materials, textiles, prefabricated structures, custom molding products, monolithic construction and water storage tanks.

In March 2023, it was announced that, in separate agreements, Sintex Industries Ltd. (SIL) and Sintex Plastics Technology Limited were acquired by Reliance Industries (RIL) and Welspun Group, respectively. After completing the purchase, RIL now holds 70% of SIL's share control and will manage the company jointly with Assets Care & Reconstruction Enterprise (ACRE).

HISTORICAL OVERVIEW

Bharat Vijay Mills Limited was incorporated in June 1931 and started a composite textile mill in Kalol, Gujarat that same year. In 1975 it was renamed Sintex Industries Limited and was listed on the Mumbai Stock Exchange in 2000.



Sintex expanded significantly in the 2000s, including the acquisition of U.S.-based Wausaukee Composites. In 2007 the offshore holdings segment, Sintex Holdings BV Netherlands, acquired the automotive branch of Bright Brothers Ltd to form Bright Autoplast, also called Sintex BAPL, and the French company Nief Plastics was acquired, to be later renamed Sintex NP. In 2015 Bright Autoplast signed onto a joint venture with Rototech Group to expand its coverage of automotive applications, calling the joint unit BAPL Rototech.

In 2017, Sintex demerged, with its textiles business remaining under the name Sintex Industries Limited, while the plastics and prefab side became Sintex Plastics Technology Limited.

FINANCIAL DISTRESS LEADING TO CIRP

Despite initial success post-demergers, SIL faced financial difficulties by 2019. CARE Ratings downgraded the company, and it defaulted on non-convertible debentures issued to Punjab National Bank. Invesco Asset Management filed a Section 7 application under the IBC, citing a default of INR 15 crore in principal and accrued

interest. The National Company Law Tribunal (NCLT) admitted the case on April 6, 2021, initiating the Corporate Insolvency Resolution Process (CIRP).

Here are the key points related to the company's debt:

- a) **Default on Debt Servicing:** SIL defaulted on interest payments and principal amounts on loans from banks and financial institutions, totaling Rs. 3,420.34 crore. Additionally, it defaulted on the coupon payment for its NCD issue due on March 30, 2021.
- b) **Weak Operational and Financial Performance:** The company reported net losses and cash losses during FY20 -21. These operational and financial challenges contributed to the liquidity stress.
- c) **Non receipt of Subsidies and Incentives:** The company experienced non receipt of subsidies and incentive, affecting its financial health.
- d) **Non-Cooperation with Rating Agencies:** The company's non- cooperation with rating agencies led to a "CARE D" rating for its non- convertible debenture (NCD) issue.
- e) **Changed Industrial Dynamics:** The company grappled with shifts in the textile industry landscape, impacting its operations and financial stability.
- f) **Raw Material Costs:** Increasing raw material costs without corresponding increases in selling prices strained profitability, affecting the company's ability to service debt.
- g) **Project Delays:** Time and cost overruns in completing projects added to the financial strain.
- h) **Delayed Disbursements:** Delays in receiving disbursements exacerbated liquidity challenges.

CORPORATE INSOLVENCY RESOLUTION PROCESS

The IBC emphasizes completing CIRP within strict timelines to achieve its objectives. As the appointed IRP, Mr. Shah assumed control of the corporate debtor's assets and operations within 24 hours of the CIRP admission, ensuring business continuity and preventing asset alienation. Notably, this took place during India's devastating second wave of COVID-19 in April 2021, which posed extraordinary challenges.

A thorough assessment of the corporate debtor's financial health was conducted. This involved scrutinizing financial statements, liabilities, and potential assets that aids in making informed decisions.

SIL, founded in 1931, commenced its operations with its textile mill at Kalol in Gujarat and diversified into manufacturing of water storage tanks in 1975. The Bharat Vijay Mills Ltd alias SIL was the Asia's largest manufacturer of corduroy fabrics.

SIL, till FY16 (refers to the period April 1 to March 31), had three business segments i.e. Textile, Plastic and Infrastructure. However, under the composite scheme of arrangement amongst various Sintex group companies, SIL had demerged its Plastic and Infrastructure business with effect from April 1, 2016 and continued with textile business.

As on CIRP admission date, SIL manufactures and processes high-end structured dyed yarn fabric and cotton yarn. In April 2016, SIL commissioned a green field project of cotton yarn manufacturing at Lunsapur, Dist: Amreli, Saurashtra by installing 306,432 spindles (Phase – I) having an installed capacity to produce 62,500 Metric Tonne Per Annum (MTPA) of cotton yarn. Further, SIL also commissioned Phase – II of the cotton

yarn project with another 306,432 spindles during FY18. SIL was also undertaking capex of 1,52,000 spindles towards linen, melange, and other value-added yarns.

The Financial Creditor i.e. Invesco Assets Management (India) Private Limited in its capacity as the Investment Manager granted Rs.15,00,00,000/- (Rupees Fifteen Crores only) being 150 secured non-convertible debentures of face value of Rs.10,00,000/- each bearing coupon of 10.70% p.a. and aggregating to Rs.15,00,00,000/-.

The Financial Creditor filed its Section 7 application under the Insolvency and Bankruptcy Code, 2016 against the corporate debtor stating that the corporate debtor defaulted on the due date total principal amount of Rs.15,00,00,000/- along with interest at 10.70% p.a. amounting to Rs. 15,40,01,506.85/-

An insolvency application filed by financial creditor Invesco Asset Management (India) Pvt. Ltd. under Section 7 of the Code for initiation of Corporate Insolvency Resolution Process ('CIRP') of the Corporate Debtor, was admitted on 06.04.2021 and Mr. Pinakin Shah was appointed as Interim Resolution Professional (IRP).

PUBLIC ANNOUNCEMENT AND CLAIM COLLECTION

The IRP issued a public announcement in Form-A on April 10, 2021, collated claims, and constituted the Committee of Creditors (CoC) comprising 28 financial creditors.

EXPRESSION OF INTEREST (EOI)

The Interim Resolution Professional submits that CoC in its 2nd meeting held on 31.05.2021 resolved for pan India publication of Form-G. Accordingly, Form-G was published on 11.06.2021 inviting expression of interest ('Eoi') in Economic Times, Ahmedabad & Mumbai edition (English- Western Region), The Hindu, Coimbatore Edition, Punjab Kesari, Punjab edition and The Statesman, Kolkata edition and last day for receipt of Eoi was 15.07.2021. The CoC in its 3rd meeting held on 02.07.2021 accorded for appointment of registered valuer for Land & Building, Plant & Machinery and Securities and Financial Assets of the Corporate Debtor. Thereafter on a resolution passed by CoC in its 4th meeting held on 19.07.2021 as resolved, revised Form-G was published on 31.07.2021 and last day for receipt of expression of interest was revised to 14.08.2021.

On a resolution passed by CoC in its 7th meeting held on 04.09.2021, an application for extension of CIRP period by further 90 days beyond 180 days was filed and the same was allowed vide order dated 15.11.2021. Further, considering the 2nd wave of covid-19, CoC in its 11th meeting held on 08.11.2021 approved modification of evaluation matrix and extension for submission of resolution plan till 11.12.2021.

RESOLUTION PLAN

The resolution plan from following prospective resolution applicants were received:

S. No.	Proposed Resolution Applicants
1.	Reliance Industries Limited jointly with Assets Care & Reconstruction Enterprise Limited- (Consortium), Mumbai
2.	Welspun Group, through- Easygo Textiles Private Limited, Mumbai.

S. No.	Proposed Resolution Applicants
3.	Himatsingka Ventures Private Limited, jointly with Shrikant Himatsingka & Dinesh Kumar Himatsingka (Consortium), Bangalore.
4.	GHCL Limited. Noida (Delhi).

CoC in its various meetings discussed the resolution plans and in 21st CoC meeting held 2.03.2022, all four plans were put to vote. The voting lines were opened from 05.03.2022 till 19.03.2022 wherein out of twenty-eight CoC members two members representing 1.12% did not exercise their vote and twenty-six members representing 98.88% voted for resolution plan submitted by Reliance Industries Limited jointly with Assets Care & Reconstruction Enterprise Limited- (Consortium), Mumbai. Thus, the resolution plan was approved unanimously by all CoC members who exercised their vote.

As per the Form H submitted by Resolution Professional,

Fair Value of the Corporate Debtor	Rs. 5,18,768.05 lakhs
Liquidation Value of the Corporate Debtor	Rs. 363280.60 lakhs
Resolution Plan offered	Rs. 3651.32 crores (which is higher than the liquidation value.)

The amount provided for the stakeholders under the Resolution Plan as per Form-H, is as under:

Sr. No.	Category of Share holder*	Sub-Category of Stake holder	Amount Claimed (Amount in Rs. Crores)	Amount Admitted (Amount in Rs. Crores)	Amount provided under the Plan# (Amount in Rs. Crores)	Amount provided to the Amount Claimed (%)
1.	Secured Financial Creditors	(a) Creditors not having a right to vote under sub section (2) of Section 21	NIL	NA	NA	NA
		(b) Other than (a) above: (i) who did not vote in favour of the resolution Plan	1.50	1.50	0.54	36%
		(ii) who voted in favour of the resolution plan	7488.71	7488.71	INR 3553.97 (includes upfront2946 Equity171.43 Cash & cash equivalents 436.54)	47.45%
		Total [(a)+(b)]	7490.21	7490.21	3554.51	47.45%

2.	Unsecured Financial Creditors	(a) Creditors not having a right to vote under subsection (2) of section 21	-	-	-	-
		(b) Other than (a) above: (i) who did not vote in favour of the resolution plan	84.65	84.65	4.95	5.85%
		(ii) who voted in favour of the resolution plan	143.86	143.86	8.43	5.85%
		Total[(a)+(b)]	228.51	228.51	13.38	4.98%
3.	Operational Creditors	(a) Related party of the Corporate Debtor	NIL	NA	NA	NA
		(b) Other than(a) above: (i) Government	0.0018	0.0018	0.0018	100%
		(ii) Workmen & Employees.	10.9076	10.9076	10.9076	100%
		(iii) Other Operational Creditors	72.518	72.518	72.518	(on Prorata basis based on admitted claim)
		Total [(a)+(b)]	83.4275	83.4275	83.4275	100%
4.	Other debts and dues		-	-	-	-
	Grand Total	[1+2+3]	7802.15	7802.15	3651.32	46.79%

About the Financials as on admission date:

SIL faced substantial financial stress as of March 31, 2021. The company reported severe liquidity constraints due to several factors. **SIL** turnover (Consolidated) for FY 2021, FY 2020 & FY 2019 was ₹1,689 crore, and ₹1,731 crore & ₹3,354 respectively.

About the Financials during CIRP

- a) **SIL** reported improved earnings for the full year ended March 31, 2022 (under CIRP). For the full year, the company reported sales was INR 30,597 million compared to INR 16,957.1 million a year ago. Revenue was INR 31,690.5 million compared to INR 17,567.7 million a year ago. Net loss was INR 5,738.2 million compared to INR 13,064.1 million a year ago.

- b) SIL reported improved earnings for the nine months ended December 31, 2023 (under CIRP). The company reported for the nine months, sales was INR 22,532.2 million compared to INR 20,312.1 million a year ago. Revenue was INR 23,672.4 million compared to INR 20,984.6 million a year ago.
- c) The first month was very crucial to demonstrate to all stake holders that RP is not biased, have not any conflicts of interest, or is under any kind of undue influence or coercion. Being an IRP, it is mandated to take control of the situation, operate the company and complete all the statutory processes and in the end, to hand over the process to RP to find a resolution. As a part of this process, there are a lot of critical challenges that faced, first and foremost was the management of stakeholders:
- i. Existing Promoters
 - ii. Employees,
 - iii. Vendors, and
 - iv. Customers

Handling these situations was very critical. The application to NCLT for admission to CIRP against SIL complicated its financial situation despite its strong brand and presence in the market. As of March 31, 2021, **SIL** faced significant financial stress, primarily due to its high debt levels and liquidity constraints.

KEY ASPECTS OF THE RESOLUTION PLAN

NCLT approved upfront payment of ₹3,567-Crore resolution plan involving a transfer of management to a Reliance Industries-Acre ARC consortium. The company to be jointly controlled and managed by RIL and Assets Care & Reconstruction Enterprise (ACRE). RIL infused ₹1,500 crore into Sintex Industries. In exchange, SIL issued shares worth ₹600 crore and optionally fully convertible debentures of ₹900 crore. Following the acquisition, RIL holds a 70% stake in SIL, and the company to be jointly managed by RIL and ACRE.

CHALLENGES FACED DURING CIRP

- **Leadership and Stakeholder Management during Transitional Challenges:** IRP Convened first meeting of the Committee of Creditors, which comprises financial creditors. The CoC decided to replace IRP after inviting eligible resolution professional who ensures compliance with the requirements specified by the lead bank or lenders consortium.

Herein, Leadership skill played a critical role in reassuring stakeholders during transitions by indulging in open and transparent communication through updates, addressed concerns, and shared the vision for the transition. Mr. Shah concentrated on stakeholders' perspectives and emotions, listened them actively and shown empathy, acknowledged challenges to be faced and that instilled confidence in CoC that the organization is well-prepared for change. As leader, made informed decisions, considering both short-term and long-term impacts. Clarity in decision-making reassured CoC about visible leadership—

whether through CoC meetings, emails, or one-on-one interactions built trust and fostered a sense of connection.

- **Limitation on the IRP:** Section 28 of the code places restrictions on the actions of the resolution professionals. It sets out certain actions that he cannot do during the corporate insolvency resolution process without the approval of the committee of creditors. IRP has additional limitation about his effective tenure, support of employees, CoC etc.
- **COVID impact:** India recorded 26 million Covid-19 cases - second only to the US during April 2021. It was the new epicentre of the global pandemic. The second wave overwhelmed the healthcare system, leaving hospitals struggling to cope and critical drugs and oxygen in short supply. This has impacted CIRP of Sintex Industries Ltd.
- **Cyclone Tutuke's impact:** The cyclone disrupted operations, supply chains, and infrastructure. It caused damage to facilities, and thrown logistical challenges. Recovery efforts were put from 17th May, 2021 to 1st July, 2021 to resume normal operations. Overall, the situation was challenging during the plant closure, for both employees and creditors, and their interests were closely monitored. CEO of the SIL fall victim of COVID and passed away. It was challenge to bring experienced technocrat to effectively look after renovations and maintenance of plant to resume normal operations. It was support of CoC, employees and suspended management who wholeheartedly helped to preserve value of SIL. Although, the employment of more than five thousand employees and economy of the region was at risk, there was no support from the state government, one of the major stakeholder.
- **Insurance Claim:** The insurance claim of Rs 100 crore for cyclone-related damages was filed along with request for advance. Unfortunately, advanced received after six months.
- **Renovation:** Necessary renovations and maintenance were carried out from internal resources to resume normal operations. Repaired machinery, infrastructure, and facilities to restore operational efficiency once the plant reopened.
- **Customers:** The closure disrupted production schedules, affecting customer orders and deliveries. Communication with domestic & international customers about delays and revised timelines was crucial to maintain relationships.
- **Litigation and Objections:** Litigation related to preferential transactions, a rejected claim of ₹531 crore from sister concern Sintex Prefab, appointment of transaction auditor, land related issues and a refund of power and GST subsidy have complicated the process.
- **Shareholder Objection:** A shareholder's objection, citing suspension of the company's stock from trading before the case was admitted in NCLT, has led to additional hearings.

STRATEGIES EMPLOYED TO OVERCOME DIFFICULTIES

- **Assessment and Strategy:** The corporate debtor was operating at 90% capacity utilization having more than 4500 workers and more than 550 staff. It was also in air that RIL & Welspun might show interest in submission of resolution plan once

Form G published. Assessed the financial health, operations, and viability of the company. It was kept in mind that, both employees and operational creditors were pillars to keep SIL as going concern.

Employees experienced uncertainty about job security due to the company's financial distress and ongoing insolvency proceedings. Salary payments made regular, without disruption, during the resolution process. They were ensured that their services would not be replaced by external agencies along with future growth prospects as and when resolution plan approved by adjudicating authority. Addressed their concerns promptly and empathetically.

Creditors, including suppliers, faced delays in receiving payments owed by SIL. Suppliers' payments made regular, without disruption, during the resolution process. All contracts entered prior to CIRP admission were continued with/without fresh negotiations. Regularly updated on resolution progress and explained how the prospective resolution plan benefits them.

- **Operational Management:** Overseen day-to-day operations, ensuring continuity and efficiency. Relied on internal expertise to address operational challenges instead of hiring outside experts. They developed a plan, with limited resources, to maintain its going concern status, and maximize value for stakeholders.
- **Stakeholder Communication:** The IBC imposes strict timelines for the resolution process. CoC was in favour of adhering to these timelines, being a complex case where due diligence requires a more extended period. Transparency with committee of creditors, employees, suspended management and other stakeholders and regular updates included financial statements, progress updates, and adherence to the CIRP time schedule. Ensured compliance with legal requirements, including filing with BSE, ROC, NCLT etc.
- **Customer Outreach:** Assured customers of continued service quality and addressed disruptions transparently.
- **Effective representation at NCLT about IRP to continue as RP:** NCLT reviewed performance for almost six months and suggested CoC to reconsider the decision and CoC preferred an appeal against the order at NCLAT. The decisions and actions of RPs are subject to legal scrutiny. Any perceived deviation from the IBC's provisions or lack of transparency could have led to legal challenges, adding an additional layer of complexity to the resolution process. Continued engagement in negotiations with the prospective resolution applicants, and various stakeholders to arrive at a consensus on the most effective resolution plan. This involves addressing concerns, negotiating terms, and ensuring alignment with the interests of all parties involved. Ensured Compliance throughout the process,. Non-compliance could have led to legal repercussions and hinder the resolution process.

THE COMPANY'S CURRENT STATUS AFTER IMPLEMENTING THE PLAN

RIL's resolution plan aims to revive SIL and enhance its financial stability.

- a) RIL may focus on streamlining operations, improving efficiency, and enhancing productivity within RIL textile business.

- b) Employees may experience increased job security due to RIL's involvement and capital infusion.
- c) RIL's expertise could provide opportunities for skill development and training.
- d) Employees might need to adapt to changes in processes, management, and organizational culture.
- e) Investments in technology, process optimization, and supply chain management could be part of this strategy.
- f) RIL's extensive network and market presence can help SIL expand its reach both domestically and internationally.
- g) Exploring new markets, diversifying product offerings, and strengthening customer relationships might be priorities.
- h) Working capital management and debt servicing will likely be key areas of focus.
- i) May encourage innovation in SIL product portfolio. RIL's involvement could influence supplier relationships and payment terms.
- j) Customers may benefit from operational improvements and expanded product offerings.
- k) Integration with RIL's Ecosystem:
 - l) Cross-business collaborations may create new opportunities for growth.
 - m) Stakeholders will closely monitor SIL performance under RIL's management.

However, the actual impact will unfold over time, and effective communication with stakeholders is crucial during this transition.

CONCLUSION

The resolution of Sintex Industries Limited exemplifies the efficacy of the IBC in reviving distressed entities. The coordinated efforts of stakeholders, led by a competent Resolution Professional, transformed the company from near insolvency to a revitalized enterprise. Sintex's journey underscores the importance of strategic vision, meticulous planning, and collaborative execution in achieving successful corporate recovery.

Central to this process was the exceptional role of Mr. Pinakin Shah. As the Resolution Professional, Mr. Shah navigated complex legal, operational, and financial challenges with dedication and precision. His leadership ensured seamless management of the CIRP, effective stakeholder engagement, and adherence to IBC timelines. By fostering transparency and collaboration, Mr. Shah not only facilitated a successful resolution but also set a benchmark for professionalism and efficiency in insolvency practice. His contributions were instrumental in preserving value for creditors and securing a sustainable future for Sintex Industries.

Reviving a Sugar Mill: Challenges, Strategies, and Success Under the Insolvency Framework



CS Ritesh R Mahajan
Insolvency Professional, &
Company Secretary

CS Ritesh R Mahajan, an experienced insolvency professional, played a pivotal role in the resolution of Shivaji Cane Processors Ltd. With his deep expertise in corporate restructuring and a pragmatic approach to problem-solving, Mr. Mahajan successfully navigated the complexities of the sugar industry's insolvency challenges. His diligent efforts ensured a resolution plan that balanced the interests of creditors while reviving the operations of the ailing sugar mill, safeguarding employment, and fostering sustainable growth. His leadership in this case exemplifies the transformative potential of the Insolvency and Bankruptcy Code in addressing financial distress.

INTRODUCTION

The Insolvency and Bankruptcy Code (IBC) has proven to be a game-changer in India's economic and legal landscape, offering a structured framework to address corporate distress and insolvency. Among its remarkable success stories is the resolution of Shivaji Cane Processors Ltd., a sugar industry entity once burdened with financial challenges. This article delves into the intricacies of the case, highlighting the pivotal role of the resolution professional, Mr. Ritesh R Mahajan, and the innovative strategies employed to revive the company. Through the lens of this case, we explore how the IBC has not only provided a lifeline to distressed enterprises but also safeguarded stakeholder interests, demonstrating its far-reaching impact on India's corporate ecosystem.

BASIC DETAILS OF THE CORPORATE DEBTOR

Shivaji Cane Processors Limited



Company type	Public Limited
Industry	Sugar and Jaggery Manufacturer
Founded	2010; 14 years ago
Headquarters	Plot No D4, MIDC Area A/p MIDC Shirala, Tal- Shirala, Sangli, Shirala, Maharashtra, India, 415408
Authorised Capital	Rs. 22,34,49,000/-
Paid up capital	Rs. 17,34,49,000/-
Insolvency Commencement Date	18.02.2021
Claim	Rs. 95,58,50,796/- (Rupees Ninety Five Crores Fifty Eight Lacs, Fifty Thousands, Seven Hundred Ninety Six.)

M/s Shivaji Cane Processors Limited (“Corporate Debtor”) is a company having CIN U15421PN2010PLC136604 and is a public limited company incorporated on 17th June, 2010 under the provisions of the Companies Act, 1956 registered with Registrar of Companies, Pune. The Corporate Debtor is a registered MSME unit.

The Corporate Debtor having registered office at Plot No D4, MIDC Area A/p MIDC Shirala, Tal- Shirala Sangli-415408 had a small unit and was inter alia engaged in business of processing, producing, manufacturing Buying, Selling and distribution of sugar, jaggery, and bi-products thereof.

PRE-CIRP PERFORMANCE

Status of the CD before initiation of CIRP of the CD

The factory of the CD was not operational in the past 3 years before the initiation of CIRP in the matter of CD. The dues of almost 1000 farmers families in the vicinity amounting to Rs 323 Lacs and 200 odd workers and employees were pending.

The outstanding dues of the Secured and Unsecured Financial Creditors were also enormous. It comprised of two nationalised bank and one private sector bank which had provided Harvesting and Transportation Loan (H& T Loan) to the CD. All the loan accounts of the CD with these banks were marked as NPA because of the abovementioned issues.

FINANCIAL DISTRESS LEADING TO CIRP

In September 2014, the Corporate Debtor received a term loan from Mahindra & Mahindra Financial Services Limited for the expansion of its Jaggery and Khandsari Unit. The loan was later taken over by Dombivli Nagari Sahakari Bank Limited (DNSB) in May 2015, which sanctioned a new term loan of Rs. 27,37,90,000/- under

a consortium arrangement, with DNSB's exposure at Rs. 15 crores. The Corporate Debtor acknowledged the loan facility and, in October 2016, applied for an additional loan of Rs. 18,20,00,000/- and enhanced cash-credit of Rs. 10 crores, which was sanctioned by DNSB in December 2016.

Due to financial difficulties, the Corporate Debtor defaulted on loan installments, leading to the loan being declared NPA by DNSB on 31 January 2019. The loan was assigned to the petitioner in November 2019, who issued demand notices in January 2020.

The Corporate Debtor admitted its financial struggles, citing drought-related losses, rejected loan applications due to negative CIBIL reports, and operational issues in 2016-17 and 2017-18. The total debt amounted to Rs. 19,62,72,000/-, with a claimed default of Rs. 22,92,01,986/-, including interest, as of 31 January 2019.

CORPORATE INSOLVENCY RESOLUTION PROCESS

The Financial Creditor viz, 'ASREC (India) Limited' had furnished Form No. 1 under Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 (hereinafter referred to as "Rules") on 31.01.2019 by invoking the provisions of Section 7 of the Insolvency and Bankruptcy Code (hereinafter referred to as "Code") against 'Shivaji Cane Processors Limited' (hereinafter referred to as 'Corporate Debtor'). The Corporate Debtor was admitted in Corporate Insolvency Resolution Process (CIRP) by an order dated 18.02.2021 (Admission Order) and Mr. Ritesh R. Mahajan, was appointed as Interim Resolution Professional. The IRP constituted the Committee of Creditors. The COC in its 1st meeting held on 15.03.2021 appointed (the present Applicant) as the Resolution Professional (RP). The IRP published a public announcement as per Section 13 & 15 of the Code, inviting claims from the creditors of the Corporate Debtor.



KEY ASPECTS OF THE RESOLUTION PLAN

The Resolution Plan provided for the payments to the creditors of the CD in the following manner:

Sr.	Particulars of Claim	Type of Claim	Admitted Amount (INR)	Settlement Amount (INR)
1	CIRP Cost	At actual		
2	Secured Financial Creditors	Secured	499714297	253992284
3	Unsecured Financial Creditors	Unsecured	303237640	60647528
4	Operational Creditors	Unsecured	8019967	80200
5	Workmen and Employees	Unsecured	4850844	4850844
6	Other Creditors	Unsecured	34203574	342036
7	Sugarcane arrears (Farmer's dues)	Unsecured	32375474	32375474
8	Redemption of Reclassified Preferential share capital	Unsecured	73449000*	73449000
	Total		955850796	425737366

100% payments were proposed for the farmers and workers in the Resolution Plan. The farmers shareholding and priority in payment of the dues of the farmers was safeguarded in the Resolution Plan. There were no government dues payable during the CIRP of the CD. In this rarest case, the Financial Creditors had taken haircut wherein 100% payments were made to the key Operational Creditors. The Resolution Plan provided for Assignment of remaining debt to the RA or the entity identified and nominated by the RA against a consideration. The payments to the dissenting financial creditors were proposed for payment one day before the payment to be made to the assenting financial creditors, to ensure priority of payment.

REASONS FOR FAILURE:

The reasons for failure of the business of Shivaji Cane Processors Limited are as follows:

- **Non-availability or shortage of harvesting and transportation facilities**

Even after providing necessary advances, the contractors did not turn up, it led to wastage of the advances and shortage of raw material during crushing season in 2017/18.

Hence, there was a shortage of supply of sugarcane and the CD was forced to use other factory's harvesting and transportation facilities which involved a considerably higher cost and the timely supply of the raw material was not ensured.

- **Inadvertent declaration of loan account of the cd 'as NPA' by one of the financial creditors**

This was further complicated, when one of the financial creditors of the CD had inadvertently marked the loan account of the CD as NPA, when their loan account

was standard. Due to the same, the CIBIL rating of the CD was impacted. The CD had requested the Financial Creditor to issue an apology letter in that regard and that letter was issued by the Financial Creditor after a period of one year. By that time, the CD had faced issues due to non-availability of financing facility. It had impacted CD immensely as the CD operated in a seasonal industry. Therefore, it became very difficult for the promoters of the CD to control the downside.

- **Seasonal industry**

The performance of the factory of the CD depends on earlier rainy season as the CD operates in a seasonal industry. If the rain is good, then the harvesting is good and the factory can be run efficiently. If there is a shortfall in rain, then the produce does not get supplied in the sufficient quantity whereby the schedule of the season shortens and overheads remain the same.

Due to all the above reasons, the performance of the CD was disrupted and the promoters of the CD took all possible measures to come out of this situation.

CHALLENGES FACED DURING THE RESOLUTION PROCESS

- **Covid-19 impact and lockdown effect**

As the Insolvency of the CD commenced on 18.02.2021, it was the time of Second and most dreadful COVID-19 pandemic. During the CIRP of the CD, it was very difficult for Mr. Mahajan to adhere to the CIRP timelines due to imposition of lockdowns. The first lockdown was imposed on 05.04.2021 by the State Government, afterwards the Pune Municipal Corporation allowed the offices of CA, CS and advocates to function with 15% capacity. The second lockdown of the month started from 22.04.2021.

Due to the lockdown and travel restrictions being imposed, Resolution Professional and his team were unable to visit the factory from time to time. The imposition of lockdown had also impacted the visit of valuers for the valuation purpose.

The farmer community do not possess any knowledge regarding the provisions of IBC, 2016. Resolution Professional and his team had tried to collate the farmers claims whereas the authorities of the village had blocked the roads to enter the villages. Hence, Resolution Professional was unable to contact the farmers. He had to educate the agricultural officers of the CD in order to collect claims from the farmers and it was a challenging task as claims of 1000 farmers were to be collected from different periphery.

Mr Mahajan was very clear from the initiation of the CIRP of the CD that farmers are the pivotal part of the CD and the resolution of the farmers issues are required to be dealt with at the forefront. The sugar factory is set up, based on aerial distance criteria and no other factory can be established within 15 KM of the factory. Therefore, farmers in the vicinity of the factory of the CD are dependent on the functioning of the factory. If the dues of the farmers are not paid, then they do not supply the sugarcane to the factory and therefore, the revival of the factory is impossible. Keeping this in mind, RP had made all possible efforts to co-ordinate with farmers to collect their claims and share their claims with the Resolution Applicants. For easy understanding, the forms were converted in the local language i.e. Marathi.

The CD operated in a seasonal industry and it had to be resolved in timely manner. Therefore, Mr Mahajan had contacted the Sugar Commissioner's Office and tried to obtain information from them with regard to the licenses of the CD. Thereafter, he had contacted the industry experts and obtained the required information with regard to the operations of the industry from them.

Mr. Mahajan had to use his in-house team of **professionals to form the PUFÉ opinion as there was lack of communication with the professionals** due to the medical issues faced by people after onset of COVID-19. Therefore, RP had prepared the questionnaire, which was addressed to the suspended management. The questionnaire along with the replies were kept before the COC members for their suggestions and the opinion was formed on PUFÉ transactions.

The Hon'ble NCLT had issued a circular stating that only urgent matters will be heard.

- **Majority of the COC members were of the opinion that the CD should be resolved within the strict CIRP timelines**

The majority of the COC members including the Secured and Unsecured Financial Creditors were of the opinion that the CD should be resolved within the strict CIRP timelines.

Two of the financial creditors were very aggressive in all the COC meetings and they had tried to stall the CIRP of the CD in various ways.

There were only two Prospective Resolution Applicants and as the CD was an MSME unit, the promoters of the CD were allowed to submit the Resolution Plan for the CD in accordance with the provisions of Section 240A of IBC, 2016. I had informed the COC members that the restrictions cannot be placed on the promoters of the CD and the promoters should get the exemption in accordance with Section 240A of IBC, 2016 and they should be allowed to submit the Resolution Plan. I had replied to the queries raised by the COC members in that regard.

One of the COC members had issued a show cause notice to declare the promoter/suspended director of the CD as wilful defaulter. The promoter/suspended director of the CD had approached the Hon'ble High Court by filing Writ Petition challenging the show cause notice issued by the COC member for declaring him as wilful defaulter, wherein RP was required to make submissions about the CIRP process. The priority of me and COC members was to run the CIRP of the CD in a lawful and timely manner. Considering these roadblocks, appropriate legal guidance was taken, opinions were obtained and COC was educated on regular intervals.

RP was repeatedly given notices pertaining to the proceedings carried out by the COC member for declaring the promoter as the Wilful Defaulter even after knowing fully well that the moratorium period is ongoing as per IBC, 2016. RP was left with no other option but to appoint a legal counsel to appear on my behalf in the said proceedings.

RP had conducted the COC meetings which lasted for 5 to 6 hours wherein the Resolution Plans were discussed and negotiations took place between the COC members and PRA. RP had replied to the queries of everyone present in the COC meetings and the Resolution Plan was approved by the COC members within a period of one month. RP had then filed the application for approval of Resolution Plan before the Hon'ble NCLT, Mumbai Bench.

- **Litigations Faced During the CIRP of the CD**

Various objections were filed against the Resolution Plan before the Hon'ble NCLT, Mumbai Bench. The delay was further aggravated by the change in the composition of the NCLT bench as the new members again started hearing the matter from scratch. This caused innumerable delay in passing of the Resolution Plan by the AA.

The issue of the priority of payment to the dissenting financial creditors cropped up during the hearings and I had arrived at an interpretation in accordance with Regulation 38(1) (b) of the CIRP Regulations, 2016 that when the words 'before any recoveries are made' is replaced by the word 'priority', both the words cannot have the same meaning. The priority can be decided by the COC members and the RA.

According to the Resolution Plan, the Dissenting Financial Creditors were to be paid one day before the payment to the assenting financial creditors. Further, the assignment of debt and eventually, the release of guarantees through assignment of debt was also proposed in the Resolution plan. This was explained in detailed by Mr. Mahajan to the COC members. Thereafter, the COC members had approved the Resolution Plan. These two major issues i.e. priority in payment and assignment of debt without any consent on the part of Dissenting Financial Creditors were the bone of contention while deciding on the Resolution Plan submitted by the RA. The Hon'ble NCLT, Mumbai Bench rejected the Resolution Plan submitted by the RA after considering these two issues.

The Appeal was filed before the Hon'ble NCLAT, New Delhi Bench and the Hon'ble NCLAT upheld both the major issues and held that 'priority' does not mean 'upfront payment' and the provisions of IBC, 2016 do not contemplate upfront payment to dissenting financial creditors. The Hon'ble NCLAT further held that the assignment of debt is completely legal and once it is accepted by the majority of the COC members, it will be binding on the dissenting financial creditors without further execution of any documents.

The order passed by Hon'ble NCLAT was further challenged before Hon'ble Supreme Court and the Hon'ble Supreme Court had upheld the order passed by the Hon'ble NCLAT and dismissed the Civil Appeals filed by the two COC members.

- **IBBI complaint filed after CIRP but relating to CIRP of the CD**

After failing at every forum, the two COC members had filed a Complaint against RP with IBBI and that too by suppressing the following material facts:

The two COC members had suppressed the material information that the issue raised by them in the IBBI complaint have been raised by them in their proceedings which they had filed before Hon'ble NCLT, NCLAT and Hon'ble Supreme Court.

The complainants have filed complaint in 2024 alleging irregularities in the year 2021, after losing every legal battle and as a last resort.

The two COC members had filed the Complaint after receiving the amounts as per the Resolution Plan. Therefore, the two COC members on one hand had received the benefit under the Resolution Plan, which is passed through the process, which was challenged and questioned by two COC members and at the same time after receiving this amount they have conveniently filed the complaint with IBBI.

The IBBI Complaint was filed in 2024 and RP was asked to comment upon the COC meetings that took place in 2021. The existing assignments which are in hand gets hampered as a time period of only 10 days is provided to submit the detailed reply to the complaint and every aspect has to be cross checked before giving the reply. This puts unnecessary burden on the IPs.

STRATEGIES EMPLOYED TO OVERCOME CHALLENGES

- **Actions taken during Covid-19 and lockdown period**

While reviewing the records of CD, RP had discovered outstanding dues owed to Farmers (Sugarcane Arrears) by the CD. To facilitate the submission of claim forms from these farmers, he had translated a Claim Form-B into the local language (Marathi) for ease of comprehension. This initiative aimed to enable farmers to submit their claims along with supporting documents directly to him. Additionally, amidst the COVID-19 pandemic and lockdown, RP had dispatched authorized personnel to assist farmers in submitting their claims, ensuring that their claims were not left unattended. Through these efforts, RP had successfully procured claims from farmers totalling Rs. 3,23,75,474/- (Rupees Three Crore Twenty-Three Lakh Seventy-Five Thousand Four Hundred and Seventy-Four only) from almost 1000 farmers.

- **100% PAYMENTS TO FARMERS AND WORKERS**

He made it a point before the RAs that the farmers have to be settled in full under the Resolution Plan and complete payment required to be made to them for their Sugarcane dues even though they are the Operational Creditors.

Also, the Farmer shareholding and priority in payment of the dues of the farmers should be safeguarded in the Resolution Plan. The same was accepted by the COC members and the RA. This is a rarest circumstance, where the financial creditors have taken a haircut and the farmer operational creditors are getting their 100% dues. The revival of the factory depends on the farmers and without them, the revival of the factory was not possible.

The Resolution Plan provides for the payments to the farmers for the shares held by the farmers in the CD even when the existing shareholding of the CD was made Zero in accordance with the Resolution Plan. RP was able to convince the RA to provide for 100% payments to workers in the Resolution Plan.

RP was duty bound to take care of all the stakeholders of the CD and also to give inputs so that the Resolution Plan can be feasible and effective implementation of the same doesn't remain an issue.

- **Seasonal aspect of the sugar industry**

Considering the seasonal nature of the sugar industry, RP aligned CoC members to expedite the CIRP to maximize value. Awareness of the upcoming sugar crushing season was crucial to target approvals within a specific timeframe.

The RA offered a higher Resolution Plan Amount if the sugar factory was handed over before the crushing season. Delays leading to an off-season handover would have resulted in a lower Resolution Plan Amount.

- **Involvement of an investor in the resolution plan**

While the provisions of the IBC, 2016 do not mandate RAs to propose Resolution Plans with an investor, the RA in this case onboarded an investor, ensuring the successful implementation of the plan.

- **Avoiding legal and procedural lapses during CIRP**

RP appointed a team of legal professionals to address critical aspects, including identifying willful defaulters. He sought legal opinions at appropriate intervals to proactively handle critical issues during the CIRP. A team of legal professionals, including reputed Senior Counsels, was engaged to represent RP and the CD in matters filed by CoC members and other parties before appropriate forums. He meticulously reviewed all documents to ensure I was well-prepared to lead CoC meetings effectively and address potential queries with informed solutions.

- **Managing unruly behavior of CoC members**

Dealing with the unruly behavior of certain CoC members proved to be a valuable learning experience. RP managed these situations professionally and peacefully, ensuring the CIRP's progress remained uninterrupted.

CURRENT STATUS OF THE CORPORATE DEBTOR POST - RESOLUTION

The Resolution Plan is actively being implemented by the Resolution Applicant (RA), who has committed to fulfilling all obligations outlined in the plan. The RA is on track to complete the four-year implementation timeline by the end of January 2025.

Despite this progress, dissenting financial creditors are not complying with orders issued by the Hon'ble Tribunals and Courts, creating significant obstacles in the plan's implementation. Nonetheless, substantial progress has been made, with 50% of the financial obligations under the Resolution Plan fulfilled within the first year itself.

To address non-compliance by dissenting financial creditors, a contempt application has been filed against them. These creditors have already received 100% of their payments as per the Resolution Plan, yet they are withholding the necessary No Objection Certificates (NOCs) required to create a second charge for new lenders. This non-cooperation has prevented the RA from securing funds for H&T advances and working capital requirements. Consequently, the RA has had to invest significant personal resources, including selling properties, to finance the repair and maintenance of the plant. However, further progress hinges on obtaining funding from new lenders.

The RA has taken proactive steps to ensure the CD's revival, including entering into an agreement with a Dubai-based company for the export and supply of 15,000 tons of sugar. However, delays caused by dissenting creditors have resulted in both commercial and opportunity losses for the RA.

On a positive note, all workers and farmers have received 100% of their payments as per the Resolution Plan. This outcome has garnered their full support and commitment to the CD's revival.

SOCIO-ECONOMIC IMPACT

The resolution of the CD has a profound socio-economic impact on the local community, particularly for farmers. Farmers rely heavily on sugar factories for processing their sugarcane produce. The closure of such facilities disrupts their livelihoods, leaving them without alternative sources of income. Additionally, loans taken by companies in the names of H&T contractors often default in the event of factory closures, adversely affecting the farmers' credit scores (CIBIL rating). This, in turn, hampers their ability to secure future loans, including personal and education loans, further exacerbating their financial distress.

Farmers also lose access to Central and State Government financial grants (Direct Benefit Transfer schemes) if the sugar factory ceases operations. The hardships faced by farmers and workers ripple across the broader community, affecting the regional economy significantly.

RP has prioritized the payment of 100% dues to farmers and workers, ensuring that the core operations of the CD are preserved for revival. This strategy has not only facilitated economic recovery but also safeguarded the livelihoods of countless individuals dependent on the factory's operations.

PERSONAL TAKEAWAYS OR LEARNINGS FROM THE CASE

- **Transparency**

As a Resolution Professional (RP), transparency is paramount throughout the Corporate Insolvency Resolution Process (CIRP). It is essential to ensure that all significant issues faced during the process are communicated openly to the Committee of Creditors (CoC) during their meetings.

Regularly scheduled CoC meetings are critical for maintaining accountability and fostering collaboration. Key decisions must be made in consultation with the CoC, ensuring a collective approach to resolving challenges. Transparency not only builds trust but also mitigates disputes and misunderstandings among stakeholders.

- **Awareness of legal issues**

Staying informed and updated on legal developments is vital for an RP to navigate the complexities of the CIRP effectively. The dynamic nature of insolvency law requires continuous learning and vigilance.

Engaging a competent team of legal professionals is a proactive measure to minimize potential legal complications. This ensures that the CIRP adheres to the Insolvency and Bankruptcy Code (IBC) and other applicable regulations, safeguarding the process from procedural lapses or challenges.

- **Preparedness to face eventualities during CIRP**

The CIRP is fraught with unexpected challenges, requiring an RP to remain mentally resilient and agile. Situations such as last-minute objections or attempts to derail discussions by CoC members demand swift, strategic responses.

Data collection and compliance with strict timelines often pose significant hurdles. The RP must leverage all available resources and establish reliable

channels for gathering critical information promptly. A thorough understanding of the industry and its stakeholders is equally crucial to anticipate and address potential risks effectively.

Factories and plant assets, particularly in industries like sugar, are vulnerable to unrest from smaller creditors, such as farmers and associated organizations. Sensitivity and tact are essential when addressing their grievances to maintain operational stability.

- **Conduct during the COC meetings**

The RP is required to conduct the COC meetings in a smooth and efficient manner such that the COC members understand each and every agenda discussed during the COC meeting and queries of each of the COC member are resolved.

There are various COC members who prefer Hindi or Marathi Language over English Language and RP is required to conduct the COC meetings accordingly such that there is no communication gap between the RP and the COC members.

The RP has to conduct negotiations with the RA on behalf of the COC members during the COC meetings and communicate the stand of COC members to the RA.

Solution-Oriented Approach

During the lockdown, the Resolution Professional (RP) adopted a solution-oriented approach, focusing on resolving challenges effectively. Despite last-minute attempts by some interested and third parties to delay the Corporate Insolvency Resolution Process (CIRP), it was critical for the RP to lead the Committee of Creditors (CoC) toward a solutions-driven outcome. As the RP, acting as the team leader, fostering a collaborative and unified environment between the RP and CoC members was essential for progress.

- **Planning for Timely Completion of the CIRP**

The RP must prioritize completing the CIRP of the Corporate Debtor (CD) within the mandated 180 days, with the possibility of extending it up to 270 days. It is crucial to consider the industry dynamics in which the CD operates while preparing critical documents, such as the Information Memorandum (IM), Request for Resolution Plan (RFRP), Eligibility Criteria, and Evaluation Matrix. Instilling a proactive mindset among all team members is key. The CIRP process touches various areas simultaneously, including CoC meetings, timelines, valuations, factory-site issues, investor engagement, and ongoing legal matters across multiple forums.

- **Building Confidence and Trust Among CoC Members**

The confidence and trust of the CoC members in the RP/IRP is pivotal for the successful resolution of the CIRP. Without the support and trust of the CoC members, it would not have been possible to navigate the complexities of the CIRP and bring the CD to a successful resolution.

- **Preparedness to Handle NCLT Matters**

A well-defined strategy must be in place to address matters before the Hon'ble National Company Law Tribunal (NCLT) efficiently. This ensures that there are no unnecessary delays for the RP in the legal process, keeping the CIRP on track.

- **Decisions on Employee Retention**

The RP is responsible for making critical decisions regarding employee retention during the CIRP. Identifying key employees crucial to the process and persuading them to continue their work with the CD is necessary to maintain operations and facilitate a smooth resolution.

- **Appointment of Security at Factory Premises**

The RP should appoint a security team at the factory premises of the CD to prevent any untoward incidents and ensure regular monitoring of the site. This measure protects the assets of the CD and ensures the safety of ongoing operations.

- **Importance of Legal Support During CIRP**

Efficient legal support and infrastructure are essential during the CIRP. I learned this firsthand as the legal team provided invaluable assistance in navigating the complexities of litigation filed by CoC members and other parties. Daily briefings with senior counsels were necessary to address legal challenges and drive the resolution process forward.

CONCLUSION

In summary, a positive outcome of the CIRP is not a mere coincidence but a result of intentional, proactive actions initiated by the RP at the beginning of the process. Aligning stakeholders with a clear vision and solution-driven approach is critical to achieving a successful resolution.

Turning the Tide: The Transformative Journey of MVR Shipping Services Private Limited under IBC



CS Satyadevi Alamuri
Insolvency
Professional, & Company
Secretary

Ms. Satyadevi Alamuri is a distinguished insolvency professional with a proven track record in corporate insolvency resolution processes (CIRP) and liquidation cases. Known for her meticulous approach and strategic acumen, she has successfully navigated complex insolvency scenarios, ensuring effective resolutions while maximizing stakeholder value. With extensive experience in managing distressed assets, Satyadevi demonstrates unparalleled expertise in adhering to regulatory frameworks and fostering transparent processes. Her dedication to fostering economic revival through the Insolvency and Bankruptcy Code (IBC) has established her as a key contributor to the success stories in the domain of insolvency.

INTRODUCTION

The Insolvency and Bankruptcy Code (IBC), 2016, has been a game-changer in India's corporate framework, transforming how financial distress is addressed and resolved. Among the key players ensuring the success of this legal reform are insolvency professionals (IPs), whose expertise and commitment drive effective resolutions. This article sheds light on the journey and accomplishments of Ms. Satyadevi A, an exemplary insolvency professional who has made remarkable contributions to the field. Through her diligence, strategic thinking, and adherence to the regulatory framework, she has consistently delivered value to stakeholders while navigating the complexities of insolvency resolution. Her success story underscores the pivotal role of IPs in bolstering India's economic ecosystem and restoring corporate health.

AN OVERVIEW OF CORPORATE DEBTOR

MVR Shipping Services Private Limited



MVR Logistics

Company type	Private Limited
Industry	Logistic and shipping
Founded	1991; 33 years ago
Headquarters	3, Jafar Syrang Street, Madras-1, Tamil Nadu-600001
Authorised Capital	Rs. 25,00,000/-
Paid up capital	Rs. 11,00,000/-
Insolvency Commencement Date	22.11.2023
Insolvency Completion Date	20.09.2024
Default Amount	Rs. 2,46,99,580/- (Rupees Two Crores Forty Six Lacs Ninety Nine Thousands Five Hundred Eighty only)

MVR Shipping Services Pvt. Ltd., a transportation company, faced financial difficulties due to the COVID-19 pandemic and failed to meet its debt obligations. In **November 2023**, the company was admitted to **CIRP** following an application by a financial creditor. The process began with a public advertisement for claims, followed by the constitution of the CoC and appointment of valuers for asset assessment.

The company's main assets were vehicles, which were in poor condition and scattered. Immediate steps were taken to secure the assets and relocate them to a safe yard. Valuation was carried out, and the company's financials were finalized. Despite the pandemic's impact on the business, the **Resolution Plan** was carefully crafted to address the needs of the creditors and ensure the company's revival.

After receiving **Expressions of Interest (EOI)** and conducting due diligence, only one resolution applicant submitted a plan. The plan complied with IBC requirements, including provisions for payment to creditors, management of the debtor's affairs, and the implementation schedule. The **Committee of Creditors (CoC)** approved the plan with a 100% vote, and the **NCLT** granted approval after ensuring all conditions, including payment of dues, were met.

The successful resolution ensured that the **resolution applicant** paid all dues within 45 days, and the plan was fully implemented within the set period.

CORPORATE INSOLVENCY RESOLUTION PROCESS:

In an Application filed under Section 7 of the IBC, 2016, by the Financial Creditor, the CIRP in respect of the Corporate Debtor was initiated by NCLT, Chennai vide order dated 22.11.2023 and the Ms. Satyadevi A herein was appointed as the IRP. The IRP caused paper publication on 25.11.2023 in accordance with Section 15 of IBC, 2016 r/w Regulation 6 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 in "Financial Express" (English) and "Makkal

Kural” (Tamil).



PUBLIC ANNOUNCEMENT

Pursuant to the Public Announcement, the first list of creditors of the Corporate Debtor was published / comprising of claims aggregating to Rs.6,85,72,790.04 which had been submitted by the creditors, of which claims aggregating to Rs.5,69,36.370 /- were admitted. The list of creditors was updated from time to time and published on the website of the Corporate Debtor.

As per the latest list of creditors of the Corporate Debtor as on 12.07.2024:

- a) 2 claims were submitted by unsecured Financial Creditors for an amount of Rs.5,79,14,792.04, out of which an amount of Rs.5,19,92,403.00/- was admitted by the Resolution Professional.
- b) 3 claims by Operational Creditors (Government Dues) were submitted for an amount of Rs.73,51,474/- out of which claims for Rs.49,43,940/- were admitted by the Resolution Professional.

The names of the two members of the CoC along with their voting shares are hereunder:

S.No.	Name of the CoC Member	Voting Share (%)
	Shriram Finance Limited	68.56
	Hinduja Leyland Finance Limited	31.43
	Total	100%

In the 3rd CoC Meeting held on 03.02.2024, in accordance with Regulation 35 of the CIRP Regulations, two registered valuers were appointed by the Resolution

Professional with the concurrence of the CoC, viz. Mr. Santhakumar R and Mr. K. Jayavelu (Entity regd with IBBI) Hyoka Valuers Pvt Ltd for valuation of Plant and Machinery and Mr. S. Vasudevan and Ms. Chirta Srinivas for valuation of Financial Securities to provide the Liquidation Value and Fair Value of the Corporate Debtor.

EXPRESSION OF INTEREST (“EOI”)

In the 3rd CoC Meeting held on 03.02.2024, the CoC approved the eligibility criteria for the Prospective Resolution Applicants (“PRAs”) as per Section 25(2) (h) of the Code. Accordingly, an invitation for Expression of Interest (“Eol”) for submitting resolution plans, in terms of Form G was issued in terms of Section 25(2)(h) of the Code read with Regulation 36A of the CIRP Regulations. The Form G was published in two newspapers, viz. The Financial Express (English edition) and Makkal kural (Tamil edition) on 21.01.2024 respectively, whereby PRAs who met the eligibility criteria, were invited to submit their Eol to the Resolution Professional latest by 19.02.2024.

Resolution Professional issued the Request for Resolution Plan (“RFRP”) setting forth the detailed procedure to be followed by PRAs for the submission of the resolution plans and the process for evaluation of the same in accordance with the Code, along with the last date of submission of resolution plans i.e. 09.04.2024.

The last date for filing the Resolution plan was extended till 30.04.2024 which was approved by the 5th CoC in the meeting dated 06.04.2024.

Resolution Professional was directed by the CoC to file an extension application under Section 12(2) of the Code, seeking extension of the CIR Process period. Accordingly, the Resolution Professional filed an application seeking extension of the CIRP for a period of 60 days w.e.f 19.05.2024. The extension application was allowed by this Tribunal vide order dated 06.06.2024.

Resolution Plan submitted by the Successful Resolution Applicant was approved by the CoC members having 100% voting share and thus it was approved by the requisite majority as stipulated under the Code in the 10th CoC meeting.

After the approval of the Resolution Plan by the CoC, the Applicant issued the Letter of Intent dated 15.07.2024 to the Successful Resolution Applicant in accordance with the RFRP, which was accepted by the Successful Resolution Applicant on 15.07.2024. It is stated that as per Clause 1.9.1 of the RFRP, the Applicant must furnish or cause to be furnished an amount of Rs. 3,81,000/- being 10% of Rs. 38,06,000/- on or before 20.07.2024 by way Bank Guarantee. The performance of the Successful Resolution Applicant was ensured by submission of the Axis Bank Guarantee for an amount of Rs.3,00,000/- and Rs.81,000/- paid through NEFT.

Resolution Applicant viz., Mr.Kumaresan Natesan has complied with all the Regulations of IBC and is not dis-qualified u/s 29-A of the IBC.

RESOLUTION PLAN

- The Successful Resolution Applicant viz. Mr. Kumaresan Natesan proposes to make a total payment not exceeding INR 38,06,000/- (“Total Resolution Amount”), for the resolution of the insolvency of the Corporate Debtor. The CIRP cost of the Corporate Debtor is INR 12,19,271.40. A sum of Rs. 61,000 was spent from CD’s bank balances available. The balance of Rs.11,59,000 is to be brought in by the Resolution Applicant in compliance with Section 30(2) of IBC. 2016 within 30 days of approval of order of NCLT.
- The Total Resolution Plan Amount is Rs.38,36,000.00/-. Firstly, an amount of Rs.22,36,000.00/- has to be paid within 30 days of approval of plan by NCLT and secondly, an amount of Rs.16,00,000.00/- has to be paid within 90 days.
- For payment towards Unsecured Financial Creditors, INR 15,60,357/- (“Upfront FC Debt Settlement Amount”) is the amount stipulated for settlement of unsecured Financial Creditors Debt. As per the Section 3.6 of the Resolution plan, Rs. 5,60,357/- is to be paid within 30 days of approval of NCLT and Rs.10,00,000 is to be paid within 90 days of the approval of NCLT.
- Payment of INR 4,662 /- to Operational Creditors Debt(Government Dues) other than Workmen and Employees (excluding the admitted Debt for Related Party and/or Promoter Related Party). The Resolution Plan proposes payment of INR 4,662/- to be paid within 30 days of approval of NCLT in cash.
- Payment of INR 2,81,981/- to Operational Creditors PF Department to be paid within 30 days of approval of NCLT.

Consolidated amount of the plan:

S.No.	Category of Stakeholder	No of claimants	Amount Claimed in Rs.	Amount Admitted in Rs	Settlement Amount in Rs.
1.	Unsecured Financial Creditors	2	5,79,14,792.04	5,19,92,430.00	15,60,357.00
2.	Operational Creditors (Government)	4	77,11,642.00	46,61,959.00	4662.00
3.	Operational Creditors (Other than Workmen / Employees)	0	0	0	0
4.	PF Dues Contribution			2,81,981.00	2,81,981.00
5.	CIRP Expenses (Provision)	5		12,50,000.00	11,59,000.00
6.	Restart Expenses			5,00,000.00	
7.	Working Capital			3,00,000.00	
8.	Monitoring Fee and expenses			30,000	
Resolution Plan Value				38,36,000.00	

The Successful Resolution Applicant also undertaken to make payment to PF Department towards damages i.e Rs. 1,93,230/- and Interest Rs. 1,01,879/- in addition to the amount proposed to be paid under the Resolution plan.

The Resolution Plan also envisaged the formation of a Monitoring Committee to manage the Corporate Debtor.

In the instant case, the Resolution Plan has been approved by CoC with 100% voting share. On 20.09.2024, the Resolution Plan was approved by this Adjudicating Authority.

LESSONS LEARNED

- **Timeliness** is crucial in the IBC process. Adhering to deadlines ensures that assets are secured, valuations are accurate, and all legal requirements are met.
- **Cooperation of the Corporate Debtor** is essential for the process to move smoothly, as it enables faster resolution and reduces the risk of asset erosion.
- **Effective Marketing** of the corporate debtor's resolution potential can lead to higher interest from potential resolution applicants.
- **Stakeholder Engagement:** Engaging all parties, including financial creditors and regulatory authorities, is vital for a successful resolution.

CONCLUSION

The transformative journey of MVR Shipping Services Pvt. Ltd. under the IBC underscores the pivotal role of insolvency professionals in navigating financial distress. Ms. Satyadevi Alamuri's strategic acumen and commitment to the IBC framework were instrumental in achieving a successful resolution. This case serves as a beacon of hope for struggling companies, demonstrating how a well-executed resolution plan can revive businesses, protect stakeholder interests, and contribute to the broader economic revival.

In conclusion, a well-executed resolution plan under the **IBC, 2016** offers a second chance for struggling companies to recover, providing a structured and legal framework for all parties involved to reach a fair and feasible solution.

Mastering Corporate Insolvency: Legal Innovations and Resolution Triumphs



Hemant Sharma
Designated Partner,
RRR Insolvency Services
Experts Pvt Ltd.

Mr. Hemant Sharma is a distinguished insolvency professional and a legal expert renowned for his strategic acumen and innovative approaches to corporate resolution. With extensive experience in managing complex insolvency cases under the Insolvency and Bankruptcy Code (IBC), 2016, he has successfully overseen the revival and restructuring of numerous distressed companies. His expertise spans sectors including steel manufacturing, infrastructure, and industrial goods, where he has demonstrated a remarkable ability to navigate financial complexities and legal challenges. As a thought leader, Mr. Sharma is dedicated to advancing the practice of insolvency resolution in India, sharing his insights through scholarly articles and industry forums. His commitment to ensuring equitable outcomes for creditors and stakeholders positions him as a trusted figure in corporate restructuring and insolvency management.

INTRODUCTION

Navigating the labyrinth of corporate insolvency demands not only a profound understanding of legal frameworks but also the strategic foresight to ensure equitable outcomes for all stakeholders. The role of a Resolution Professional (RP) is central to managing the Corporate Insolvency Resolution Process (CIRP), where the intricate balance of creditors' interests, stakeholder priorities, and the revival of distressed entities becomes paramount.

This article delves into the success stories orchestrated by Mr. Hemant Sharma, a seasoned Resolution Professional, whose innovative strategies have turned around distressed companies like **Basai Steels and Power Private Limited (BSPPL)**, **Vishwa Infrastructure and Services Private Limited (VISPL)**, and **White Metals Limited (WML)**. These case studies highlight the meticulous application of the Insolvency and Bankruptcy Code (IBC) 2016 and reveal actionable insights into corporate restructuring and insolvency management.

BASAI STEELS AND POWER PRIVATE LIMITED (BSPPL)

Company Background and Genesis of Financial Distress

Basai Steels and Power Private Limited (BSPPL) was incorporated on January 29, 2002, in the state of Andhra Pradesh, now Telangana, by promoters Mr. Piyush Agarwal and Mrs. Pushpa Agarwal. The primary objective of BSPPL was to engage in the business of manufacturing and trading iron and steel products, including channels, beams, plates, sheets, and other related items. And, the registered office was strategically located at A-30 Shankar Towers, Balanagar, Hyderabad, an area known for its industrial significance.

Over the years, BSPPL established itself as a key player in the regional steel industry, leveraging its robust manufacturing capabilities and extensive distribution network. However, despite its initial success, BSPPL began facing severe financial distress due to a combination of market volatility, rising raw material costs, and increased competition. These factors culminated in mounting debts and operational challenges, which eventually led to the initiation of such insolvency proceedings.

Basai Steels and Power Private Limited	
Company type	<i>Private Limited</i>
Industry	<i>Manufacturer of trading iron and steel products</i>
Founded	<i>2002; 22 years ago</i>
Headquarters	<i>A 23/5 & 6 APIE, 3rd floor, Balanagar, Balanagar Township, Hyderabad, Rangareddy, Telangana, India, 500037</i>
Authorised Capital	<i>Rs. 65,00,00,000/-</i>
Paid Up Capital	<i>Rs. 65,00,00,000/-</i>
Insolvency Commencement Date	<i>07.07.2017</i>
Insolvency Completion Date	<i>13.04.2018</i>
Default	<i>Rs.34,18,116/-</i>

Initiation of Insolvency Proceedings

An operational creditor, Bharat Steels, initiated insolvency proceedings under Section 9 of the Insolvency and Bankruptcy Code (IBC) 2016. The application was admitted by the National Company Law Tribunal (NCLT) Hyderabad Bench on July 19, 2017. Mr. Hemant Sharma was appointed as the Interim Resolution Professional (IRP) and subsequently confirmed as the Resolution Professional (RP).

Resolution Process and Strategic Implementation

The resolution process commenced with the publication of an Expression of Interest (EOI) on December 1, 2017, inviting prospective resolution applicants (PRAs) to submit their plans. Three resolution plans were received from Prem Enterprises, Prakasam Heavy Engineering Pvt. Ltd, and Basai Steels and Power Pvt. Ltd.

M/s Prem Enterprises, under the leadership of Vishal Jain, presented a comprehensive and compliant resolution plan. Key components of the plan included:

Key Component	Description
Cut-off Date	Liabilities determined as of July 19, 2017
Effective Date	Implementation began from NCLT approval
Financial Restructuring	Debts restructured over six years
Corporate Reorganization	New directors appointed, existing board replaced
Payments	Financial creditors Rs. 125.81 crore, operational creditors Rs. 5 crore, statutory dues paid in full
Monitoring Committee	Formed to oversee the implementation


The resolution plan received overwhelming approval from the Committee of Creditors (CoC) with a 98.96% majority. The successful implementation of this plan ensured the continuity of BSPPL's business operations and the preservation of employees' jobs.

VISHWA INFRASTRUCTURE AND SERVICES PRIVATE LIMITED (VISPL)

Company Background and Insolvency Proceedings

Vishwa Infrastructure and Services Private Limited (VISPL) was incorporated on December 10, 2004, evolving from its predecessor, Vishwa Construction Company, a partnership firm established in 1992. VISPL quickly became a significant entity in India's infrastructure sector, specializing in comprehensive water management projects. These projects included water treatment, sewage management, and water supply and distribution systems, catering to both urban and rural areas across 18 states in India and various international locations.

The operations were characterized by its extensive expertise in commissioning large-scale infrastructure projects, which earned it a reputable position in the industry. However, despite its operational success, it encountered financial difficulties that escalated over time. The financial distress stemmed from delayed payments, cost overruns, and substantial capital expenditure, which severely impacted its cash flow and financial stability.

Vishwa Infrastructure And Services Private Limited	
	
Company type	Private Limited
Industry	Real Estate
Founded	2004; 20 years ago
Headquarters	1-11-256/C/24, Plot No.24 Gagan Vihar Colony, Begumpet, Hyderabad, Telangana, India, 500016
Authorised Capital	Rs. 50,89,00,000 /-
Paid Up Capital	Rs. 5,00,00,000 /-
Insolvency Commencement Date	August 31, 2018

Initiation of Liquidation Proceedings

The financial turmoil led to the initiation of CIRP on August 31, 2018, following a petition by Srei Equipment Finance Limited, a financial creditor, under Section 7 of the IBC. The NCLT Hyderabad Bench admitted the petition, appointing Mr. Hemant Sharma as the IRP, and later as the RP. Despite multiple efforts to find a resolution, the submitted resolution plan was rejected by the Committee of Creditors (CoC), leading to the commencement of liquidation proceedings on June 14, 2019. Mr. Hemant Sharma was appointed as the liquidator, tasked with maximizing asset realization for the creditors.

Liquidation Process and Legal Manoeuvring

The liquidation process for Vishwa Infrastructure and Services Private Limited (VISPL) required a detailed legal strategy, after the Committee of Creditors (CoC) rejected the resolution plan. The NCLT Hyderabad Bench ordered VISPL's liquidation and appointed Hemant Sharma as the liquidator to maximize asset value and ensure equitable distribution among creditors. Recognizing the benefits of maintaining the operational integrity, a strategy was pursued to sell the company as a going concern, which promised better returns compared to a piecemeal asset sale. Following which, an application was filed under Section 60(5) of the Insolvency and Bankruptcy Code (IBC) 2016, combined with Regulation 32A and Regulation 44 of the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations 2016.

The second meeting of lenders on September 4, 2020, endorsed this approach, leading to the publication of an E-Sale Notice on February 8, 2021. Indus Projects Private Limited, through its Special Purpose Vehicle (SPV) Indvis Holding Private Limited, submitted a successful bid of Rs. 57 crore. After careful scrutiny of which, the NCLT Hyderabad Bench approved the sale on June 30, 2021, marking a pivotal moment in transitioning VISPL from an insolvent entity to a revitalized business under new ownership.

WHITE METALS LIMITED (WML) - WITHDRAWAL UNDER SECTION 12A

Corporate Background and Insolvency Proceedings

White Metals Limited (WML), originally incorporated as Midi Extrusions Ltd. on November 13, 1987, under the Companies Act 1956, later rebranded itself to its current name. WML operates in the manufacturing sector, producing aluminium extruded products primarily used in the architecture, real estate, automotive, and electrical engineering sectors. The company's production unit is located in Noida, Uttar Pradesh, a hub for industrial activities.

Despite its established presence and diverse product applications, WML encountered financial instability due to market fluctuations, high operational costs, and increased competition. These financial challenges resulted in the company accruing significant debts, prompting its creditors to seek relief through legal means.

White Metals Limited (WML)	
Company type	Public Limited
Industry	Manufacturer of aluminium extruded products
Founded	1987; 37 years ago
Headquarters	9009, D. B. Gupta Road, Pahar Ganj, Central Delhi, New Delhi- 110055
Authorised Capital	Rs. 50,00,00,000/-
Paid Up Capital	Rs. 24,40,56,900 /-
Insolvency Commencement Date	13.06.2018
Insolvency Withdrawn Date	06.09.2022
Default	Rs.2,13,68,01,929/-

Initiation of Liquidation Proceedings

The CIRP for White Metals Ltd. began on June 13, 2018, following an application by Asset Reconstruction Company (India) Limited under Section 7 of the Insolvency and Bankruptcy Code (IBC). Mr. Hemant Sharma was appointed as the Interim Resolution Professional (IRP) and later confirmed as the Resolution Professional (RP) by the Committee of Creditors (COC). The public announcements were made on June 20, 2018, and the COC, comprising ARCIL, Punjab National Bank (PNB), and Oriental Bank of Commerce (OBC), was formed on July 11, 2018.

In the 11th COC meeting of the company, on March 4, 2019, the Resolution Plan by J.P. Engineers Private Limited (PRA) was approved but later became unfeasible due to the CIRP initiation against PRA on February 26, 2020. Consequently, the approval application was declared void on July 1, 2021. The Resolution Professional restarted the CIR Process, inviting Fresh Expressions of Interest (EOIs) on August 7, 2021, after informing the COC and seeking an extension under Section 12(2) of the IBC. Following OBC's withdrawal, the updated COC consisted of ARCIL and PNB with voting shares of 58.21% and 41.79%, respectively.

Withdrawal under Section 12A

Following the EOI publication on August 7, 2021, the Resolution Professional received eight proposals from Prospective Resolution Applicants (PRAs). The 14th COC meeting on September 14, 2021, decided to re-publish Form G with an extended deadline to attract more participants. The revised EOI was issued on September 18, 2021, with a submission deadline of October 3, 2021. By November 12, 2021, seven Resolution Plans were received with compliance reports and feasibility assessments. Meetings on January 10 and 12, 2022 (Sixteenth COC Meetings) refined the PRAs' plans, resulting in revised submissions.

In the 18th COC Meeting-Part 1 on March 4, 2022, ARCIL informed the COC of a One Time Settlement (OTS) offer from former Director Mr. Ranjit Kapoor. Following, in the 18th COC Meeting-Part 3 on May 11, 2022, ARCIL proposed withdrawing the Section 7 application under Section 12A of the Code, supported by Form FA and a bank guarantee. Lastly, the COC approved the Section 12A withdrawal via electronic voting on May 28, 2022, with unanimous support.

KEY LEARNINGS AND LEGAL INSIGHTS

The complex processes and legal challenges navigated by Hemant Sharma in various insolvency cases provide deep insights into effective corporate resolution strategies. Continuous engagement and transparent communication with the Committee of Creditors (CoC) are essential. So is regular sharing of detailed agenda notes and presentations, fostering collaboration and effective decision-making. Furthermore, leveraging online platforms and social media to reach potential bidders significantly enhances interest and participation. The Resolution Professional (RP) must act with the authority of a CEO, ensuring strict compliance with legal requirements and protecting stakeholders' interests.

It is important to note that, thorough examination of resolution plans is crucial to ensure compliance with the Insolvency and Bankruptcy Code (IBC) 2016, guaranteeing legal adherence and plan effectiveness. As a liquidator, conducting the process with transparency and fairness maximizes asset realization and adheres to legal standards, achieving optimal outcomes for creditors and stakeholders.

Concluding, the successful resolution of these companies underscores the pivotal role of the Resolution Professional in navigating the complexities of corporate insolvency. Hemant Sharma's strategic approach, coupled with his dedication and expertise, has not only revived distressed companies but also safeguarded the interests of creditors and stakeholders. These case studies serve as a testament to the effectiveness of the insolvency resolution process in India and provide valuable lessons for future resolutions.

CONCLUSION

The successful resolutions of BSPPL, VISPL, and WML underscore the pivotal role of Resolution Professionals in navigating corporate insolvency. Hemant Sharma's innovative strategies and unwavering commitment exemplify the transformative potential of the IBC framework, offering valuable lessons for future insolvency cases and fostering a culture of corporate revival and resilience.

Reviving Action Ispat: A Case Study in Overcoming Insolvency Challenges



CS Adv Maya Gupta
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CS Adv. Maya Gupta, a seasoned Advocate, Company Secretary, and Insolvency Professional, played a pivotal role in steering the Corporate Insolvency Resolution Process (CIRP) of Action Ispat & Power Pvt. Ltd. Her meticulous approach and deep understanding of insolvency law facilitated the resolution of complex financial and operational challenges faced by the corporate debtor. Her leadership ensured adherence to the timelines prescribed under the Insolvency and Bankruptcy Code (IBC), while maintaining transparency and effective communication with stakeholders, including financial creditors, operational creditors, and the Committee of Creditors (CoC). Ms. Gupta's strategic guidance in navigating the CIRP culminated in a successful resolution plan that balanced the interests of all stakeholders, setting a benchmark in the realm of insolvency resolution.

INTRODUCTION

Action Ispat & Power (P) Ltd. is the leading steel manufacturer, having an integrated steel plant in Jharsuguda, Orissa. The company has signed an MOU with the Govt. of Orissa, and subsequent to the MOU, a captive iron ore mine is set to give fillip to the operations. The company has been granted coal linkage for its steel plant by the Govt. of India & is in an advanced stage for allocation of captive coal mine. An exceptional provider of Billets and Blooms at par with the industry best, the integrated plant is spread over 370 acres and is situated close to large deposits of iron ore, coal, and limestone in the metallurgical belt of Orissa.

Fully geared to provide international level of quality, our infrastructure is equipped with some of the most sophisticated production systems used in steel making the world over. The plant has a capital outlay of Rs. 1330 Crores.

ACTION ISPAT AND POWER PVT. LTD. (AIPPL)- AN OVERVIEW

Action Ispat and Power Private Limited



Company type	Private Limited
Industry	Steel Manufacturer
Founded	2004; 20years ago
Headquarters	D-45, Defence Colony, New Delhi, Defence Colony (South Delhi), South Delhi, New Delhi, Delhi, India, 110024
Authorised Capital	Rs. 1000,00,00,000/-
Paid Up Capital	Rs. 264,00,00,000/-
Total Employees	500-1000
Annual Turnover	Rs.500-1000 Crore
Total Claim	Rs. 972 crore
Manufacturing abilities	<p>Manufacturing Capabilities:</p> <ul style="list-style-type: none"> ● Sponge Iron Production: Installed capacity of 245,000 TPA ● Steel Billets Production: Installed capacity of 298,080 TPA ● Ferro Alloys Production: Installed capacity of 14,250 TPA ● Location of Manufacturing Facilities: Jharsugada, Orissa ● Power Generation Capacity: Total 123 MW including non-operational new power plant <ul style="list-style-type: none"> ○ WHRB (Waste Heat Recovery Boiler): 16 MW ○ AFBC (Atmospheric Fluidized Bed Combustion): 21 MW ○ CFBC (Circulating Fluidized Bed Combustion): 46 MW

FINANCIAL DISTRESS LEADING TO CIRP

Action Ispat and Power Pvt. Ltd (AIPPL), a major player in the Indian steel and power sector, faced severe financial distress in the early 2010s. Burdened with increasing debts, declining revenues, and operational inefficiencies, the company was on the edge of insolvency.

The company ceased operations in September 2016 due to sustained losses. Following this, a winding-up petition (CO. PET. 731 of 2016) titled “**Shyam Metalics & Energy Limited vs. Action Ispat & Power Private Limited**” was filed under the Companies Act before the Hon’ble High Court of Delhi. On 27th August 2018, the court admitted the petition and appointed the Official Liquidator attached to the High Court as the Liquidator. The court directed the Official Liquidator to take control of all assets and books of accounts of the corporate debtor and ordered the publication of the citations.

Subsequently, the State Bank of India, as a secured creditor, filed an application to transfer the winding-up petition to the Hon’ble National Company Law Tribunal (NCLT), Delhi, as it had filed an application under Section 7 of the Insolvency and Bankruptcy Code against the corporate debtor. On 14th January 2019, the High Court directed the transfer of the winding-up petition to the NCLT. During the proceedings, M/s CFM Asset Reconstruction Company replaced the original applicant.

Subsequently, vide Order dated 23rd March, 2022, Hon’ble Adjudicating Authority (Principal Bench) passed order for initiation of CIRP in the matter of the Action Ispat and

Power Pvt Ltd i.e. the Corporate Debtor and appointing Ms. Maya Gupta, (IBBI Regn. No.: IBBI/IPA-002/IP-N00363/2017-18/110061) as the Interim Resolution Professional (“IRP”) from the panel of insolvency professionals given by the IBBI to the National Company Law Tribunal, Delhi; who was directed to take necessary actions in accordance with the relevant provisions of the CIRP Regulations vide email dated April 4, 2022.

TIMELINES OF EVENTS

September 2016	Operations ceased due to sustained losses.
August 27, 2018	The Hon'ble High Court of Delhi admitted a winding-up petition (CO. PET. 731 of 2016).
January 14, 2019:	The High Court directed the transfer of the case to the Hon'ble National Company Law Tribunal (NCLT), Delhi.
March 23, 2022:	NCLT initiated Corporate Insolvency Resolution Process (CIRP) and appointed Ms. Maya Gupta as the Interim Resolution Professional (IRP).

CHALLENGES DURING THE CIRP

CIRP Process of the Corporate Debtor was running under various challenges, some of these are:

A. Safety and Security of Assets:

- a. **Plant Vulnerability:** The Corporate Debtor’s (CD) plant, spanning 350 acres in Jharsuguda, Orissa, has been highly susceptible to theft both day and night since operations ceased in 2016.
- b. **Theft Instances:** Local scrap dealers took advantage of the shutdown, stealing valuable parts of the plant’s machinery and equipment since shut down.
- c. **Security Threats:** Mob attacks on security guards have been recurrent, with guards frequently abandoning their posts due to inadequate police support.
- d. **Broken Boundary Walls:** The plant’s boundary walls were broken at various points, facilitating unauthorized entry.
- e. **Overgrown Grass:** The plant was overrun with grass, some exceeding 6 feet in height, providing cover for intruders.
- f. **Insufficient Security Personnel:** There were not enough security personnel to effectively monitor and safeguard the premises.
- g. **Absence of Electricity:** The lack of electricity at the plant compounded security challenges.
- h. **Lack of Financing:** The RP and the security agency faced significant challenges due to a lack of financing for securing the plant.

B. Irregular Financing of CIRP Costs:

- The COC member (having more than 80% vote share) was reluctant in contributing to CIRP costs and some other members (having minority vote share) did not contribute the CIRP cost, posed challenges for the

Resolution Professional (RP) in conducting the Corporate Insolvency Resolution process effectively.

- COC rejected the resolution placed for financing the CIRP cost from the market.
- Despite directives from the Hon'ble Adjudicating Authority (AA), there was reluctance among certain COC members to contribute to the Corporate Insolvency Resolution Process (CIRP) costs.
- The Resolution Professional (RP) faced challenges due to a shortage of funds, requiring frequent applications to authorities for financial support.

C. Non-Cooperation from Management:

- The suspended directors were uncooperative, and crucial records were misplaced or stolen.
- The RP had difficulty obtaining records from the financial institutions, as accounts were closed during shutting down of operations. Further, inadequate records was available in custody Official Liquidator.
- Non-cooperation application was filed against the suspended directors, though sufficient records were not provided to the RP.

D. Record Misplacement and Theft:

- Operations ceased in 2016, making it challenging for the Resolution Professional (RP) to access the Corporate Debtor's (CD) records.
- Some financial institutions and public sector banks, who were creditors, transferred the debt to third parties and closed the CD's accounts.
- Suspended directors claimed that statutory records were moved to the Orissa plant, contrary to the Companies Act, 2013.
- They stated that these records were under the control of the Official Liquidator attached to the Delhi High Court, whereas those records were inadequate and statutory records were missing from both the registered office and the plant.
- Additionally, accounting records, computers, and equipment for electronic record-keeping were absent from the plant.
- The RP assumed possession of the assets and records from the Official Liquidator "as is, where is," as the Liquidator had limited records according to their inventory.
- The seal placed by the Official Liquidator on record rooms were found broken and the same was documented in the handover minutes.

Strategies Employed to Overcome Difficulties

A. Addressing Safety and Security of the plant at Jharsuguda:

- Engaged a technical team to assess the value of the plant and machinery after taking over possession from the OL.
- Insured the assets against fire and burglary.
- Arranged temporary repairs to the boundary wall and installed solar-based cameras.

- Increased security personnel and arranged electricity for illumination at the plant.
- Filed applications to various judicial authorities to provide the safety and security to the assets of the CD as well as to the security guards.

B. Addressing Fund shortage for CIRP Costs:

- COC Meetings: The RP consistently convened COC meetings to address critical issues and chart a path forward to tackle challenges, emphasizing the urgency of funds.
- Discussions and Decision-making: During these meetings, important matters were deliberated upon, and decisions were made collectively by the COC.
- Engagement of Professionals: The Resolution Professional (RP) obtained approval from the Committee of Creditors (COC) to engage professionals to assist in the Corporate Insolvency Resolution Process (CIRP).
- Professional Team: Upon approval, the RP assembled a professional team and enlisted their services on a credit basis to support the CIRP.
- Urgency of Funds: The RP emphasized the critical need for funds to facilitate the resolution process effectively, highlighting the urgency of the situation.
- Applications to Adjudicating Authority: In addition to COC meetings, the RP filed applications before the Adjudicating Authority (AA) to issue directives to COC members to contribute to the CIRP costs to meet the expenses pertaining to safety and security of the plant on priority basis.

C. Addressing Non-Cooperation of Suspended Directors:

- Possession of Records: The RP tackled the non-cooperation of suspended directors by obtaining available records from the Official Liquidator.
- Engagement of Professional Team: A professional team was enlisted to gather data from various stakeholders and conduct an audit of the CPU hard disk, which had been in possession of the Official Liquidator since 2018.
- Hiring Forensic Auditors: Forensic auditors and other professionals were hired to collect data and records from banks and financial institutions for the past 10 years, covering forensic audit for the period from FY 2011-12 to FY 2021-22 as the CD restructured its debt under the CDR Scheme in 2013, prompting an investigation into fraudulent transactions from the preceding two years from CDR. COC agreed to audit past years records to identify fraudulent transactions for potential recovery and approved the associated investigation costs.

Key aspects of the resolution plan

Three prospective resolution applicants, namely M/s Orissa Metaliks Pvt Ltd, M/s Rama Motor Corp, and M/s Ocean Capital Market Limited, submitted their proposals. All three plans surpassed the liquidation value of the Corporate Debtor. The resolution plans underwent discussion at 9th COC meeting and put for voting at 10th COC meeting of the Corporate Debtor. Ultimately, the plan put forth by M/s Ocean Capital Market Limited secured approval from the majority stakeholders, with an 80.50% vote.

The COC considered following factors while approving the resolution plan:

1. Same line of activity
2. Successful management team having sectoral experience with a proven track record in turning around distressed companies
3. Understanding of the market and whereabouts

The resolution applicant submitted the turnaround strategy for revival of CD as follows:

1. Repair and refurbishment of existing facilities and estimated budget of Rs. 223 crores and submitted implementation schedule to run the plant within 12 months from the date of implementation of the resolution plan;
2. Infusion of fresh working capital of Rs. 100 cr.
3. Availability of raw material to run the plant by facilitating the same from its group companies

Summary of the financial proposal submitted in the resolution plan and approved by AA is as follows:

Sl. No.	Category of creditor	Summary of claims admitted			Approved by Court
		No. of claims filed	No. of claims admitted	Amount of Claims	
1	CIRP Cost (payable in full) (estimated)				4,69,26,654
2	Secured financial creditors (other than financial creditors belonging to any class of creditors)	2	2	24,55,55,49,025	2,47,88,40,215
3	Unsecured financial creditors (other than financial creditors belonging to any class of creditors)	3	3	1,98,14,40,477	30,00,000
4	Operational creditors (Workmen)	-		-	-
5	Operational creditors (Employees)	368	339	17,17,36,020	2,30,00,000

Sl. No.	Category of creditor	Summary of claims admitted			Approved by Court
		No. of claims filed	No. of claims admitted	Amount of Claims	
6	Operational creditors (Government Dues)	2	2	36,65,05,611	4,31,59,785
7	Operational creditors (other than Workmen and Employees and Government Dues)	83	64	55,04,61,551	1,20,00,000
8	Other creditors, if any, (other than financial creditors and operational creditors)	-		-	-
Total Payment Plan				27,62,56,92,684	2,60,69,26,654
	Capital expenditure to revival of Plant	-			2,23,00,00,000
	Working Capital to revival of plant	-			1,00,00,00,000
Total Resolution Value by PRA				27,62,56,92,684	5,79,00,00,000

THE COMPANY'S CURRENT STATUS AFTER IMPLEMENTING THE PLAN

The resolution applicant (SRA) took over 4 months to implement the resolution plan, exceeding the original 30-day timeline submitted in the plan. Members of the Committee of Creditors (COC) and the Monitoring Committee (MC), along with the Hon'ble Adjudicating Authority (AA), allowed this extended timeframe. The resolution plan was approved by the Hon'ble AA on September 26, 2023, and successfully implemented by the SRA on January 11, 2024.

As per the terms of the resolution plan, the MC Committee was dissolved on January 11, 2024 i.e. after payment to the stakeholders of the Corporate Debtor (CD), whose claims have been collated by the Resolution Professional (RP). Consequently, the RP has no updates on the implementation of the turnaround strategy by the SRA. Though, the local stakeholders residing near the plant of CD have reported that

the plant has been renovated and efforts are being made by the SRA to revive the business of the CD.

KEY LEARNING FROM THE ASSIGNMENT:

The case of Action Ispat and Power Pvt. Ltd. during its Corporate Insolvency Resolution Process (CIRP) provides several key learnings:

1. Importance of Early and Accurate Data Collection:

Establishing a robust system for early data collection and verification is crucial. Engaging with financial institutions and stakeholders proactively can prevent delays.

2. Handling Non-cooperation from Suspended Directors:

Legal provisions should be leveraged to obtain necessary records and data. The RP's approach of taking possession of records from the Official Liquidator and engaging professional teams was effective.

3. Engagement of Forensic Auditors and Professionals:

To engage professionals specialised of their respective area for carrying the CIRP process in time bound manner. This is critical for timely conclusion of CIRP process of the CD.

4. Coordination with the Committee of Creditors (COC):

Continuous and transparent communication with the COC is essential. Setting clear timelines and expectations can facilitate smoother decision-making processes.

5. Provision for Litigation Costs in the Resolution Plan:

Provisions for potential litigation costs in the initial resolution plan can help in addressing unforeseen expenses. This ensures that necessary legal actions are not delayed due to financial constraints.

6. Role of the Monitoring Committee:

A proactive and empowered Monitoring Committee can provide necessary oversight and directives to the chairperson, ensuring compliance and timely action on crucial matters.

7. Addressing Physical Security and Maintenance Issues:

Ensuring physical security and maintenance of the plant is vital. Regular inspections and timely interventions can prevent such issues, thereby safeguarding assets and maintaining operational readiness.

8. Legal Framework Utilization:

Understanding and effectively utilizing the legal provisions of the Insolvency & Bankruptcy Code is essential for RPs. This ensures that all necessary legal actions are taken to protect the interests of creditors and stakeholders.

By analyzing these aspects, future Resolution Professionals (RPs) can better navigate the complexities of the CIRP and implement strategies to overcome similar challenges.

CONCLUSION

The resolution process of Action Ispat and Power Pvt. Ltd is a testament to the effectiveness of a well-crafted and diligently executed resolution plan. This success story serves as an inspiring example for other companies facing similar adversities, demonstrating that with the right strategies and commitment, financial distress can be transformed into a powerful comeback. The CIRP of Action Ispat and Power Pvt. Ltd. underscores the challenges and strategies involved in navigating complex insolvency cases. It provides a roadmap for addressing financial distress through effective resolution planning and stakeholder coordination. Ms. Maya Gupta, the Interim Resolution Professional (IRP), played a pivotal role in safeguarding assets, managing stakeholders, and steering the resolution process to its successful conclusion. This case provides a roadmap for addressing financial distress through effective resolution planning and stakeholder coordination.

THE RISE, THE FALL & THE COMEBACK OF ALOK INDUSTRIES

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ABSTRACT:

If I ask stock traders to put their money in a company which has just come out of the insolvency resolution proceedings, they'd probably just ignore me. But who knew back in February, 2020 that, this multibagger in the past, 'Alok Industries Limited' a bankrupt company taken over by Mukesh Ambani's Reliance Industries and JM Financials Ltd, would have led you in the list of wealth builders giving returns of more than double within few months, hitting upper circuits for 17 consecutive times¹. This study aims to discuss the history, fall and the rapid comeback of this company, which would be impossible if there would not have been the legislations like the Insolvency and Bankruptcy Code, 2016 (IBC, 2016).

Alok Industries is one of the 12 large accounts with outstanding loans greater than Rs.5000 crore that the Reserve Bank of India asked banks to refer to the NCLT proceedings. In June 2017, the Ahmedabad bench of the National Company Law Tribunal (NCLT) admitted State Bank of India's (SBI) insolvency petition against Alok Industries. Alok Industries owed lenders a total of around ₹30,000 crore. Reliance Industries Ltd and JM Financial Ltd took over the company after having acquired it in bankruptcy proceedings.

This case study aims to give a brief about the background and birth of the company, factors that led to its fall, the process under IBC, its acquisition by Reliance Industries Limited and J M Financial Ltd ; and post CIRP performance of the Alok Industries Limited.

Key Words: NPA, IBC, Independent Advisory Committee, Insolvency, Bank loans, non-performing assets

INTRODUCTION

The Insolvency and Bankruptcy Bill was introduced by the NDA Government in the year 2015, but got the assent of the Hon'ble President of India on 28th May 2016. Certain provisions of the Act have come into force from 5 August and 19 August 2016. The Code was passed by parliament in May 2016 and became effective in December 2016. This was introduced as a reform focused towards fastening the long insolvency process and to cure the tremendously spreading diseases of Bad Debts in our Banking sector.

In June 2017, an Independent Advisory Committee for the Reserve Bank of India, identified 12 Bad Debt Accounts totaling about 25% of the Gross NPA's of the banking system, directing banks to immediately refer for bankruptcy proceedings. The RBI even made a plea to the Hon'ble NCLTs to prioritize these cases. Alok Industries Limited was one of these 12 companies. In fact, it was the only textile company which was placed in this list of 12 stressed accounts as the list was majorly dominated by steelmakers, power and infrastructure companies.

It has been witnessed that due to excess debts and furious expansion plans, companies fall in trouble. Alok Industries has a similar story but with a twist no one expected.

HISTORY AND PROFILE OF THE COMPANY

Let's start from the beginning. Alok Industries Ltd. based in Mumbai, India was established in 1986 as a private limited company to carry on the business of an integrated textiles solution. The company got listed in the Bombay Stock Exchange and the National Stock Exchange of India in 1993. The organization has manufacturing facilities in Silvassa, Navi Mumbai and Vapi. Over the years, it had expanded into weaving, knitting, processing, home textiles and garments.

It also provides embroidered products through Grabal Alok Impex Ltd., its associate company. It evolved into a diversified manufacturer of world-class home textiles, garments, apparel fabrics and polyester yarns, selling directly to manufacturers, exporters, importers, retailers and to some of the world's top brands. The major dealings of the company involve Cotton Yarn, Garment Fabric, Home Textiles and Polyester Yarn.

Alok Industries also has an international presence in the retail segment through its associate concern, Grabal Alok (UK) Limited. This entity owns more than 200 outlets across England, Scotland and Wales for menswear, womenswear, children wear, footwear, homeware and accessories.

In addition, Alok Industries has also invested in premium commercial/residential projects across Mumbai through its wholly owned subsidiaries.

The Authorised Share Capital of Alok Industries is Rs. 4000,00,00,000/- (Rupees Four Thousands Crores) only. The paid up share capital of the company is Rs. 746,52,51,228/- (Rupees Seven Hundred Forty Six Crores, Fifty Two Lacs, Fifty one Thousands and Two Hundred Twenty Eight) only².

Furthermore, Alok Industries has a number of subsidiaries, associate companies and joint ventures.

Its 27th annual report shows a 26% of total product exports in about 90 countries around the globe.³ Alok Industries bagged numerous awards such as 'Silver Trophy', 'Certificate of excellence by Kohl group', etc. All these happened to be added as a feather on their hat.

Five core divisions



Cotton Yarn



Apparel Fabric



Home Textiles



Garments



Polyester Yarn



**29,000 +
Employees**



**90
Countries**

US, Europe, Latin
America, Asia & Africa



**26%
Exports**



**Innovative
Textile
Solutions**

THE RISE OF ALOK INDUSTRIES

Up till 15 years since its incorporation, the company carried on its business very smoothly in readymade garments, polyester yarns and spinning & weaving. But soon, success slipped out of its hands and Alok industries found itself on the edge of bankruptcy. Let us understand how.

In 2005, company wanted to expand their business as well as wanted to set up few new business plans. As a result they opted for two expansion plans. **First**, they wanted to increase their spinning capacity for which they invested around Rs. 10,000 Crore rupees. These funds for investment were raised through debts. The company was very confident about their expansion plans, but there were major managerial flaws, the resources and assets of the company were underutilized, due to which there was not much rise in the profits of the company. **Second**, next expansion was to open retail textiles stores to sell garments, both in India and outside. By this time, company officially started seeking huge losses. They launched a garment retail chain under the name 'H & A Store' in India, they opened around 350 stores within a period of 3 years. Simultaneously, they launched similar stores in U.K as 'Store 21', they opened around 220 stores in U.K as well.

All these expansions were done with the help of taking debts from banks and it became difficult for company to pay such huge amount. The borrowings of the company took a whopping jump of 800% from the year 2007 to 2017. The borrowing of Rs. 3337 crore in the financial year 2007 increased to Rs. 25,506 crore in 2017.4 In 2007, company also entered into the real estate business by acquiring commercial property through its subsidiary company-Alok Infrastructures Limited. This also required large amount of capital.

Due to poor management, these huge scale investments went in vain, both the strategies of the company failed, the profits from the retail outlets were also very poor. The company was eventually left with no other choice but to close these stores, they gradually closed almost all the stores across India and abroad.

THE FALL OF ALOK INDUSTRIES

The idea of expansion was not a sound decision for the Alok industries and as it was going into losses so they decided to shut down their retail stores. So all the stores in India as well as UK were all closed. By the end of 2012, the closure process of the retail stores had started, 5 almost 500 stores both in India and U.K. were shut down, it was evident that the company's expansion plans had failed tremendously, but an even bigger issue was still awaiting the attention of the company i.e. its debts. Several banks have given the debt to the Alok Industries limited such as SBI along with several other banks.

Between March 2007 till September 2013, the company saw its debt jump six times to Rs 20,230 crore. To add to company's woes, interest rates started to rise. The company's own interest costs jumped to about 13 percent from 7.5 percent. This put pressure on the company's ability to service debt. Over time, interest costs became the second largest expense for Alok Industries after raw materials.

As the company has expanded its business by taking debt and it was becoming very difficult for the company to repay such amount. In the result of which, they incurred huge losses. In 2007, they incurred the loss of about Rs. 3337 crores and in the year 2010, they incurred the loss of Rs. 9673 crores. Like this, the debt also increased and in 2017 it incurred it to Rs. 30000 crores and accordingly, the debt amplified by 800%.

Alok Industries could not utilize its assets well. The assets turnover ratio which indicates the efficiency of deploying assets to generate revenue, remained below and declined sharply. Irrespective of the success or failure of the company's strategies and plans, the company was bound to pay back the debts along with the interest. By 2017, the company was burdened under the weight of its enormous financial debts. It took no time for the company to reach a point where the second biggest expense of the company, after raw material cost, became the cost of interest. Till 2007, because the borrowings were low, the interest cost was Rs. 142 crore, but this amount took a disastrous increase, by 2015. The interest on debts increased to Rs. 3,513 crore. This amount was unimaginably huge as compared to the size of the company. Till 2015, the net profits of the company ranged from Rs. 200 to Rs. 300 Crore, but due to the burden of debts and interest on them, the company started booking huge losses, within one year, the company moved from a profit of Rs. 258 crore (2015) to a loss of Rs. 4357 crore (2016) and another loss of Rs. 3083 crore (2017).

So in June 2017, the Reserve Bank of India released the list of 12 companies that were not able to repay the debt amount to the banks to go into the process of insolvency. Alok Industries was one of those 12 stressed accounts identified by RBI. Several banks had given the debt to the Alok Industries limited such as SBI along with several other banks.

As on 31.05.2017, following were the amount defaulted by Alok Industries against banks:

1. State Bank of India: Rs.2218.56 crores
2. State Bank of Patiala: Rs. 309.92 crores
3. State Bank of Hyderabad: Rs.419.20 crores
4. State Bank of Mysore: Rs.252.63 crores
5. State Bank of Travancore: Rs.320.04 crores
6. State Bank of Bikaner and Jaipur: Rs.251.80 crores

The Hongkong and Shanghai Banking Corporation Limited had also filed winding up petition against Alok Industries before the Hon'ble High Court of Bombay in the 2016. However, such petition was not admitted.

REASONS FOR FINANCIAL STRESS

Issues	Financial Stress
Expansion in Spinning	As the company was very sure about the spinning business but there were few points which was a shortfall as the Alok industries' spinning business was underutilized and then also they have expanded their spinning capacity. They were not able to utilize the assets properly. Analyst also said Alok Industries invested in the spinning business which already had excess capacity in India, therefore the same could not generate a commensurate revenue for the company.
Diversification gone wrong	Apart from expansion, company also get into new business ventures. It opened retail stores in India and U.K. in the name of H&A and Store 21. It also entered into real estate sector through incorporating its subsidiary company- Alok Infrastructures Limited, wherein also huge capital was locked up.
Expansion of business by taking debts	The company begged huge loans from banks to support all expansion and investment activities. These loans grew with time and so did the cost of interest. Alok Industries expanded its borrowings around Rs. 30000 crore and this placed the company in the radar of RBI. Accordingly, RBI included Alok Industries in the list of 12 stressed accounts which RBI asked banks to refer to the NCLT for initiating insolvency proceedings.

Textile industry, by nature is very volatile, sometimes there is huge demand, and suddenly there is none. At the time, when Alok industries were already trying to make up for its past mistakes, it went on to make blunders. This company entered into the real estate sector in 2007. They set foot in the retail markets through H&A and Store 21.8 This trail of losses, market competition, operational inefficiency & internal mismanagement led to shutting down of most of the retail sector. When the company actually realized that it is making losses, it was deeply drowned by debts. Alok industries due to mismanagement was blindly borrowing huge amounts and investing.

It is pertinent to understand what led to the company defaulting their loans, borrowing money from banks and investing them into operations, it became a huge problem when such investments do not yield good sales thereby leading to profits. If we analyze the data below in *Table 1*, it will be evident that the sales of the company on March 2007 was Rs. 1,806 Cr. It kept on increasing steadily till March 2017, but just the next year in 2018 we see a huge drop. The sales dropped from Rs.24,153 Cr. in 2015 to Rs. 12,924 Cr. in 2016, and further to Rs.8,723 Cr. in 2017. Simultaneously, we see the borrowings increase from Rs.3,337 Cr. in 2007 to Rs.25,506 Cr. in 2017. This had a major impact of the profitability of the business. The profits drastically fell from Rs.165 Cr. in 2007 to a loss of Rs.3,083 Cr. in 2017. This led to continuous default in loan installment payments. The company was not even in a position to pay back the interest amount of the loan let alone the principle amount. This was basically a case of extremely high

expansion, not backed by a strong revenue growth. The lenders were definitely not going to be quite.

Table 1

March	Borrowings	Interest	Sales	Net Profits
2007	3,337	142	1,806	165
2008	5,834	252	2,234	190
2009	6,956	418	3,021	74
2010	9,673	599	4,327	138
2011	12,123	782	6,615	312
2012	16,050	1,235	9,785	93
2013	19,932	2,814	21,388	297
2015	18,009	3,513	24,153	258
2016	22,037	2,874	12,924	-4,357
2017	25,506	3,442	8,723	-3,083
2018	27,415	4,711	5,514	-18,580

Source: www.screener.in

CORPORATE INSOLVENCY RESOLUTION PROCESS

On the 12th of June 2017, the Internal Advisory Committee (IAC) of the RBI identified 12 accounts that covered about 25% of the banking systems non-performing assets, for immediate resolution under the Insolvency and Bankruptcy Code. The IAC directed the lender Banks to refer to the Insolvency and Bankruptcy Court for all accounts with total outstanding loans amounting to more than INR 5,000 crore, with at least 60% classified as non-performing by banks as on March 31, 2016.9

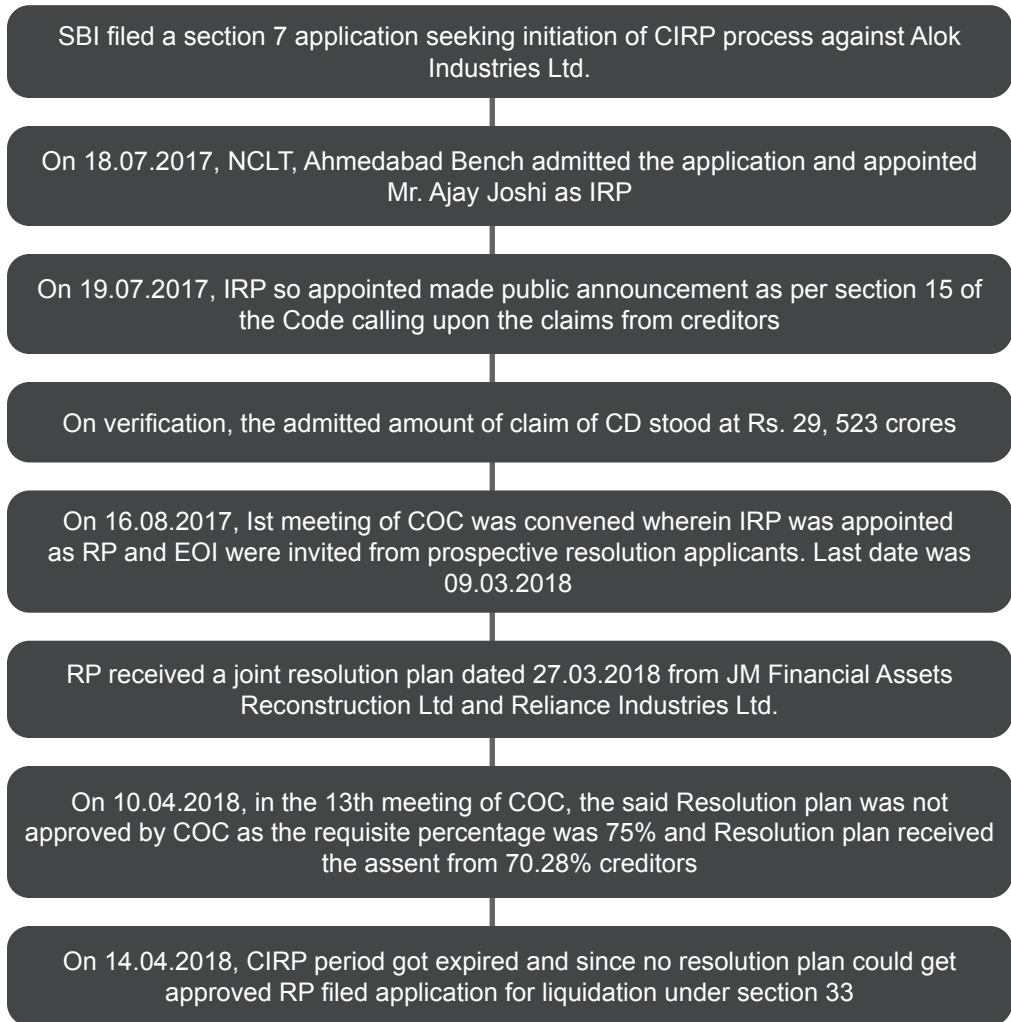
State Bank of India (SBI), the lead bank initiated the insolvency proceedings against Alok Industries in June 2017. The company owed the lenders a total of 30,000 crore. The Ahmedabad bench of the National Company Law Tribunal (NCLT) admitted the State Bank of India's insolvency petition, appointing **Mr. Ajay Joshi** as the Interim Resolution Professional (IRP) for insolvency proceedings. A case for liquidation was already pending before the Bombay HC, prior to SBI's application. Industrial and Commerce Bank of China (ICBC) even sought dismissal of the insolvency proceedings, but to no avail, as Section 238 of the Insolvency and Bankruptcy Code (IBC), 2016, prevailed over the former as a subsequent Act.10 By December 2017, the Insolvency Professional supervising the bankruptcy process of the company had to call for fresh bids to resolve the Rs. 29,000 Cr. default. Among the 12 NPA Accounts listed by the RBI's IAC, Alok Industries was the only company that did not receive any bids when the insolvency professional invited Expression of Interest (EoI).

By June 2018, Reliance Industries Ltd.(RIL) along with JM Financial Asset Reconstruction Company (ARC) managed to get the approval of the lenders, striking the deal for Rs. 5,050 Cr. out of which Rs.4,550 Cr. were supposed to be given to the

lender banks, and Rs.500 Cr. to be invested in the company. RIL acquired a stake of 37.7% for Rs.250 crore and JM Financial 6.15% in Alok Industries as part of resolution plan¹¹. The Banks had to take a haircut of around 86%.

The CoC had no intentions to accept such an offer, one of the earlier joint resolution plan had been rejected by the CoC in April 2018. This second round of voting was done because 270 day deadline to resolve insolvency causes under the IBC had passed, and the company was set to be sent for liquidation. ¹² Fearing that liquidation would lead to erosion of value and a loss of livelihood, the employee's trust of the company and other operational creditors had filed an interlocutory petition in NCLT, Ahmedabad. Thereafter, on the direction of the tribunal, the Resolution Professional asked the CoC to reconsider the new resolution plan.¹³

In the case of Alok Industries, banks recovered only Rs. 5,000 crore against claims of close to Rs. 30,000 crore. Following is the flow of events of the case before the NCLT, Ahmedabad:



While application for liquidation was pending before the AA, On 06.06.2018 Government promulgated the IBC(Amendment) Ordinance, 2018 inter alia introduced amendment in section 30 of the Code to reduce the threshold of 75% approval to 66% of voting share of financial creditors.

In pursuance of said amendment, RP received letters from Resolution applicants to withdraw the liquidation application and file an application to approve the Resolution plan

RP apprised about the amendment to AA. AA vide its order dt. 11.06.2018 NCLT held that the IBC Ordinance will apply to all cases pending jurisdiction and directed RP to conduct a COC meeting to reconsider the resolution plans submitted by resolution applicants.

On 18.06.2018, RP convened 15th COC meeting and apprise them about the order so passed by AA and the revised voting threshold in terms of Ordinance

On 20.06.2018, in the 16th meeting of COC the Resolution plan was approved with the vote of 72.19%. Pursuant to the approval of Resolution Plan by COC, RP filed application before AA seeking its approval.

On 08.03.2019, NCLT approved the resolution plan as per below approved financial outlay.

SEQUENCE OF EVENTS OF CIRP PROCEEDING BEFORE NCLT

The thumbnail sketch of the sequence of events of CIRP proceedings before NCLT according to the orders passed in the Insolvency Process of Alok Industries by the NCLT are set out hereunder.

<i>Order Dated</i>	<i>Order Passed by</i>	<i>Brief of the Order</i>
18th July, 2017	NCLT, Ahmedabad	<p>A Petition under Section 7 of the IBC was filed by the State Bank of India against Alok Industries on the direction of the RBI via its letter dated 15th June 2017.</p> <p>The HSBC Bank had also filed winding up petition against Alok Industries before the Hon'ble High Court of Bombay in the 2016. However, the petition was not admitted.</p> <p>One of the controversies in this order of admission was whether the tribunal can entertain the petition despite the pendency of a winding up petition before the Hon'ble High Court of Bombay. But Section-238 of the code came to a rescue, it was held that the provisions of this code have overriding effect over any law which is inconsistent with the provisions of the code.</p>

Order Dated	Order Passed by	Brief of the Order
		<p>Also since no winding up order had been passed by the concerned High Court, the Tribunal deemed it fit to maintain the application before it.</p> <p>Adjudicating Authority basing on material available on record, concluded that there exists default and a default had occurred in repayment of the financial debt.</p> <p>The AA admitted the application under Section 7 sub-section 5(a), appointing Mr. Ajay Joshi as the IRP under section 13(1)(c) of the Code.</p>
<i>24th October, 2018</i>	NCLT, Mumbai	<p>A petition was filed against Alok Infrastructures Ltd., a subsidiary of Alok Industries Ltd., by Axis Bank under section 7 of the IBC on the ground that Alok Infrastructures defaulted in making payment of Rs.100,32,11,439/- including interest.</p> <p>NCLT admitted the petition basis the records filed by the creditor.</p>
<i>1st November, 2018</i>	NCLT, Ahmadabad	<p>An I.A filed for withdrawal of 298/2018 in view of the NCLAT order wherein the Hon'ble appellate court observed that Clause (b) and (c) of the regulation 38(1) are inconsistent with section 240(1) of the IBC, 2016. Further it was observed that any resolution plan which provides liquidation value to the Operational / Financial Creditor(s) in view of the said regulations without any other reason to discriminate between two set of creditors similarly situated cannot be approved being illegal. In this view the prayer for withdrawal of IA 298/2018 was allowed.</p> <p>It was further ordered that all the dissenting financial creditor shall be paid in proportion to their respective value of the outstanding debts, in the same manner as the assenting member.</p>
<i>4th January, 2019</i>	NCLT, Ahmedabad	<p>An application was filed under Section 60(5) of the Code, by IDBI Bank (one of the financial creditors), against the provisions Resolution Plan stating the same to be self-contradictory.</p> <p>The applicants had voted against 2 resolution plans earlier. After the Amendment to the Code whereby required majority of voting share was reduced to 65%, the Employee's Welfare Trust of the Corporate Debtor filed an Interim Application requesting to reconsider the Resolution Plan. In the 16th Meeting of the CoC the said Resolution Plan was Approved on 21.06.2018 by 73.19%.</p> <p>IDBI Bank had alleged that the Plan seeks to curtail the rights of IDBI over the securities created by the third party security provider as the amount to be recovered is restricted to Rs. 10 Crore only, thereafter it would be assigned to the ARC Trust.</p>

Order Dated	Order Passed by	Brief of the Order
		It was later held that Section 3.7, does not amount to a waiver by Financial Creditor of any of their claims against subsidiaries. It was observed that there is no ambiguity in the resolution plan and INR 10 Crore is just a commercially agreed cap in terms of enforcement of security over immovable properties of the 3rd party.
8th March, 2019	NCLT, Ahmedabad	An Interim Application No. 259 of 2018 was filed for approval of the Resolution Plan under Section 30(6) r/w 31(1) of the Code r/w Reg. 39(4) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulation, 2016. A lot of Intervention/ Interlocutory Applications were filed with various grievances. It was observed that these applications were filed after the application for approval of Resolution Plan was filed by the Resolution Applicants. These applications were filed at such a belated date, that their claims did not seem bonafide. The court while rejecting these applications observed that these applicants were well aware of their fate and position but none of them approached the AA on the date of Approval of the Plan. This application approved the Resolution Plan with immediate effect, allowing IA 259/2018 and dismissed all the other IAs.
26th July, 2019		An I.A. No. 320/2019 was filed by the Applicant under section 60(5) of the Code, seeking clarifications/ rectifications of the typographical errors in the Order dated 8th March 2019. The court found that there are certain typographical errors due to inadvertence, which were rectified, vide the said order.
24th October, 2019	NCLAT	A Company Appeal (AT) no. 1093/2019 was filed after 191 days. It was brought to the notice of the court that the said appeal is barred by limitation. The appellants did not appear before the court during the previous hearings. The court resultantly held that it cannot condone the delay beyond 15 days, and are not inclined to adjourn the matter.

PERFORMANCE OF THE COMPANY BEFORE, DURING AND POST CIRP PROCESS

The table below highlights the financial performance of Alok Industries in the last five years:

(Amount in Rs.crore)

Particulars (in Crs.)	Post CIRP		During CIRP		Pre-CIRP
	2021	2020	2019	2018	2017
Revenue	3,735.32	3,166.34	3,128.76	5,381.95	8,326.06

Other Income	21.66	85.19	124.32	236.31	165.69
Total Income	3,756.98	3,251.53	3,253.08	5,618.26	8,491.75
Expenditure	-7,903.43	-1,499.62	-438.69	-23,294.87	-13,605.10
Interest	-472.72	-98.57	-4,158.00	-4,682.87	-3,273.52
PBDT	-4,146.45	1,751.91	2,814.39	-17,676.61	-5,113.35
Depreciation	-285.43	-529.45	-533.17	-527.81	-512.62
PBT	-4,431.88	1,222.46	2,281.22	-18,204.42	-5,625.97
Tax	-1,423.11	0.73	0.91	-11.19	2,123.54
Net Profit	-5,854.99	1,223.19	2,282.13	-18,215.61	-3,502.43
Equity	496.53	221.08	1,368.64	1,368.63	1,357.87
EPS	-15.68	8.45	16.67	-134.14	-25.80
CEPS	--	--	20.57	-129.24	-22.02
OPM %	-111.01	55.33	89.95	-328.44	-61.41
NPM %	-156.75	38.63	72.94	-338.46	-42.07

Source: BSE

As the company was earning profit till 2015 but after that, the company was earning losses continuously till 2018. In 2019, the company earned profit because of exceptional items. In 2020 also, the company did not earn profit and for the first three quarters, the company had suffered a loss of a huge amount. Textile firm Alok Industries reported a consolidated net loss of Rs 500.11 crore for the quarter ended March 31, 2021. The company had reported net profit of Rs 1,790.87 crore of the corresponding quarter a year ago. Total income during the quarter under review stood at Rs 1,478.63 crore, up 95.04 per cent, as against Rs. 758.11 crore reported in the same quarter a year ago. 14 The company reported exceptional gain of Rs 2,052.55 crore in January-March 2020, on account of debt resolution plan.

Net Loss of Alok Industries reported to Rs 92.44 crore in the quarter ended June 2021 as against net loss of Rs 10192.80 crore during the previous quarter ended June 2020. Sales rose 254.04% to Rs 1223.07 crore in the quarter ended June 2021 as against Rs 345.46 crore during the previous quarter ended June 2020. 15x

DURING CIRP-2019

The joint Resolution Plan of JM Financial Assets Reconstruction Ltd and Reliance Industries Ltd for the Company had been approved by the Adjudicating Authority. After the approval of the Resolution Plan, a monitoring committee was formed w.e.f 12th march, 2019 to manage the affairs of Alok Industries as a Going Concern. The resolution plan proposed reduction of the Company's share capital without any payout to the shareholders, by reducing the face value of each issued and outstanding equity share. Interest on the borrowings accrued for the period from 2017-2019, amounting to Rs.7045.19 crore was derecognized. Arising out of this adjustment, the Company recorded a total comprehensive Income of Rs.

2283.02 Crore for the year ended 31st March, 2019. The Company's accumulated losses amounted to Rs. 15658.54 Crore. Total liabilities of the Company as on 31st March, 2019, exceeded total assets by Rs. 12922.11 Crore.

Revenue from operations for the period up till June, 2017 included excise duty, which is discontinued with effect from 1st July, 2017 upon implementation of Goods and Service Tax (GST) Act. The revenue in 2019 saw a steep fall since 2017 as the company's level of operations during that time period was at 30 % capacity only. The net profits did see a positive figure during this period even during the Company went through the CIR Process. The Return on Equity (ROE) also saw a great positive change from -183 in 2017 to -14 in 2019. For better understanding please refer to the Graphical representation of Revenue, Net Profits and ROE hereinabove.

As there was no bid for the Alok Industries as there was no such progress in the company so Mukesh Ambani's reliance industries along with JM financial decided to takeover Alok industries limited at a bid of Rs. 5050 cores out of which Rs.4550 crore had been paid to the banks from which the lot industries have taken the loan and remaining 500 crore were to be invested in the company. Hence, that's how in the restructuring process banks suffered loss of Rs. 25000 crore, which was around 86% haircut. As a result of which, the reliance industries got 37.7% stakes in Alok industries and JM financial got 6.15% stakes in Alok industries. And remaining stakes are in the hands of the public and entities.

POST CIRP (2020- 21)

The Mumbai-based Alok Industries was acquired by Reliance Industries along with JM Financial Asset Reconstruction Company in 2019 after the Ahmedabad bench of the National Company Law Tribunal (NCLT) had in March 2019 approved their bid for Rs 5,050 crore.

In the process of restructuring, the company got delisted from the stock exchange. But on 27 February 2020, the company got listed on the stock exchange after it was taken over by the Reliance and JM financials at Rs.14/- per share. But due to the pandemic COVID-19 which has spread throughout the country and has disturbed several sectors of the economy, the price of the share of Alok Industries also falls at Rs.4/- per share.

The Company recorded a total comprehensive income of Rs. 1224.55 crore for year ended 31st March, 2020.

Further, due to the outbreak of Corona virus Disease (COVID-19), the company had to temporarily suspend operations. Alok Industries had informed exchanges earlier that it had shut its manufacturing units and offices from March, 2020 due to Covid-19. But after the production resumed at some places of production, the company did see increased revenue generated in the year. Net profits also increased considerably. The Company's operations and revenue during the period were impacted due to Covid-19 and also due to the fact that the capacity utilization over the past few years have been in the range of 25-30%. With the new business plan in place, there was a focus to increase the capacity utilization gradually in a phased manner.

To gather a better understanding of the performance of the Company, a comparative chart of some financial ratios is produced below:

	Post CIRP		During CIRP		Pre-CIRP
	2021	2020	2019	2018	2017
Basic EPS	-15.68	8.45	16.67	-134.15	-25.79
Revenue from Operations/Share (Rs.)	7.52	14.32	22.86	38.97	59.87
PBDIT/Share (Rs.)	-0.87	-0.91	-0.53	-94.95	-13.55
PBIT/Share (Rs.)	-1.45	-3.31	-4.43	-98.81	-17.32
PBT/Share (Rs.)	-8.93	5.53	16.67	-133.02	-41.43
Net Profit/Share	-11.79	5.53	16.67	-133.11	-25.79
Enterprise Value (Cr.)	32,604.37	28,426.84	23,402.78	24,634.48	22,669.61
EV/EBITDA (X)	-75.36	-140.68	-321.47	-1.90	-12.32
Market Cap/Net Operating Revenue (X)	2.68	0.27	0.19	0.08	0.05
Price/Net Operating Revenue	2.68	0.27	0.19	0.08	0.05
Earnings Yield	-0.59	1.41	3.75	-44.52	-8.68

Table 2- Source: www.screener.in

Source: Economic Times

Looking at the aforementioned ratios, it is evident that Earnings Per Share since 2017 has definitely travelled a path towards betterment. The profitability of the company has drastically increased since 2018 from -134 EPS to 2020 recording 8.45 EPS. The Net operating Revenue was also increased from 0.08 in 2017 to 2.68 in 2021. The earning yield has also increased from a negative 44.5 in 2017 to a positive 1.4 in 2020. This is definitely due to the increase in revenue and Net Profits during that period.

CONCLUSION AND RECOMMENDATION

The Adjudicating Authority is quite clear in its terms when it comes to the compliance with the objectives of the Insolvency and Bankruptcy Law in India. It was by April 2020, that the lenders received their monies from RIL and JM Financials Ltd for Alok Industries Resolution.

Looking at this case, it is evident how serious our Tribunals are about long term aims and essence of the Code. Very efficiently the AA highlighted the importance of resolution above liquidation, taking the Apex Courts decision in the matter of K Sashidhar vs. Indian Overseas Bank & Ors. as the precedent. The NCLT in this matter, very efficiently accentuated the fact that priority is to be given to the resolution and not liquidation. Liquidation is never in the larger interest of public, workmen and stakeholders directly related to the corporate debtor, it should always be the last resort. Resolution is a Rule and Liquidation is an Exception.

The Resolution Process of Alok Industries was quite a roller coaster ride for everyone related to the process, it brought about better understanding of the IBC and resulted in the achievement of its aims. It is the result of this that we are witnessing a betterment in the health of the company. The company had seen days as bad as getting delisted from the BSE, it got relisted at Rs. 14 per share and dipped to Rs. 4 per share in March 2020, due to the Covid 19 Outbreak.

Also, due to the nature of business being in textiles, the company had seen a great business opportunity of using its resources in the production of PPE Kits and masks being greatly in demand as an essential tool to fight against the Covid-19 Pandemic. When this pandemic COVID-19 has spread and also the deficiency of PPE kit and masks has been observed and it was taken into consideration by Mr. Mukesh Ambani to start the business of manufacturing PPE kits for the doctors as India was importing it from china at Rs.2000/- per kit. So to revive Alok industries from the losses, they decided to manufacture PPE kits for doctors at lowered prices so Alok industries (Silvassa plant) started manufacturing PPE kits. Most of the manufacturing units of Alok Industries had to be shut down during this time but later the management decided to produce PPE Kits. After that the Alok industries started increasing the production of PPE kits and gradually started manufacturing more than one lac PPE kits per day.

This was an opportunity for the management of Alok Industries before January 2020. The PPE Kits that were available in India were being imported from china at very high costs and poor quality. The management employed 10,000 workers at their Silvasa Palnt just to focus on manufacturing PPE Kits. The share prices of the company has seen a sudden jump within a very short period, there was an upper circuit also imposed by the market regulator. At present, the Share Price is at an average of Rs. 24 per share. India reduced import of PPE kits from china and started manufacturing its PPE kits in its own countries at the lesser amount that is Rs.650/- and almost 15-18% of the PPE kits are manufactured by Alok industries itself so they cover the large market share in case of manufacture of PPE kits'.

So like this, the reliance industries took over Alok industries, and because of which share price of Alok industries also got affected. The name Reliance itself has hyped up the whole scenario. With the assistance of such a company, Alok industries will soon be placed once again on the ladder of fortune and success. The company is indeed in better hands despite all the unfavorable circumstances in the economy.



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