

## Case Study : Performance Analysis of Binani Cement Limited (BCL)

*Binani Cement Limited (BCL), a flagship subsidiary of Binani Industries was engaged in the production and sales of cement with a brand name of 'Binani Cement' and clinker in Rajasthan, Maharashtra, Haryana, Delhi and some other states of India. In pursuance of insolvency application of the Bank of Baroda (the Creditor), the Kolkata Bench of the National Company Law Tribunal (NCLT) vide an order on July 25, 2017, admitted CIRP (Corporate Insolvency Resolution Process) of the Company (the Debtor). The NCLT also appointed Mr. Vijaykumar V. Iyer (Vijay) as the Interim Resolution Professional who was subsequently confirmed as the Resolution Professional by the Committee of Creditors. Vijay and his team successfully completed the CIRP of the company that resulted in a 100% recovery for the lenders. The team, with the support of stakeholders, restarted manufacturing and sale operations reinforcing the going concern status of the Company. This enabled the team to market the company, generate interest and obtain six compliant resolution plans before handing it over to Ultratech Cement Ltd, the successful resolution applicant.*

*The present case study, sponsored by IIIPI, was developed by Vijay with his colleagues, Mr. Alaric Diniz and Ms. Deepali Rai. In this study, the research team has provided a first-hand step by step guide to resurrect a corporate life. Read on to know more....*



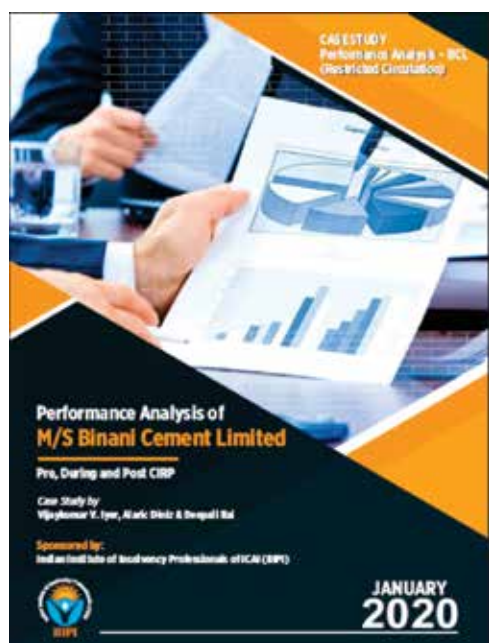
**Vijaykumar V. Iyer (Vijay)**  
(The author is a professional member of IIIPI)

### Introduction

Binani Cement Limited (BCL), the Corporate Debtor (CD)/the Company, was engaged in the manufacturing, sales and distribution of branded cement since its foundation in 1996. The case of Corporate Insolvency Resolution Process (CIRP) was admitted against the company under the Insolvency & Bankruptcy Code, 2016 (IBC)/the Code in the Kolkata Bench of the National Company Law Tribunal (NCLT) in July 2017.

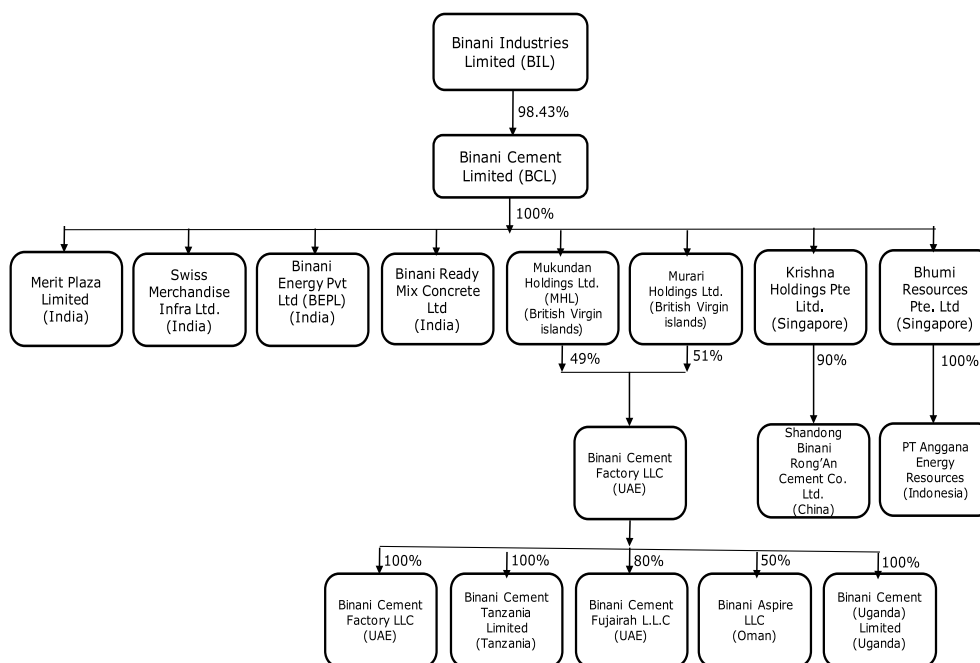
During the CIRP, the Resolution Professional (RP), as per the provisions of the Code, successfully restarted the operations of the CD and maintained it as a Going Concern. Besides, the RP also finalized a list of feasible resolution applicants (RAs) for consideration of the Adjudicating Authority (AA) i.e., NCLT, Kolkata Bench. The NCLT, Kolkata Bench finally approved the Resolution Plan of a Resolution Applicant (RA) that had proposed 100% plus resolution to the financial, operational and other creditors. Subsequently, the CD was successfully transferred to the RA.

The present case study fundamentally discusses the operational parameters - the challenges and steps taken for sustained and improved operations, and cash position of BCL during the CIRP, thereby, facilitating a successful resolution as envisaged under the Code.



### Company Profile

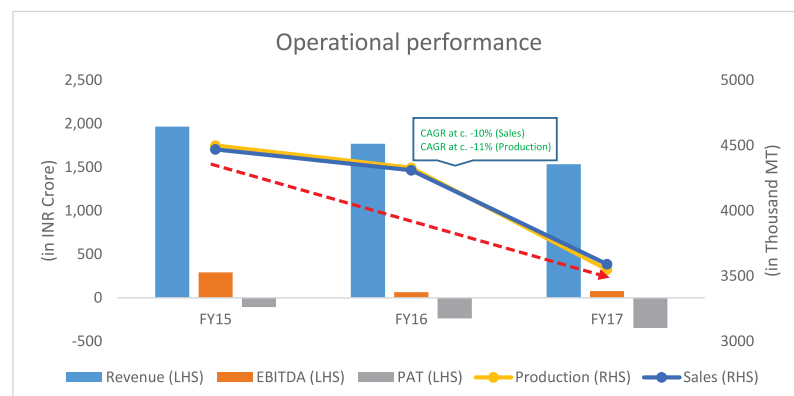
- Binani Cement Limited, listed at Bombay Stock Exchange (BSE) and National Stock Exchange of India Limited (NSE), was a part of the Braj Binani Group and a subsidiary of Binani Industries Limited (BIL), India.
- BCL used to manufacture and market 'Ordinary Portland Cement' (OPC) (43 and 53 grade)
- The production capacity in India was 6.25 Metric Tonnes Per Annum (MTPA) with 70 MW captive power plants. Besides, it had clinker capacity of 3 MTPA at China and grinding unit of 2 MTPA at Dubai. The total global capacity of the Company was 11.25 MTPA.
- The Company had developed sizeable facilities (~300 hectare of land) and had substantial raw material reserves (limestone mining lease at Amli and Thandi Beri in village-Binanigram (BGR) spread across 256 hectares (ha.) and 468 ha. respectively), and was operating the following cement units in the state of Rajasthan:
- An integrated unit (IU) of 4.85 MTPA of cement production capacity with 2 lines of cumulative clinker capacity of ~14,200 Tonnes per Day (TDP) in village-BGR, Tehsil-Pindwara, District- Sirohi, Rajasthan.
- The IU had captive power plants of 70MW.
- Additionally, a second plant consisting of grinding unit (GU) with an installed cement capacity of 1.4 MTPA in village-Sirohi, Tehsil- Neem Ka Thana, District-Sikar, Rajasthan.
- Both, the integrated cement unit and the grinding unit, had railway facilities for inward and outward movement of materials.
- The Company had captive limestone reserves which are near BGR, and this was capable of serving its needs for the next 30 years.
- The Company had also acquired coal mines in Indonesia for meeting the energy requirements of its global presence.
- In India, BCL had a widespread distribution network, comprising ~3,000 dealers in core markets (Rajasthan, Gujarat and Haryana) and ~1,100 dealers in non-core markets as on November 2018.
- All the plants were ISO 9001:2008, 14001:2004 and OHSAS 18001:2007 certified.
- Furthermore, the Corporate Debtor had a number of subsidiaries and step down subsidiaries as follows:



**Source:** Annual Report of FY 2016-17 of BCL

## Pre-CIRP Performance

### a. Performance in Three Previous Years



**Source:** Company's Financial Statement

### b. Reasons of Financial Stress

Year	Liquidity Issues	Financial Stress
2012-13	Overseas expansion	<ul style="list-style-type: none"> <li>Project to expand the company's production base with a new plant in Mauritius was scrapped by October 2012, when Binani Cement could not secure enough land for a site for the factory.</li> <li>The Chinese authorities prohibited further cement capacity expansion in China.</li> </ul>
2013-15	Divestment for debt reduction	<ul style="list-style-type: none"> <li>Binani Industries was under pressure to sell 40% stake in Binani Cement to raise capital.</li> <li>In February 2015, company sought to sell its 1.2 MTPA Neem Ka Thana grinding unit in Rajasthan to further reduce its debt; the deal didn't go through.</li> </ul>
2016-17	Penalties and working capital issues	<ul style="list-style-type: none"> <li>Penalties imposed by the Competition Commission of India impacted ~50 per cent of the company's net profits from 2009 to 2011.</li> <li>Receivables accumulation / unrealized sales for the finished product supplied, majorly to related parties resulting in working capital shortage.</li> </ul>

**Source:** HDFC securities retail research FY 17-18 dated March 23, 2018.

The lower capacity utilisation had impacted profitability due to paucity of working capital support from the bankers on account of the financial stress within the company. The Earnings before Interests, Taxes, and Depreciation and Amortisation (EBITDA) margins declined from 15% in FY 2014-15 to 5% in FY 2016-17 while the Profit after Tax (PAT) margins had considerably deteriorated from (negative) -5% in FY 2014-15 to (negative) -23% in FY 2016-17. The sales volumes had declined at CAGR of about 10% while the production had declined at CAGR of about 11%.

Apart from the above factors, construction slow down further created pressure on price

realization for cement due to over-capacity and lower demand from the commercial real-estate segment. Furthermore, high input costs also impacted profitability negatively.

### c. Failure of Corrective Action Plan

The restructuring of the existing term loans was necessitated on account of lackluster demand, decline in realizations, increase in costs and other extraneous circumstances including on account of Rajasthan VAT.

The consortium of banks had agreed to restructure the account under Joint Lenders Forum (JLF) Mechanism. While a Corrective Action Plan (CAP) was finalized by JLF and Master Restructuring Agreement was signed, some of the consortium lenders had not sanctioned the facilities as per CAP and other lenders who had sanctioned facilities as per CAP did not disburse or partially disbursed the facilities as per CAP. As a result, the CAP could not be implemented in full within the time frame prescribed by Reserve Bank of India.

Due to non-disbursement of facilities and partial implementation of CAP, Company could not honour its debt obligation in time resulting

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in the CAP being “declared as failed” by the lenders, and the Company being taken to NCLT under the Code.

### Corporate Insolvency Resolution Process (CIRP)

#### a. Appointment of IRP/RP

Pursuant to an application by the Bank of Baroda (Applicant) filed before the NCLT, Kolkata Bench (NCLT) against Binani Cement Limited in terms of Section 7 of the Insolvency and Bankruptcy Code, 2016 read with its Rules and Regulations, the NCLT, Kolkata Bench appointed Mr. Vijaykumar V. Iyer as the Interim Resolution Professional (IRP) vide its order dated July 25, 2017 (Insolvency Commencement Date, ICD). He was confirmed as the Resolution Professional (RP) by the Committee of Creditors (CoC) pursuant to the voting at the first CoC meeting held on August 22, 2017. The entire CIRP was completed with the active support of financial creditors and other stakeholders. The summary of the CIRP timeline is provided in Annexure 1.

#### b. Initial Assessment

Upon receipt of the NCLT order, the IRP along with authorized representatives from Deloitte Touche Tohmatsu India LLP (DTTI - the firm providing support services to the IRP) met with the applicant bank and with management team/ advisors of BCL at their Corporate Office in Mumbai to take charge of assets of the Corporate Debtor. After initial meetings at the corporate office, the IRP team travelled to the plant at BGR and took charge of the assets of the Corporate Debtor on July 29, 2017 as a majority of operations were carried out from the plant location. These initial procedures including to meet with the promoters, directors, KMPs, to further understand the issues and financial situation of the company – concerns and pain points, to explain the procedure of CIRP and roles & responsibilities of the IRP/RP, and to explain the expectations and cooperation sought from the promoters, directors, KMPs to achieve a successful resolution. Following are some of the key takeaways from these initial discussions.

1. **Plant operations had been stopped prior to ICD:** The cement plant operations had

been stopped since July 23, 2017 (before commencement of CIRP) due to non-supply of coal and shortage of working capital. During initial discussions, the management of the Corporate Debtor tried to dissuade the IRP and his team from visiting the plant at BGR citing non-payment of dues and possible local unrest.

**After initial meetings at the corporate office, the IRP team travelled to the plant at BGR and took charge of the assets of the Corporate Debtor on July 29, 2017 as a majority of operations were carried out from the plant location.**

2. **Condition of plants:** It was observed by the technical advisors that the general condition of major equipment specifically Kiln 2 and its associated equipment like VRMs and Cement Mills needed extensive repair and maintenance, and which had not been carried out on account of the lack of adequate cash flows in the Company.
3. **Security and safeguarding the assets:** The IRP with his team evaluated the security services and their positioning especially considering the vast area over which the plant facilities were spread, the mining area near the plant and the large number of employees and workmen living within the BGR Township. A security agency was deployed to take over the security requirements and to safeguard plant locations and assets
4. **Large number of employees:** As on ICD, the total number of employees was ~700 and contract labour were ~2,000.
5. **BCL** was sole source of employment/income for the employees and workmen at BGR/ NKT. The extent of dependency meant that the non-operation of the plant was a very emotive issue resulting in a highly charged environment.
6. **Key employees of BCL on deputation:** Key employees i.e., Chief Financial Officer (CFO), Company Secretary (CS), marketing manager, bank liaison and operations were not on the rolls of BCL but were employed by BIL (holding company) and were being deputed to BCL.



7. **Majority of the operations carried out from the plant, which was both in a remote location as well as in a sensitive tribal belt:** During initial meetings it was highlighted that except for the deputed employees all other major day to day operations were carried out from the plants. It was also important to note that the major exits / highways from the plants to the nearby cities were non-operational from sunset to sunrise on account of potential threats from local miscreants.
  8. **Marketing, sales and distribution operations were carried out from the Delhi office of the Company:** Though the manufacturing and dispatch activities were carried out from the plant, the marketing, sales and distribution operations were carried out from the Delhi office of the Company which entailed additional monitoring and coordination activities especially given the spread of the markets across Rajasthan, Gujarat, Haryana, Delhi, Punjab, MP and Maharashtra.
- The IRP was informed that transport costs had been paid by BCL to DSPL; however the IRP team learned that the same was still outstanding to be paid to the transporters by DSPL.**
9. **Cash and Bank Balance:** Bank balance for operational accounts as on ICD was ~INR 4.0 Crore whereas the minimum fixed cost for the company just for a month was ~INR 9.47 Crore; a shortfall of over INR 5 crores.
  10. **Inventories:** As on ICD, reported inventories value was ~INR 60.33 crores (break up as given in Annexure 2). Coal stock as on July 24, 2017 was reportedly 25,311 MT out of which 24,954 MT were lying at port in accordance with high-seas sales agreement; only 357 MT of coal was available at the plant which was insufficient for restarting the plant.
  11. **High amount of receivables from related parties:** As on ICD, the company had ~INR 616 Crores of receivables out of which ~INR 590 Crores receivable were from 3 companies which were related parties of the company (indirect relation through common directors with the holding company BIL). Sales were carried out on a credit basis to these parties. Sarswati Sales (SSPL) which owed ~INR 488 Crores to the Company was a Market Organiser (MO), the regional dealer that had a sub-dealer network under the MO, and sales happened in the states of UP, Delhi, Maharashtra, Punjab, and MP through SSPL. The Company had a different arrangement with SSPL as compared to other MOs wherein sales are directly made and invoices are raised to SSPL.
  12. **Routing of dealings with transporters via a related party:** The Company had entered into various transactions with transporters via a related party entity Dhaneshwar Solution (DSPL) for all the logistic requirements of BCL. The IRP was informed that transport costs had been paid by BCL to DSPL; however the IRP team learned that the same was still outstanding to be paid to the transporters by DSPL.
  13. **Manpower Services by a related party:** Nirbhay Management Services Pvt. Ltd (NMSPL) was providing manpower services to BCL at various locations (BGR, NKT, Jaipur, Mumbai, Ahmedabad etc). These services were pertained to guest house, medical hospital/clinic, school, bagging services at plant, etc. and were essential for smooth continuity of operations. NMSPL was a wholly owned subsidiary of Binani Metals Pvt. Ltd.; a related party to BCL.
  14. **Relatively new senior management team:** The senior management team of the Company was relatively new with most of them joining BCL in 2017.
  15. **Influence of the promoter:** Promoters had continuing influence on the management team and on other stakeholders. Similar to other debt restructuring and recovery processes, and as the IBC was still in its nascent stage, stakeholders considered the CIRP as a transition period and expected the promoters to come back. There was uncertainty with respect to participation by promoters in the resolution process (this case commenced prior to 29A restrictions), and stakeholders were unclear as to which side to support.

16. **Hostile situation and strike at plant locations by trade unions, transporters, dealers, and market organisers, etc.:** Hostile situation and strike by the various stakeholders was on account of non-payment or delayed payments resulting in non-cooperation and stalling of business activities of the Corporate Debtor. Threats, both physical and otherwise, were made by trade unions and transporters to members of the IRP team.

17. **Perception of stakeholders on Company's future post initiation of CIRP:** Low morale of all stakeholders due to commencement of CIRP and non-payment or adjustment of their outstanding dues

18. **Non-payment of statutory dues:** During CIRP commencement, statutory dues pertaining to PF and TDS for the month of March 2017 to June 2017 amounting to INR 3.82 crores remained outstanding.

19. **Overseas operations:** Only two of the step-down subsidiaries of BCL i.e. Shandong Binani Rong'an Cement Company Ltd. (China) and Binani Cement Factory LLC. (UAE) were cement manufacturing units of which management of BCL have submitted that the operations of China plant was shut down on account of environmental regulations in China and that the operations in Dubai were not profitable.

### c. Concerns/Challenges faced by the IRP/RP

1. To protect and preserve a sizeable asset with a large area in a remote location, large employee and workmen residing in the township were attached to the plant.
2. Convert the hostile situation to a more constructive working environment at the plant and in the company upon commencement of CIRP
3. To restart the plant and maintain sustainable operations in order to achieve optimal resolution
4. Managing day to day operations despite huge outstanding dues including to various statutory bodies.
5. Managing the large MO/dealer network

spread over both core (Rajasthan, Gujarat) and non-core markets (Haryana, Delhi, Punjab, MP and Maharashtra) covering seven states.

6. Addressing the various issues highlighted in the point above and finding solutions to each of them that would be workable and in agreement to the concerned stakeholders.

7. Addressing control over the overseas subsidiaries as a shareholder, as the IBC gives only 'ownership rights' as recorded in the balance sheet of the Corporate Debtor to the IRP/RP over these entities under the Code.

### d. Measures taken to address challenges, maintain sustainable operations and achieve optimal resolution

The measures taken by the IRP/RP and team to meet the challenges and maintain sustainable operations can be considered in terms of short-term, medium-term and long-term measures to achieve optimal resolution at the earliest and not more than the 270 days (180 days + 90 days of extension provided by the Adjudicating Authority) as prescribed in the Code.

### Measures taken to address challenges, maintain sustainable operations and achieve optimal resolution along with Processes and Achievements

S.N.	Short Terms Measures (STMs)	Mid Term Measures (MTMs)	Long Term Measures (LTM)
1	STM 01	MTM 01	LTM 01
2	STM 02	MTM 02	LTM 02
3	STM 03	MTM 03	LTM 03
4	STM 04		
5	STM 05		
6	STM 06		
7	STM 07		

### (i) Short Term Measures (STMs)

The STMs were concerned to ensure protection and security of the Corporate Debtor, while restarting of plant operations and generating positive cash flows to ensure sustainability of the company as a going concern. They could be

described in three sub-heads (Measure, Process Followed and Achievements) as follows:

**STM 01:** Takeover and secure assets of the Corporate Debtor

#### Process Followed

- Visited all the Company sites i.e., at Mumbai, BGR, NKT and others,
- Intimations were sent to all stakeholders. The banks were intimated for change in authorized signatory and all bank accounts were taken over, and statutory authorities were intimated regarding the proceedings.
- Appointed external security agency to take care of the assets of the company and to increase security arrangement at plant and offices of the corporate debtor.
- Appointed legal advisors to RP in relation to the legal issues of BCL, insolvency proceedings, drafting of petitions, reply and rejoinder applications and appearances before courts
- Photos and videos of the plant were captured on “as-is -where-is basis”.

#### Achievements

- Assets were secured for commencing and sustaining operations.

**STM02:** Imparting knowledge about the CIRP to all stakeholders.

#### Process Followed

- Imparting education about the Insolvency & Bankruptcy Code and process to be followed for successful resolution of the company to all stakeholders. Multiple meetings were conducted with management of the corporate debtor, employees, vendors, transporters and dealers to patiently and repeatedly explain the CIRP and motivate them to provide the support envisaged from each stakeholder during CIRP.
- This being one of the first cases, the immediate reaction of the stakeholders was that the company was ‘insolvent’ and undergoing ‘liquidation’. Concern was about their outstanding dues and how/ what needed to be done to achieve some

settlement; as all groups of stakeholders had substantial amounts outstanding.

#### Achievements

- Positive outlook for the process and support from stakeholders for sustainable operations.
- Understanding of the CIRP, filing of claims, role and responsibility of the IRP/RP and the stakeholders, and the responsibility and role of the promoters.
- Stakeholders got a sense of the high possibility of a recovery and likely resolution for the company.

**STM 03:** Meeting with the key stakeholders.

**Process Followed:** The IRP also held meetings with the following key stakeholders along with the management of the Company to seek their effective support during the CIRP to achieve successful resolution.

- **Management & Employees:** Various plans were discussed with management to restart the production including maintenance activities required and phasing of maintenance activities for sustained operations.
- **Trade union leaders:** Discussed and agreed on strategy to manage the workmen and labour to ensure uninterrupted operations and dispatch of materials.
- **Transporters:** Discussed and agreed settings aside past dues vide the claim mechanism under the CIRP and agreed a modus for payments in relation to dispatches during the CIRP.
- **Market Organizers (MOs) and dealers:** Discussed and agreed options for advance collection to increase liquidity and ensure minimal opportunity for payment default. Additionally, ensured that payment received for future sales are not adjusted against liabilities of the dealers prior to the CIRP.

#### Achievements

- Dispatch of cement started in August 2017 prior to restarting of the plant with the inventory available at the plant.
- The plant was restarted on August 11, 2017.

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**STM 04:** Preservation of value and going concern status

### Process Followed

- Business plan was drawn up in consultation with the management and technical team of the Corporate Debtor for/to:
- smooth and efficient running of the operations, gauge maintenance requirement,
- target production/sales volume to achieve breakeven,
- analysis of focus markets,
- monitoring and maintenance of the cash flows, and
- Interim finance requirement.

**With liquidity generated out of cement sales made by clearing existing inventory, IRP team restarted plant operations on August 11, 2017.**

- Appointed technical consultants to advise RP on technical matters pertaining to day to day operations of the plant and to assist RP on technical, operational, marketing, logistics and management aspects of the company.
- Engaged a separate team to carry out cash flow monitoring for assistance in and management of day to day operations of the Corporate Debtor to result in reduction of surprises and better visibility on business performance and for pre-audit of daily payments, receivables and deviation based on understanding of operational metrics.

### Achievements

- Raised an interim finance line of INR 100 Crore.
- Better management of the day to day operations of the company including tracking performance and taking corrective actions on a real-time basis, as required.

**STM 05:** Restarting of Plant Operations

### Process Followed

- Since the plant was non-operational at the

commencement of the CIRP, the company was not able to generate production and dispatch for a period of 4 - 5 days which had an impact on cash flows.

- After several discussions, plant operations were resumed, using coal inventory with the Company, by restarting the kiln and captive power plants which also helped in power cost savings.

### Achievements

- With liquidity generated out of cement sales made by clearing existing inventory, IRP team restarted plant operations on August 11, 2017 by running the plant.

**STM 06:** Controlling assets of overseas entities as only a shareholder.

### Process Followed

- Taking custody of share certificates of the subsidiaries.
- RP having taken over control of BCL, the holding entity having ownership rights in the subsidiaries, issued letters to the directors of the subsidiaries to take his prior consent for any corporate action in respect of the subsidiaries, and to securing the assets of the subsidiaries.
- Facilitated site visits to overseas plants as requested by the resolution applicants.

### Achievements

- The resolution plan considered full value to all creditors while considering control over the subsidiaries.

**STM 07:** Miscellaneous Measures

### Process Followed:

The IRP team also instituted a process with the required checks and balances for monitoring the followings:

- Monitoring of procurement of material and services vide a transparent process while excluding related parties.
- Payments to transporters against dispatches on delivery basis as it were essential to the distribution of the products in the market.



- Transactions with related party, being a provider of essential manpower services to BCL at various locations after the approval of CoC in order to continue their services.
- Overseeing dispatch of finished goods and documentation in respect of cash collection prior to dispatch.
- Follow up for collection of receivables.
- Management Information System (MIS) reporting, the reports which are required by the management to track the performance of the company.

### Achievements

- Increased overall capacity utilization of the company by pushing sale of both, cement and clinker.

### (ii) Medium Term Measures (MTMs):

The MTMs pertain to sustaining the operations of the Corporate Debtor by ensuring availability of the adequate working capital and cash flow to enable immediate maintenance requirements. The key MTMs are as follows:

#### MTM 01: Interim Finance

##### Process Followed

- Interim finance was required to mitigate working capital shortages for managing day to day operations and to incur certain maintenance costs to adequately function above breakeven level.
- The IRP circulated the interim finance proposal to members of the CoC.
- The PSU banks could not support the interim finance proposal on account of the provisioning requirement as per the RBI guidelines.
- One of the CoC members provided a proposal for providing interim finance to the Corporate Debtor.
- After multiple detailed discussions on the achievability of the business plan and the necessity for maintenance expenses to achieve an optimal resolution plan, the term sheet for interim finance was presented.

- The interim finance term sheet was placed before the CoC and discussed in detail and an INR 100 Crore line was approved by the CoC and sanctioned. Accordingly, an inter creditor agreement was executed in October 2017.

### Achievements

- Out of the sanctioned amount of INR 100 Crore, INR 85 Crore were withdrawn for utilization in 2 tranches (INR 55 Cr in October 2017 and INR 30 crore in December 2017).
- Furthermore, INR 20 crore was repaid as part repayment of interim finance availed from cash flows generated.

**MTM 02:** Continuous dialogue with authorities to ensure smooth functioning of the Corporate Debtor.

### Process Followed

- Liaison with VAT authorities, requesting deferment of stringent actions due to non-payment of previous VAT dues pre-CIRP and modus-operandi for making payments given no payment of the prior period.
- Meeting with Indian railways authorities to ensure month on month increase in availability of rakes for cement and clinker dispatches.
- Meeting with Provident Fund (PF) authorities pertaining to unpaid PF dues to discuss situation of the Corporate Debtor and CoC approval taken for PF payments for the prior period.
- Meeting with Indian Railways' authorities for compliance pertaining to Dedicated Freight Corridor.

### Achievements

- Ensured smooth functioning of the Corporate Debtor while also having a positive impact from vendors and suppliers to the CIRP.

**MTM 03:** Employees' Promotions, Bonus and Increments.

### Process Followed

- RP proposed promotions and increments

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which were effective from July 01, 2017 and had an additional cost of INR 20 lac. per month which was 6.41% of the overall Cost to the Company (CTC).

- The proposal was approved by the CoC.
- Out of 381 eligible employees, 85 were promoted.

### Achievements

- These actions further reinforced the “going concern” status of the Corporate Debtor and helped boost confidence amongst the employees while eliciting their positive support throughout the process.

### (iii) Long Term measures (LTMs):

The LTMs were aimed at improving the value of the Corporate Debtor for the future thereby increasing the possibilities for a successful resolution. The key LTMs used in the CIRP are as follows:

#### LTM 01: Operations & Maintenance Activities.

##### Process Followed

- Interim Finance was raised to meet the maintenance and repair requirements.
- Oversaw negotiations of credit terms with suppliers and transporters.
- Kiln-2 Maintenance in consultation with Holtec and commenced production from Kiln-2 on February 7, 2018.
- Preventive maintenance of Kiln-1 undertaken in February 2018.
- One captive power plant made operational from October 2017.

### Achievements

- Ensured continuity in operations of the Corporate Debtor and maintained it to a sustainable level.

#### LTM 02: Sales & Marketing

##### Process Followed

- Continuous communications with employees and dealer network to restore confidence.

- Ensuring consistent material availability throughout the CIRP through proper monitoring of inventory, dispatches and collections.

- Appropriate branding and promotional activities undertaken like dealer's meet, distribution of Diwali gifts, and wall paintings etc.

**Found out that BIL was supplying Binani branded cement in the Southern Indian market through alternative channels. The activity was stopped immediately.**

- Key marketing employees were retained until conclusion of the CIRP.

### Achievements

- Reinstated the sales in non-core markets by creating a dedicated marketing team for these regions.
- Increased capacity utilization by pushing sales of cement and clinker by additionally covering non-core markets as well.

#### LTM 03: Supply Chain Management

##### Process Followed

- Regular meeting with key vendors to reinstate continued short term and long term supplies and availability of key raw materials.
- Regular dispatches ensured and payments released in a timely manner to restore the confidence of transporters.
- Monitoring of material delivery and coordination with vendors to ensure non adjustment of previous dues.
- Maintenance of the safety stock level of finished goods and raw materials
- Organized inter-department meetings to address coordination problems.
- Coordination with NMSPL management to ensure continuity of operations.
- Implemented robust dispatch planning and route allocation process.

### Achievements

- Found out that BIL was supplying Binani branded cement in the Southern Indian market through alternative channels. The activity was stopped immediately.

With pro-active, transparent approach during CIRP and the active support of all stakeholders including CoC members, operations of the plant were improved and sustained throughout the CIRP period.

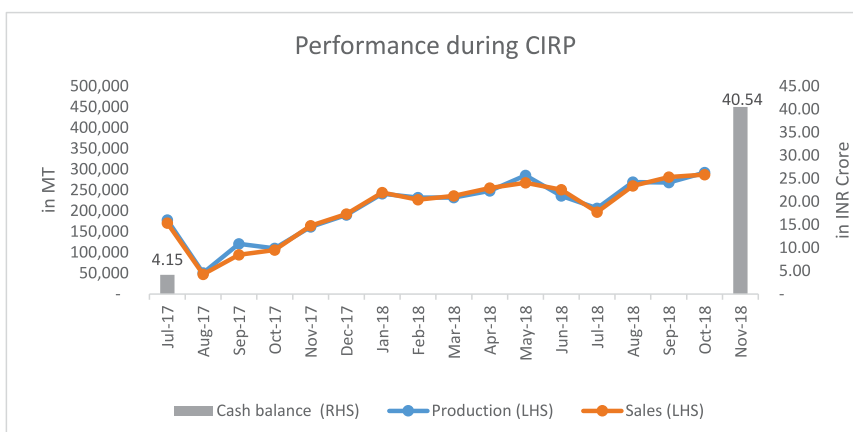
The process of the sale of the Corporate Debtor generated interest among six global companies, 14 domestic companies, and seven

financial bidders. Subsequently, six compliant resolution plans were received by the RP. After approval of the resolution plan, the lenders recovered 100% of their dues. A timeline along with summary of the key operational milestones is provided in Annexure 1.

### e. Operational Performance

- Turnaround of the operations by bringing in the right expertise and strong project management: Cement production and sales volume both grew at cumulative monthly growth rate of ~11% over the CIRP period as compared to CAGR of ~ -11% and ~ -10% for production and sales over FY 2014-15 to FY 2016-17 prior to the CIRP.
- Regular maintenance & repair activities fuelled growth and increased the value of the asset for achieving resolution: Overall capacity utilisation remained in the range of ~50% during the CIRP, while substantial repair and maintenance activities were carried out from the cash flows of the Company post approval by the CoC.
- Once core-market operations were stabilised, the RP team focused on non-core markets as well, expanding the market coverage of the Company: Post discussion and consultation with the Company management and Holtec team, and the approval of the CoC, RP has authorized on boarding of 25 people on contract basis for non-core markets.

**RP proposed promotions and increments which were effective from July 01, 2017 and had an additional cost of INR 20 lac. per month which was 6.41% of the overall Cost to the Company (CTC). Out of 381 eligible employees, 85 were promoted.**



### Post-CIRP Period

In pursuance to the NCLAT order dated November 19, 2018, Binani Cement Limited, the Corporate Debtor, was transferred to the successful Resolution Applicant and renamed as Ultratech Nathdwara Cement Limited (UNCL) w.e.f. December 12, 2018.

#### a. UNCL: Key Assets Acquired

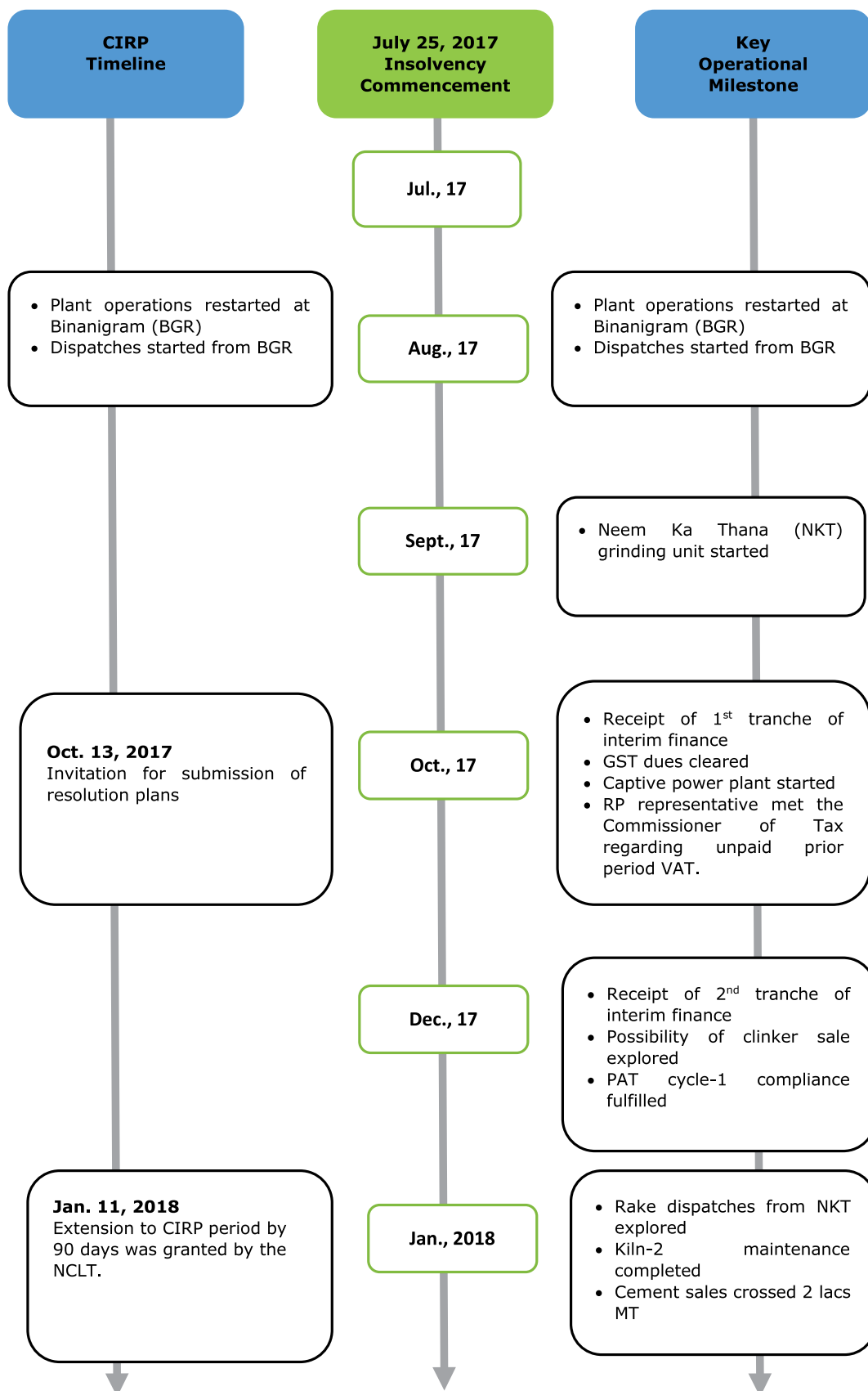
Indian Assets	Clinker Capacity- 4.59 MTPA in Rajasthan
	Cement Capacity- 6.25 MTPA in Rajasthan
	Thermal Power Plant- 70MW
	Superior Quality Sizeable Limestone Reserves
	Latest Technology European Plants
Overseas Assets	China- Clinker: 2.0 MTPA, Cement- 0.3 MTPA
	UAE: Cement GU: 2.0 MTPA

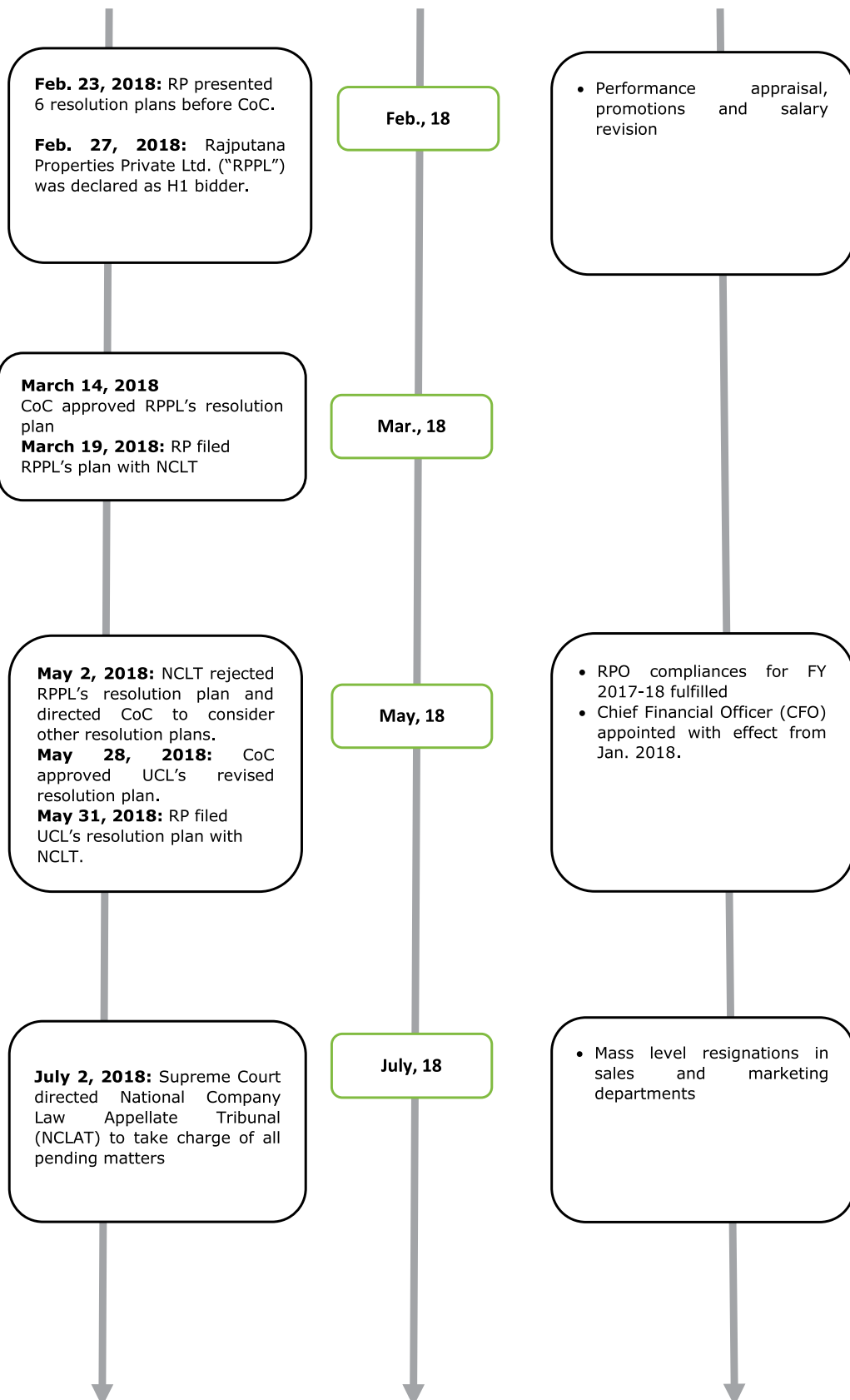
#### b. UNCL- Integration Update

The following update is as per the disclosure of the UNCL in “Results Presentation” for Q2 FY 2019-20:

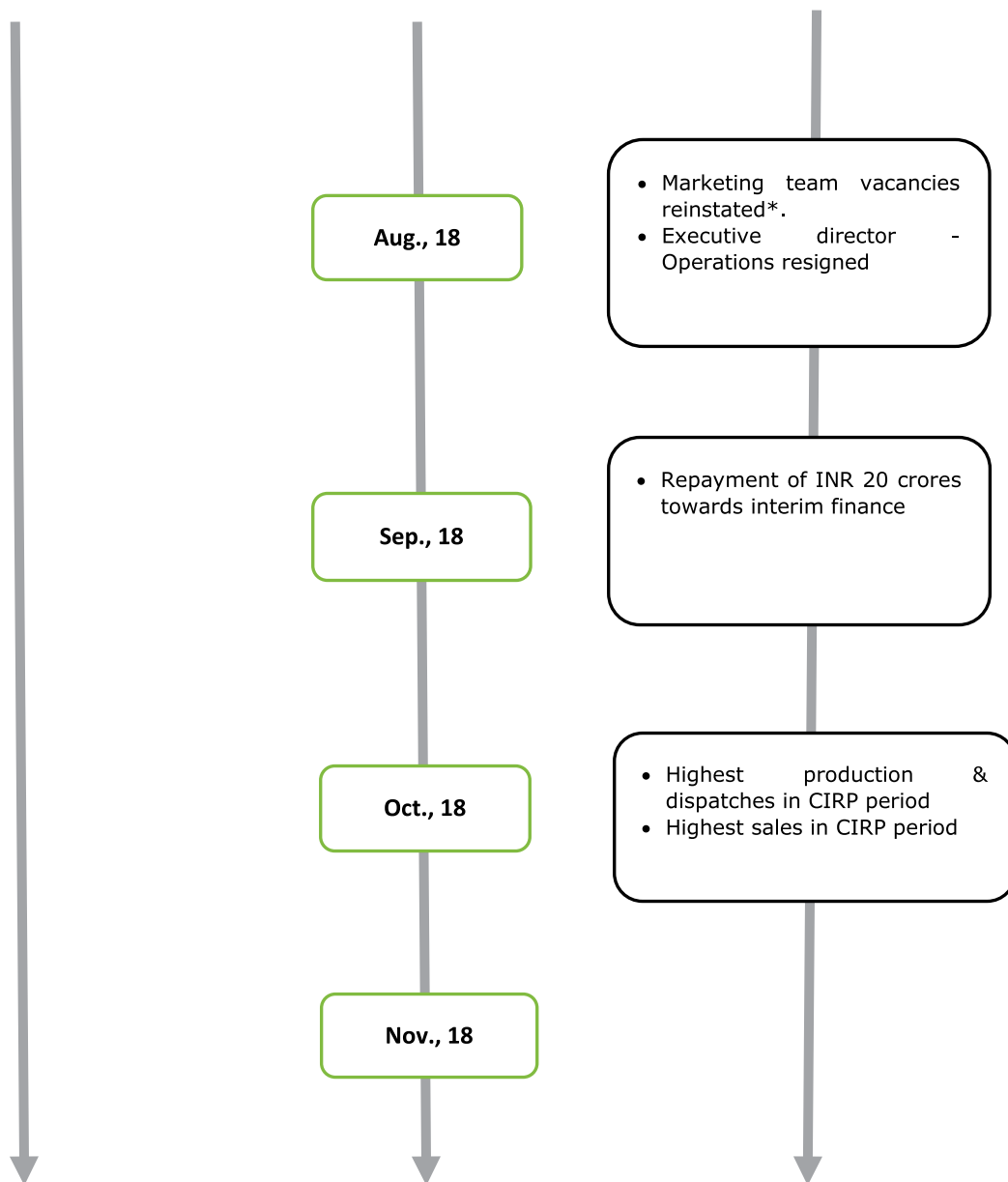
1. Assets consistently generating healthy EBITDA.
2. Continuing PAT positive performance in a seasonally weak quarter.
3. Cost improvement program in place- Capex initiated for 10.5 MW WHRS.
4. Disposal of non -core assets to improve returns.
5. Assets generated free cash flows of ~ INR 100 crores in the first half of FY 2019-20.

### Annexure 1: CIRP / Timeline of Key Operational Milestones









Nov. 14, 2018: NCLAT approved revised resolution plan submitted by UCL

Nov. 19, 2018: Supreme Court upheld the order passed by the NCLAT

*\*Reinstated: Reinstatement is in context of reactivating the marketing organisation by reinstating the positions.*

## Annexure 2: Major Raw Material and Finished Goods Stock as on Insolvency Commencement Date (ICD)

Particulars	Unit	As on July 25, 2017
Clinker	MT	2,256
Cement	MT	23,147
Cement (Depot Stock)	MT	18,351
Coal (Imported)*	MT	25,311
PP Bags (OPC & PPC)	No's	21,93,300
Gypsum	MT	9,831
Fly Ash / Pond Ash	MT	4,166
Limestone	MT	1,01,245
Iron Ore / Red Ocher	MT	2,378
Silica Sand	MT	772
Raw Meal	MT	36,168
Fine Coal	MT	32

**Source:** Daily Production Report, Post-CIRP

