

CIRP of Monnet Ispat & Energy Limited (MIEL)

Monnet Ispat and Energy Ltd. (MIEL) is one of the 'Twelve Large Accounts', the CIRPs of which were initiated by banks on directions of the Reserve Bank of India (RBI). The Resolution Plan of MIEL yielded 123% of its value of assets at the time of CIRP commencement date i.e., liquidation value.

The major reasons behind MIEL's financial stress have been influx of cheap Chinese steel products, impact on account of government policies in making available key natural resources namely coal & iron ore for the steel industry, de-allocation of coal mine by the Supreme Court in September 2014, delay in ramp-up of the integrated steel plant, and higher interest rates among others. There were 39 members in the CoC, total admitted claims were ₹ 11,014.92 Crore. The CoC after considering the feasibility and viability of the Resolution Plan approved the same with 98.97% vote share but subject to certain conditions.

*The present case study, sponsored by IIIPI, has been conducted and developed by Shri Sumit Binani and his Professional Advisors Shri Ashish Chhawchharia, and Shri Surendra Raj Gang. Shri Binani has handled the MIEL account as IRP, RP, and Monitoring Agent for implementation of the Resolution Plan. In this Case Study, the author has covered various stages pertaining to the CIRP of MIEL and has summarized the key highlights including challenges faced during the process. **Read on to know more...***



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1. Introduction

MIEL had availed fund based and non-fund-based loan facilities from various banks and financial institutions including the State Bank of India (SBI), the lead creditor, and its erstwhile associate banks, viz. State Bank of Patiala, State Bank of Mysore, State Bank of Bikaner and Jaipur, State Bank of Hyderabad, and State Bank of Travancore.

The company had been facing financial stress since few years before being considered as Non-Performing Assets (NPA) and admitted to insolvency, due to several factors including influx of cheap Chinese steel products, impact on account of government policies in making available key natural resources namely coal & iron ore for steel industry, de-allocation of coal mine by the Supreme Court in September 2014 and also various other factors e.g., delay in ramp-up of the Integrated Steel Plant, higher interest rates etc. Due to default in repayment of the loans and pursuant to a directive¹ of the Reserve Bank of India (RBI) on June 15, 2017, the process was initiated for resolution of the Company.

Pursuant to the petition filed by the SBI, a Financial Creditor (FC) of the Corporate Debtor (CD), under

CASE STUDY
CIRP OF MONNET ISPAT & ENERGY LIMITED (MIEL)



**Performance Analysis of
CIRP OF MONNET ISPAT &
ENERGY LIMITED (MIEL)**

Pre, During and Post CIRP
Case Study by
Sumit Binani

Sponsored by
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Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC) for initiation of CIRP, the National Company Law Tribunal (NCLT), Mumbai Bench vide its order on July 18, 2017, admitted the CD into CIRP and appointed Shri Sumit Binani as its Interim Resolution Professional (IRP). He was later confirmed as the Resolution Professional (RP) in the first meeting of the Committee of Creditors (CoC) on August 23, 2017. The MIEL was amongst the first list of 12 large cases referred¹ by the Reserve Bank of India (RBI) for initiation of CIRP.

2. Profile of the CD

Monnet Ispat & Energy Limited (MIEL), the CD or Company was, one of the leading sponge iron players in India, which eventually graduated to an integrated steel making facility. It also had expertise in the business of mineral beneficiation and had partnerships with leading global players.

Incorporated in the year 1990 as Monnet Ispat Limited, the company was principally engaged in manufacture and sale of steel intermediaries e.g., Sponge Iron, Billets, Ferro alloys and long (rebar's) steel products through its facilities at Raipur and Raigarh. Its main finished products included TMT, Billets, DRI, Pellets, Structural Steel, Plates and Coils (Future Products) and Ferro Alloys. The ccompany had two plant facilities located in Raipur and Raigarh.

MIEL's products were catering to Automobiles, Infrastructure, Construction, Equipment and Machinery Manufacturing, Ships and Railways, and Electrical Equipment, etc.

Table 1: Pre-CIRP Financial Performance

Particulars	Amount in ₹ Crores	
	FY 2015-16	FY 2016-17
Net Sales	2,021	1,373
EBITDA	-369	-86
Loss After Tax	-1,705	-1,734

Source: Annual Report of MIEL, FY 2016-17.

¹ Live Mint (2017): RBI tells banks to file cases against 12 big loan defaulters in a month, June 17 (<https://www.livemint.com/Politics/bTsvgLK63zmErEicmIbf3I/Bhusan-Essar-Steel-among-12-firms-being-moved-to-insolvenc.html>)

3. Corporate Insolvency Resolution Process (CIRP)

3.1. Initiation of CIRP

NCLT Mumbai through an order² on July 18, 2017, admitted the CIRP of the MIEL and appointed Shri Sumit Binani as Interim Resolution Professional (IRP). The same was made available on the website of the NCLT on July 24, 2017. After the receipt of the order, the IRP along with his team immediately visited the office of the CD at New Delhi. IRP appointed Grant Thornton (GT) as his professional advisor. After being confirmed as RP by CoC, the RP confirmed GT as professional advisor or RP Support Team w.e.f. July 24, 2017. GT provided support services by nominating a team of professionals right from the commencement of CIRP. The erstwhile management was cooperative and facilitated smooth take over.

MIEL's products were catering to Automobiles, Infrastructure, Construction, Equipment and Machinery Manufacturing, Ships and Railways, and Electrical Equipment, etc.

The requisite team members were deployed at the respective plant locations at Raigarh and Raipur to assist in managing the operations of the CD. Considering the scale of operations and activities to be carried out during the CIRP, respective teams were formed for overseeing the activities of plant operations including sector specialists, procurement and payment approval process, sales, Management Information System (MIS) and other reporting, claim verification, legal matters, treasury and collection, human resource and payroll, financial accounting, and taxation. Besides, insurance advisors were also engaged for assessing the extent of insurance coverage of the CD.

Upon initiation of the CIRP, the IRP and his support team met key management personnel and understood operations and immediate priorities. Considering that the IBC was new and evolving, its awareness and the impact was not known to various stakeholders. The IRP and his support team therefore also reached out to various stakeholders, such as customers, raw material suppliers, employees of the CD, labour contractors, other vendors, creditors, government authorities and apprised them about

² Live Mint (2017): Bankruptcy proceedings against Monnet Ispat, Alok Industries get NCLT nod, July 19 (<https://www.livemint.com/Industry/KuE9WpmdwB20kpoNdg9i4J/Bankruptcy-proceedings-against-Monnet-Ispat-Alok-Industries.html>)

the commencement of CIRP of the CD and its impact. They were also appraised that all the necessary approvals would be reviewed by IRP or his authorised team members. Besides, the team took particular effort to explain the concept of moratorium, submission of claims, embargo on payment relating to pre-CIRP period to creditors as well as various government departments. The RP along with the RP Support Team also undertook the following key activities as mentioned below:

Customers were also assured that in case of any complaints raised by them because of inferior quality and non-adherence to the delivery timeline, it would be addressed instantly.

(a) Formation of CoC

There were 39 members in the CoC, with total admitted claims was ₹ 11,014.92 Crore out of which the State Bank of India had maximum admitted claim amounting was ₹ 2,265.63 Crore with 20.78% voting share. The other big creditors were ICICI Bank Ltd., IDBI Bank Limited, and Indian Overseas Bank etc. ICICI Bank Limited's admitted amount was ₹ 902.54 Crore with 8.28% voting share, IDBI Bank Limited had admitted amount of ₹ 740.73 Crore and 6.79% voting share, and Indian Overseas Bank with the claim admitted amount of ₹ 458.87 Crore and 4.21% voting share. Requisite assurance was accorded to the Banks, OCs and company employees that there would be no disruption in the ongoing process and the payment process would be streamlined. Customers were also assured that in case of any complaints raised by them because of inferior quality and non-adherence to the delivery timeline, it would be addressed instantly. The RP Support Team assisted the IRP/RP in reviewing the pricing methodology of customers and vendors. The CoC in its meeting on August 23, 2017, confirmed the IRP as RP for the CD to conduct the CIRP.

(b) Analysis of CD Operations and Preparing Strategy for CIRP

The respective plant personnel apprised his team about the nature of facility, current capacity, and the extent of enhancement in the capacity level, status of operations at both the plant locations. The support team also assisted the IRP/ RP in carrying out assessment pertaining to the supplier and technology utilised and at the respective plant units. Extensive deliberation was done on the capacity utilisation of all the units and process of eliminating the

bottlenecks being observed in the process. Besides, technical experts also assessed the product range of both the units in comparison to the current demand and supply level both in the domestic and international market. The RP support team also reviewed compliance status of all the environmental rules and regulations of Central and State governments and set up a system to ensure their timely compliance. Furthermore, major focus was also accorded to the process for procurement of raw material and quality which played role in operations of the CD. The RP team also evaluated maintenance schedule of the plants and communicated various suggestions to senior plant personnel for improvement. Thereafter, periodic maintenance activities were carried out at all the units. For better compliance and management, daily meetings of the plant head and heads of departments (HODs) were initiated. The minutes of meeting (MoM) of these meetings used to be shared with IRP and his team. Besides, 'plant performance review meetings' were started on weekly and monthly basis.

Assurance was given to the workers and employees that their salaries for CIRP period would be cleared without any delay. The intent of the IRP and his team was to encourage open door policy.

(c) Communication with the Employees

Since there were many employees' exits in six months prior to the commencement of CIRP, it was necessary to address employees' concerns, make them aware about the process, and assure them that the endeavor of the IRP/ RP & his support team would be to continue the operations and maintain the CD as a going concern (GC). The IRP/ RP assisted by his support team conducted an open house session for the employees of the CD at the corporate office, which was live streamed at all the plant locations of the CD. The intent of this session was to apprise the workers and employees about the basic provisions of the IBC with a view to curtail the psychological pressure of job insecurity and to build a cohesive environment for a successful resolution of the Company. Assurance was given to the workers and employees that their salaries for CIRP period would be cleared without any delay. The intent of the IRP and his support team was to encourage open door policy. There were around 4,000 employees including ~1,800 contractual staff at initiation of CIRP.

(d) Deployment of Company Security Personnel and Mapping with the External Security Supervisors

The RP Support Team assessed the current deployment of the company security personnel at all the locations of its operations, status of the various check posts at plant locations. The security head of the company was duly informed about the change in the reporting mechanism. External security supervisors were appointed and adequately mapped with the company security personnel. The appointed security supervisors were directed to provide daily reports to the RP team and also about any untoward incident within the plant premises.

(e) Correspondence with External Stakeholders

The IRP/RP duly assisted by his team reached out to the various external stakeholders such as customer representatives, selling agents, raw material suppliers, contractual workers, vendors, statutory authorities. They were apprised about relevant procedures of CIRP, CoC and the revised processes of decision making in the Company.

(f) Banking, Procurement and Payment Related Functions

The IRP took control over all the operative and non-operative bank accounts of the CD. Requisite communication was sent to the respective branches of the bank for updating in the list of authorised signatories. One bank account at the respective site was kept operational for routine and small transactions with the instruction of transferring any balance above the specified limit to the Trust & Retention Account (TRA) account. The respective company personnel were apprised that all expenses are incurred with prior approval from RP Team as per the delegation of authority matrix approved by IRP/RP and CoC. Procedure of reporting bank balance on daily basis was also established for direct oversight on fund allocation. Mechanism was also established for approval and monitoring of procurement/ purchase order process.

(g) Accounting, Finance and Legal Functions

Timely completion of books of accounts and its reconciliation with physical status and site accounts was also one of the objectives of the RP Support Team. With the recent introduction of GST at that time, another major area of focus was on the transition and streamlining various processes to ensure that the invoices were promptly booked to enable timely filing of GST returns. IRP/ RP and support team also took an update on the status of the ongoing direct and indirect tax related litigations and assessments, and details of major statutory disputed

demands.

The RP Support Team also engaged with the legal team of the CD to understand key litigations, arbitrations, and awards. Key performance indicators of the respective HODs were aligned with the performance of the CD.

3.2. Operational Challenges to run CD as GC

(a) Incomplete Facilities at Raigarh Plant

Some of the facilities of the CD as on the date of its CIRP commencement date were not commissioned due to financial constraints. The commissioning and operationalisation of Electric Arc Furnace, Slab caster, Plate Mill and Lime Kiln required additional significant capital expenditure. As the CD did not have the required finances, it was found feasible to operate the blast furnace only after the aforesaid downstream facilities are commissioned so that hot metal from the Blast Furnace can be used in the Melting Furnace to make steel. However, the same was not possible due to paucity of funds and status quo was maintained.

Production cost of the company had been significantly higher than industry benchmarks. The Company had very high conversion costs, overheads, and marketing expenses. ”

(b) High Fixed and Conversion Costs

Production cost of the company for 2017-18 was ₹1245 crore which had been significantly higher than industry benchmarks. The Company had very high conversion costs, overheads, and marketing expenses. Due to small-scale operations of less than 1 MTPA, the company lacked economies of scale. It was suggested that once the operations are stabilised at the optimum level capacity, the cost structure could be rationalised due to increased turnover. This would lead to higher operating margin.

(c) Operational Efficiency of Raipur Unit

The unit was designed to produce 0.15 MTPA finished products from 0.23 MTPA steel making units. The plant was set up in 1993 and had a less-efficient route of steel making, i.e., Induction Furnace route. Substantial capital expenditure was required to be infused to complete the said requirements.

(d) Working Capital

At the CIRP commencement date, the CD did not have sufficient working capital and only part of the company's integrated facility at Raigarh was operational due to

working capital constraints. Substantial portion of the working capital was stuck in the slow-moving receivables. Due to negative news about the company, majority of the suppliers were reluctant to accord any credit on the supply.

Dismissing the appeal filed by the Income Tax department, the Supreme Court held that the Section 238 of the IBC has overriding effect on anything inconsistent in any other enactment, including the Income Tax Act.

3.3. Key Legal Matters Related to CIRP

(a) Moratorium under IBC, 2016 Vs. Income Tax Act

This case was finally decided by the Supreme Court³ on August 10, 2018, on appeal filed by the Income Tax Department against the order of Delhi High Court. In the instant case, the Income Tax Department has challenged the moratorium granted to the CD from recovery of Income Tax to the tune of ₹152.99 Crore. This case was among few cases where overriding effect of the IBC got reinforced over other enactments.

In the instant case, question to decide before the High Court was whether the order given by the Income Tax Appellate Tribunal (ITAT) against the CD will be stayed by the moratorium applicable under Section 14 of the Code. While addressing the question in affirmative, High Court had quoted the judgment of the Supreme Court in the matter of *M/s Innoventive Industries Ltd. v. ICICI Bank* wherein the Supreme Court has observed that Section 238 of the IBC unambiguously provides that the IBC will apply, notwithstanding anything inconsistent therewith contained in any other law for the time being in force. Section 14(1)(a) of the Code states, inter alia, that on the 'Insolvency Commencement Date' the Adjudicatory Authority (AA) shall by order declare moratorium for prohibiting 'the institution of suits or continuation of pending suits or proceeding against the CD including execution of any judgment, degree or order in any court of law, tribunal, arbitration panel or other authority'. Following the precedence of the *Innovative Industries Ltd vs. ICICI Bank Case*, the Delhi High Court held that the execution of the order of the ITAT in respect of the tax liability would be stayed until the approval of the

Resolution Plan. The Delhi High Court adjudged the similar question in *CCT South Delhi vs. Monnet Ispat & Energy Ltd.*, wherein relying on the order of the above-mentioned case, held that the moratorium period would be applicable to the execution of Order passed by the ITAT.

Dismissing the appeal filed by the Income Tax department, the Supreme Court held that the Section 238 of the IBC has overriding effect on anything inconsistent in any other enactment, including the Income Tax Act. The Supreme Court cited the order in the matter of *Dena Bank vs. Bhikhabhai Prabhudas Parekh and Co. & Ors.* (2000), to clarify that Income Tax dues, being of the nature of Crown Debts, do not take precedence even over secured creditors who are private persons.

(b) Short-Term Open Access for Wheeling of Power

On an application moved by the RP to direct Chhattisgarh State Power Distribution Company Ltd. (CSPDCL) and Chhattisgarh State Power Transmission Company Ltd. (CSPTCL) to provide short-term open access permission for wheeling of power from Raigarh plant of the CD to its Raipur plant. The NCLT extended its earlier order⁴ dated October 09, 2017, until further orders, on payment of the prescribed fee. The status quo was maintained till the implementation of the Resolution Plan.

The CD reported a positive EBITDA of about ₹ 70 Crores in FY 18, as compared to reported losses in the past two years which were ₹ 291 Crores in FY 16 and ₹ 52 Crores in FY 17.

(c) Termination of Gare Palma, Coal Block

MIEL had received allocations for captive coal mines which were later de-allocated as per the order of the Supreme Court of India. Subsequently, MIEL, participated in fresh round of auctions, conducted by Ministry of Coal, Government of India in January 2015 and emerged successful bidder for Gare Palma IV/7 coal block in Mand Coalfields, Chhattisgarh which an opencast mine with total mineable reserves of 60.47 million metric tonnes (MMT). This mine was again cancelled by the Ministry due to non-submission of Performance Bank Guarantee by MIEL. The RP had filed an application before the NCLT praying to keep the status unchanged during CIRP. However, this petition was dismissed by NCLT vide order dated January 16, 2018. Thereafter, an

³ NCLT, Mumbai (2017): CP No. 1139/(MAH)/2017 and M.A. No. 470/2017, November 27, 2017 (<https://www.legitquest.com/case/parties-state-bank-of-india-v-monnet-ispate-energy-limited/193C87>)

⁴ NCLT, Mumbai (2018): MA 199/2018, MA 223/2018, MA261/2018 in CP 1L39/2017, April 04.

appeal was preferred before the NCLAT which was also dismissed on the ground that the government was incurring revenue loss of about ₹314 Crore annually.

“The RP and his team ensured that Corporate Social Responsibility (CSR) initiatives undertaken by the Company prior to CIRP commencement date are continued to the extent possible.”

(d) Claims by ICICI Bank, IFCI Limited and Standard Chartered Bank

Three lenders – ICICI Bank, IFCI Ltd. and Standard Chartered Bank – approached the NCLT against the decision of the RP to not include them as Financial Creditors (FCs).

ICICI Bank contended that the bank had lent \$75 million (~₹486 Crore) to Monnet Power Company Limited (MPCL), a subsidiary of MIEL in external commercial borrowing (ECB) in which MIEL was a guarantor. The company had raised that money to build a power plant in Odisha. As the corporate guarantee was invoked after filing of the CIRP application, the RP did not include this claim under the category of Financial Creditor (FC). Similarly, IFCI had lent ₹158 Crore to MPCL where MIEL was corporate guarantor. In pursuant to the order⁵ of the AA on April 04, 2018, the claims were admitted by the RP.

(e) Stay on CoC scheduled for Voting on the Resolution Plan

ICICI Bank Limited filed a petition before NCLT on March 27, 2018. After hearing the RP counsel, the Court adjourned the matter to April 03, 2018, and restrained the RP from convening the CoC meeting. In view of this sudden development, the CoC meeting scheduled on April 03, 2018, for voting on the Resolution Plan could not be held. In the next hearing, the NCLT disposed of the matter⁶ with directions to the RP to admit the claims pertaining to uninvoked guarantees and also allowed to convene the CoC meeting.

Pursuant to this order, additional claims of State Bank of India, ICICI Bank Limited, IFCI Limited, Standard Chartered Bank and IndusInd Bank were admitted and the revised list of creditors was shared with the Resolution Application (RA). Subsequently RA revised the Resolution Plan to include impact of above additional claims. In order to ensure that the amounts payable to the assenting FCs of the CD (as currently provided in the

⁵ Ibid.

Resolution Plan) in respect of the Accepted Debt of ₹ 10,123.95 Crore are not altered and parity of treatment for the Additional Claims of ₹ 777.92 Crore, the RA proposed additional amount for the additional claims against corporate guarantee.

4. Performance of the CD during CIRP

- a. The turnover of the CD in FY 2017-18 was recorded at ₹1,419 Crore which was ₹1,375 Crore in the immediate previous FY 2016-17.
- b. The Company reported a positive EBITDA of about ₹ 70 Crores in FY 2017-18, as compared to reported losses in the past two years which were ₹ 369 Crores in FY 2015-2016 and ₹ 86 Crores in FY 2016-2017.
- c. By the end of CIRP, the RP Team was not only able to maintain the existing term deposits but also increased the same from ₹ 20 Crores to a level of ₹115 Crore.
- d. Streamlined salary payout to all levels of employees.
- e. Managed an agitation cum strike by the employees at the Raigarh plant site including demands from workers to form an employees' union.
- f. Restarting of Atmospheric Fluidised Bed Combustion (AFBC) Boiler at Raigarh unit after more than one year. AFBC Boiler offers benefits like fuel flexibility, high efficiency, low emissions and reduced cost as compared to other alternatives. This also helped in the consumption of surplus F grade coal available at the Raigarh unit and the surplus power could be wheeled to Raipur unit. The RP team assessed the additional start-up cost of running the AFBC as per the plan, safety measures at the site, periodical monitoring of the progress to get the desired results and proper regulation on supply of coal. The restart process helped the company in not only liquidating the 26,000 MT low grade coal but also saved cash flow up to ₹6.5 Crore.

5. Continuation of CSR Initiatives

The RP and RP Support Team, addressing the interest of nearby villagers and public at large, ensured that Corporate Social Responsibility (CSR) initiatives undertaken by the Company prior to CIRP commencement are continued to the extent possible. Some of the major CSR activities carried out, with appropriate

approvals from the CoC, during the CIRP are as follows:

- a. Supported health care facilities at 15 beds Maina Devi Hospital in Raipur and 27 beds hospital in

Resolution Plan was successfully implemented in a record time of 30 days including payment under plan of CIRP cost to FCs and issuance of equity shares to the FCs.

Raigarh.

- b. Assistance to Monnet DAV Public Schools at Raipur and Raigarh. Besides, conducting various literacy campaigns in nearby villages with the mission to achieve 100% literacy.
- c. Providing training courses in diverse spheres of crafts and skills such as stitching, embroidery, knitting for women, white phenyl making, candle making, backyard poultry farming etc. for sustainable livelihood and women empowerment. Besides sewing machines were also distributed among needy women.
- d. Beautification and landscaping of airports at Raipur.

6. Resolution Process of the CD

At the time the concept and proforma of advertisement for Expression of Interest (EOI) and Request for Resolution Plan (RFRP) were in nascent stage. MIEL was the first among the Twelve Large Accounts⁶ to issue advertisement for EOI. It was also among a few CDs to come up with a detailed RFP

EOI was invited from prospective investors for investment in MIEL through resolution plans vide advertisement dated September 16, 2017. In response, eight prospective resolution applicants shown interest. MIEL was among very few CDs in Twelve Large Accounts which received interest from such credible potential investors. As per the invitation, November 17, 2017, was fixed as the date for submission of resolution plans.

On November 07, 2017, the Insolvency and Bankruptcy Board of India (IBBI) notified amendments, inter alia, to Regulations 38 and 39 of the CIRP Regulations and subsequently on November 23, 2017, the Government of India amended the IBC through the IBC (Amendment) Ordinance, 2017 and prescribed eligibility criteria for

submission of a resolution plan by inserting Section 29A in the IBC. In view of the above amendments in the CIRP Regulations and the Ordinance, many potential resolution applicants requested for extension of the last date for submission of resolution plan. Accordingly, the last date for submission was first extended to November 27, 2017, and thereafter, till December 12, 2017, to enable the potential resolution applicants to submit resolution plans. Though four potential resolution applicants had shown extensive interest, finally RP received only one resolution plan from a consortium consisting of 'AION Investments Private II Limited' and 'JSW Steel Limited' (AION-JSW).

As the period of 180 days was to end on January 13, 2018, the CoC, decided to seek extension for 90 days primarily to understand and negotiate on the resolution plan. Subsequently, the RP filed a petition before the AA under Section 12 of the IBC. The same was allowed on January 19, 2018. Thereafter, CoC meeting was scheduled on March 31, 2018, but it could not be convened due to the order of AA on the petition of ICICI Bank. [See, 4.3 (e)]. Though the CIRP was at advanced stage, the RP was not able to convene the CoC meeting, and extension of 90 days was about to expire. Finally, the AA vacated its previous order on April 04, 2018.

After detailed deliberations and submission of records, the RP agreed to accept the claim of ICICI Bank which were considered as due from the date of CIRP commencement. Furthermore, pursuant to the order of AA, the next CoC meeting was convened on April 07, 2018, for voting on the Resolution Plan submitted by AION-JSW. The CoC after considering the feasibility and viability of the Resolution Plan approved the same with 98.97% vote share but subject to certain conditions which were mentioned in the 'Letter of Intent' issued to the RA on behalf of CoC. However, 2.03% vote shareholders did not cast their votes. Thus, the Resolution Plan was submitted to the AA within the stipulated time of 270 days. The RP and RP Support Team was engaged in regular dialogues with various stakeholders to complete the CIRP on time. Thus, MIEL became first among a few CDs to get approval for the Resolution Plan.

7. Implementation of the Resolution Plan

In pursuance to the terms of the 'Letter of Intent' issued to the RA, it deposited the amount of upfront payment and also completed replacement of the necessary bank guarantees as per the Resolution Plan and amendment letter thereto. Subsequently, the process of releasing the payments to the FCs was initiated and the Resolution Plan

⁶ Insolvency and Bankruptcy News (2021): Twelve Large Accounts, April-June 2021, p.18.
<https://www.ibbi.gov.in/uploads/publication/f4656f120a5161c281cfff40189353824.pdf>

was successfully implemented in a record time of 30 days including payment under plan of CIRP cost to FCs and issuance of equity shares to the FCs. This was done with coordinated and integrated efforts of the RP Support Team, Secretarial Team, Legal Team of Monnet Ispat, and team of the RA.

8. Preferential, Undervalued, Extortionate and Fraudulent (PUFE) Transactions

The RP filed an application under Section 43 of the IBC pertaining to preferential transactions before submitting the Resolution Plan before AA for approval. Two transactions aggregating to ₹29 crore were identified to be preferential in nature.

These preferential transactions were related to the loans the CD availed from two purportedly related parties amounting to ₹24 Crore and ₹5 Crore at an interest rate of 18% p.a. and 15% p.a. respectively within two years look back period prior to initiation of CIRP. The same were paid with interest to the related party lenders around three to four months prior to initiation of CIRP.

Though not in a position to repay its debts due to financial stress, the CD was found to be extending preferential treatment to its related party creditors by repaying their loans along with interest just months prior to CIRP initiation i.e., while the CIRP petition was pending before AA. The RP sought directions from the AA to issue orders to related preferential creditors for refund. In its order on July 25, 2018, the AA allowed the petition but partially. The AA held that the beneficiary creditors were not related

The AA held that the beneficiary creditors were not related parties within the meaning of related party under the IBC. However, it concluded that the transaction of ₹23 Crore preferential in nature.

parties within the meaning of related party under the IBC. However, it concluded that the transaction of ₹23 Crore was preferential in nature. In case of the second transaction of ₹5 Crore, only ₹2.84 Crore was admitted as a preferential transaction within the meaning of Section 43 of the IBC. The respective creditors were ordered to refund the aforesaid sums along with relevant interest to the CD within 30 days of the order. An appeal against the said order is currently pending adjudication before the Supreme Court.

9. Status of the Company

In FY 2019-20, the Company had restarted production at the 2 million tonne per annum pellet plant at Monnet Ispat and Energy and ramped up the Direct Reduced Iron (DRI) production to its optimal capacity to bring down the cost. DRI plant was operating at lower capacity Monnet was buying iron ore and pellet from open market and now the cost will come down after commissioning of the pellet plant. While DRI plant is working at its full capacity, the pellet is now operating at 60 per cent utilisation and will be ramped up progressively.

Table 2: Performance Overview in Post CIRP

S.No.	Overview	FY 2020-21 (₹Crore)	FY 2019-20 (₹Crore)	FY 2018-19 (₹Crore)
1.	Revenue	4,187	2,638	1,879
2.	Net Profit /Loss	(104)	(488)	(1,900)
3.	EBIT	170	(234)	(3,015)

Source: JSW Ispat Special Products Ltd.

(<https://www.moneycontrol.com/india/stockpricequote/steelspongeiron/jswispatsspecialproducts/MI16>).

Resolution of the Company by JSW Steel and AION is playing a pivotal role in the turnaround of the company and is significantly optimising the operations. Leading with guidance on strategy, operations, and Environmental, Social and Governance (ESG) practices, the JSW Steel

management is helping the company in becoming truly better, every day. With the guidance and support from JSW Steel, company is able to harness the latest industry knowledge, market intelligence, training expertise and experience across all business functions.

Table 3: Date of Major Events in CIRP of MIEL

S.No.	Date of event	Description of Activity
1.	18-07-2017	Order passed by NCLT for CIRP commencement of MIEL.
2.	24-07-2017	Order communicated to the IRP regarding his appointment.
3.	26-07-2017 27-07-2017	Public announcement to invite proof of claims from the Financial Creditors (FCs) of the CD.
4.	31-07-2017	Appointment of two registered valuers.
5.	07-08-2017	Last date for submission of proof of claim as per the Public Announcement.
6.	14-08-2017	Based on the claims received and verified by the RP, a list of FCs was finalized.
7.	16-08-2017	Constitution of the Committee of Creditors (CoC)
8.	21-08-2017	The first list of FCs and report on constitution of CoC filed with NCLT. Due to claim being received from a new FC, the list of FCs was updated and accordingly the CoC was reconstituted.
9.	22-08-2017	Preparation of information memorandum
10.	23-08-2017	First meeting of CoC held, where the CoC confirmed the appointment of IRP as RP.
11.	16-09-2017	An advertisement inviting EOIs from interested investors was published in newspapers.
12.	25-09-2017	Last date for submitting EOI.
13.	26-09-2017	Third meeting of CoC was held. In this meeting, the CoC members discussed the criteria for evaluation of resolution plans.
14.	26-09-2017 to 10-10-2017	Signing of Non-Disclosure Agreement (NDA) with potential resolution applicants. Request for proposal document inviting resolution plans from qualified persons was issued to the potential resolution applicants who had executed the NDA.
15.	17-11-2017	Last date for submitting resolution plans. The date for submission of resolution plan was initially extended till November 27, 2017, and thereafter, till December 12, 2017, to enable the potential resolution applicants to submit resolution plans in due compliance of section 29A introduced vide IBC (Amendment) Ordinance, 2017.

16.	12-12-2017	One resolution plan received from a consortium consisting of AION Investments Private II Limited and JSW Steel Limited.
17.	16-12-2017	CoC decided to seek extension of the period of CIRP for a further period of 90 days under section 12 of the IBC and authorized the RP to file an application before the AA.
18.	09-01-2018	NCLT passed an order extending the CIRP period by 90 days.
19.	01-03-2018	AION-JSW consortium submitted a revised resolution plan.
20.	26-03-2018	The RP through email informed the members of the CoC that a meeting of Coc will be convened on March 31, 2018.
21.	27-03-2018	NCLT passed an order on an application of ICICI Bank Limited, a FC, granting a stay on the meeting of the CoC to be held on March 31, 2018, till further directions.
22.	04-04-2018	NCLT vacated its earlier order dated March 27, 2018, of stay on holding a meeting of the CoC and directed the admission of claims filed by ICICI Bank, IFCI, and Standard Chartered Bank.
23.	07-04-2018	Eighth meeting of the CoC was held where the Resolution Plan submitted by the AION-JSW was considered.
24.	09-04-2018 to 10-04-2018	The Resolution Plan of AION-JSW was approved by the CoC with 98.97% majority voting share.
25.	13-04-2018	In accordance with section 30 (6) of the IBC, application was filed before AA seeking approval for the Resolution Plan.
26.	24-07-2018	Resolution Plan approval by AA.
27.	31-08-2018	Completion of the handover of MIEL to the successful the RA and take-over of the control by the new management.

