CASE STUDY

Case Study of Ruchi Soya Industries Ltd.

The Corporate Insolvency Resolution Process (CIRP) of Ruchi Soya Industries Limited (RSIL), the CD (CD) has been an exciting and thought-provoking case of resolution under Insolvency and Bankruptcy Code, 2016 (IBC) with many firsts. It has has not only resulted in a successful resolution and turnaround of CD but also established legal precedence and benchmarks in the Indian distressed asset resolution and turnaround space.

RSIL was part of the second list of 28 defaulters that Reserve Bank of India (RBI) flagged for resolution in August 2017. Pursuant to petitions filed by Standard Chartered Bank and DBS Bank Ltd under Section 7 of the IBC, the National Company Law Tribunal (NCLT), Mumbai Bench, vide order dated December 15, 2017 admitted application for initiation of CIRP for RSIL. Shri Shailendra Ajmera, Insolvency Professional (IP) was appointed as Interim Resolution Professional (IRP) who was later confirmed as Resolution Professional (RP) to manage the affairs of the CD.

With more than ₹ 12,000 crore of creditor claims, 26 members in the Committee of Creditors (CoC) and 11,000 employees and workers, timely crisis management and stabilization, stakeholder management, strategic focus, and process improvement initiatives during CIRP not only resulted in a successful resolution but also laid a strong foundation for the turnaround of the CD. A joint effort by the CoC, RP, Resolution Applicant, advisors of all parties and dedicated team of the CD led to the successful resolution of RSIL which was being watched very closely. ***Read on to know more...***

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1. Business Profile of the Corporate Debtor

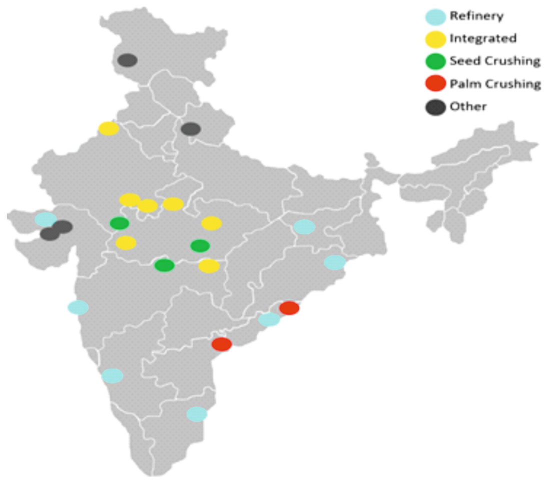
Starting its journey in 1986 at Indore, Ruchi Soya Industries Ltd (RSIL), the Corporate Debtor (CD) features among the leading FMCG (Fast Moving Consumer Goods) player in India. Known as a pioneer of Soya Foods in India, the RSIL has also been a manufacturer and marketer of a healthy range of consumer products including edible oils, vanaspati, and bakery fat. With access to more than two lac hectares of land for oil palm plantation and exclusive procurement rights thereof, it is one of the largest palm plantation companies in India.

The company (CD) had plants at 23 locations in India (Figure - 1), giving access to markets across the country. Majority of the plants are strategically located with access to national highways, railway rakes, ports, and pipelines. RSIL has more than 90 depots with storage and other logistical facilities, which serve 4,000+ distributors across the country reaching over one million retail outlets. More than 35% of distributors were associated with RSIL for over 10 years.

The company operated its business under various business segments - Crushing, Refining, Soya Products (food),

Wind Power Generation and Palm plantations. With more than 3.3 million MTPA (Metric Tonn Per Annum) of edible oil refining capacity and 3.7 million MTPA of oilseed extractions capacity, RSIL was one of the largest FMCG players in the country. The oil refining plants located near ports provided easier access to imported edible oil. Crushing units were located around an area conducive to seed cultivation.

Figure 1: RSIL's pan-India presence



The Company had more than 150 registered brand names - Nutrela (premium segment), Mahakosh, Sunrich, Ruchi Gold, Ruchi Star, Soyumm, Ruchi No. 1, and Bakefat being active ones. Further, RSIL enjoyed a significant 'consumer equity' and market leadership position in many branded product categories. With an experienced team, the average employee tenure was ~10 years. The Company had implemented SAP in 2008, with a majority of the operations automated with a strong control process. As on December 31, 2017 the CD has maximum 57% shareholding in Promoter Group followed by 41% shareholding in Public (Table-1).

Table 1: RSIL shareholding as on December 31, 2017

Sr. No.	Category	Shareholding (%)
1	Promoter group	57%
2	Public	41%
3	Institutional investors	01%
4	Others	01%

2. Pre-CIRP Performance: Reasons Behind Financial Stress

Since 2015, the symptoms of corporate decline were building up due to macro-economic as well as company-specific factors. While the revenue was on a down-trend (Chart -1), the liabilities were rising at a fast pace. For the sake of simplistic understanding, the reasons behind financial stress could be presented as under:

2.1. Castor Seeds Trading

A large portion of revenue for the company was generated from commdotiy trading activities. The company actively traded in commodities like crude palm oil, crude soyabean oil, crude sunflower oil, and castor seeds. In 2015, prices of castor seeds rose to ~₹ 50,000/MT. Because of the bullish market scenario, the company had booked sizeable long positions in Castor Seed Contracts with the expectation to book huge profits. It held ~40% of the total market open position in February 2016 without hedging any of its exposure. However, on account of bumper new crop arrival of castor seeds and weak global demand, the February 2016 contract for castor seed fell by 20% in January 2016 leaving the company with huge cash loss in the quarter ending March 2016. The unexpected steep fall and sustained low prices of castor, unfavorable global demand factors and market environment intensely impacted the performance of the Company's castor business and significantly contributed to the unfavorable performance of the Company.

> **With more than 3.3 Million MTPA of edible oil refining capacity and 3.7 Million MTPA of oilseed extractions capacity, RSIL was one of the largest FMCG players in the country.**

Securities and Exchange Board of India (SEBI) observed that there was a very high concentration on Open Interest in February 2016 Castor Seed Contract. This led National Commodity and Derivatives Exchange (NCDEX) to suspend the trading in Castor Seed Contracts on January 27, 2016. A detailed investigation by SEBI revealed that the company was in violation to the norms of Forward Market Commission (FMC), Government of India by holding such huge positions and was charged with manipulating the commodities market. The company, along with its other group company, was later suspended in May 2016 from dealing in the securities market to led to fall in its shares[1] by ~15%.

2.2. Low Capacity Utilisation

The company had set up its plants across the country which made it one of the largest players in the edible oil

[1] The Economic Times (2016): Ruchi Soya Shares Slide 15% on SEBI ban, May 25 https://economictimes.indiatimes.com/markets/stocks / news/ruchi-soya-shares-slide-15-on-sebi-ban/articleshow/52430032. cms? from=mdr

industry. RSIL had seven port-based refineries, seven fully integrated plants that could cater to both crushing of seeds and refining the oil extracted therefrom, and five exclusive crushing units. The total capacity of refining plants was 3.3mn MTPA and crushing plants was 3.7mn MTPA.

The widening disparity between international and domestic prices of Soya bean since 2015 reduced the competitiveness of exports of Soya bean from India. Consequently, several crushing plants of Ruchi Soya became non-viable due to low-capacity utilisation. Even at the peak turnover in 2015, the combined capacity utilisation of refineries was only 67%, which further dropped to 35% in 2017, and that of crushing units was 23% which dropped to a meagre 13%.

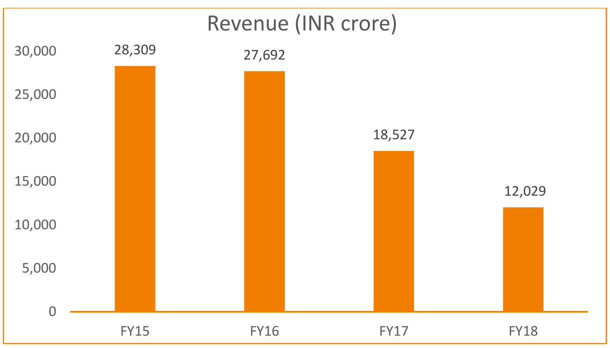
The company, being primarily engaged in agro-commodities, was heavily subject to the vagaries of nature. Since the country suffered from severe drought, the crop output/ area under cultivation for soya beans, a major raw material for the company, had significantly reduced which subsequently resulted in a decline in capacity utilisation of the crushing business segment.

2.3. Inadequate Working Capital

The EBITDA (Interest, Taxes, Depreciation, and Amortization) margins in the edible oil industry are already wafer thin on account of price volatility and high input and processing costs. Due to business being high volume driven and working capital intensive, the losses on account of castor trading (discussed above) lead to working capital constraints, and consequently lower capacity utilisation – further deteriorating EBITDA margins. Further due to weak economic outlook, the realisation of debtors was delayed leading to elongated working capital cycle. This led to an acute shortage of working capital required for maintaining such profitable operations.

With mounting financial troubles, the company defaulted on meeting its multiple financial obligations, thereby forcing the lender banks to refer the company to NCLT under the IBC.

Chart-1: RSIL Revenue from FY 15 to FY 18



3. Activities Prior to Commencement of CIRP

3.1. Restructuring Efforts Prior to CIRP Filing

To resolve the financial crisis, a Techno Economic Viability (TEV) study was reportedly carried out as per directions of the lenders. The outcome of the study showed that RSIL's business model had potential based on its strong brand position, goodwill and rich industry experience of the management. However the debt was not sustainable and had to be restructured.

> **"Widening disparity between domestic and international prices of Soya bean since 2015 reduced the competitiveness of exports of from India. Consequently, several crushing plants became non-viable due to underutilisation."**

Accordingly, the lenders discussed options to restructure the account under prevailing RBI guidelines. However, the restructuring efforts did not proceed further due to multiple issues such as forensic issues, the requisite majority of lender support etc.

3.2. IPs Study of the RSIL for Getting Sector Insights

While CIRP application of RSILwas pending before NCLT, Mumbai Bench, the IP and his team conducted a study of financially strained Company and its competitors for getting sector insights. Besides, SWOT (Strengths, Weaknesses, Opportunities, and Threats) was also prepared. After getting the assignment, this study proved vital in managing the business of the CD and also in discussions with the potential investors.

Some of the key sector trends that we gauged from the SWOT Analysis are summarized below:

i. Imports accounted for nearly 65-70% of the total oil consumption in India for 2016-17.

ii. In 2017, India had become the largest importer of palm and soya oil in the world, as domestic production was not able to keep pace with the demand.

iii. The demand-supply gap widened due to the limited availability of oilseeds which in turn was caused by the shifting of acreage of oilseeds crops to other crops.

iv. In 2017, the total demand for edible oil was 23.5mn MT - palm and soya bean oil constituted ~ 45% and ~ 22% of total demand respectively

v. Market demand grew at 6% between 2012 to 2017. The fastest-growing categories were soya bean and sunflower oil with CAGR of ~ 11.5%

vi. In 2017, annual per capita consumption of oil was 16kg in India i.e., 24kg in developed markets.

vii. Region wise oil consumption in India in 2015: West India accounted for 29% of the total oil consumption., followed by East (26%), North (25%) and South (20%)

4. Key Events During CIRP Period

4.1. Initial Assessment and Setting Ground Rules for an Efficient CIRP

Post receipt of the National Company Law Tribunal (NCLT), Mumbai order[2] admitting RSIL under CIRP, the IRP Shri Shailendra Ajmera along with his team, held meetings with the incumbent management of RSIL to take charge of its assets. There were series of discussions with key executives of the CD to understand the existing status of business operations and the organization structure. The IRP also informed the management regarding the provisions of the IBC, 2016, and laid down the roadmap for maintaining the business of the CD as a Going Concern (GC) during CIRP, including co-operation of and expectations from the incumbent management. Thereafter, RSIL's point of contact for critical functions such as Treasury and Finance, Human Resource, Plant Operations, Sales and Marketing, etc., were identified and mapped with IRP's representatives with a view to closely monitor and ensure seamless business performance at such a critical juncture.

As the IPs team had consciously developed sector knowledge before admission of the case, the team managed to understand the key intricacies of the business in the first few weeks of CIRP period. Further, potential concerns and risks associated with maintaining the business as a were identified, and measures were undertaken to address the same - some of which have been highlighted here:

(a) Constitution of the Committee of Creditors (CoC)

After the commencement of CIRP, claims were invited from all the financial and operational creditors. The total claims admitted were ~₹ 12,145 crore of which ~₹ 9,384 crores pertained to financial creditors and ~₹ 2,761 crore pertained to operational creditors. The CoC constituted of 26 financial creditors comprising of SBI being the lead bank with ~20% share followed by Central Bank of India with ~9% share and Punjab National Bank with ~8% share. Pursuant to the first meeting of CoC held on January 12, 2018, the CoC, unanimously confirmed the IRP as RP.

> **Sine the cash balance of CD was nil and it no longer enjoyed working capital credit facilities, a system of 13-week rolling cash flow forecast was formulated and cash needs were determined. Short-term cash generation was the top priority.**

(a) Protection of RSIL's Assets: Teams Deployed at Plants

As soon as CIRP commenced, the IRP team visited plants and established contact with the operations' team on the ground, and laid out an action plan to win the confidence of all the local stakeholders, including but not limited to employees, suppliers, customers, statutory bodies, etc. These efforts not only provided clarity about CIRP to the stakeholders but also served as a significant step towards maintaining the business as a GC.

Further, additional external security teams were deployed at 13 plants, based on an initial assessment, to ensure the safety of the existing asset base. The CD had strategically located port-based refineries and inland crushing units, which could cater to respective geographic demand. Further, oil palm plantations and windmill operations were also critical business segments. To generate the investor interest and maximize the value of the CD, protecting these assets was vital.

(b) Operational Dependence on Related Parties: Requisite Approvals Sought Prior to Transactions

Certain assets such as storage tanks and crude oil pipelines between port and plants were controlled by related parties. Considering the nature of business, continuation of these services (storage, rental, etc.) was critical for maintaining the business as a GC. Therefore, RP with his team reviewed the contracts, visited the relevant sites, held meetings with representatives of supplier entities, and benchmarked the transaction and market prices. Further, requisite approvals of CoC were obtained periodically, so that transactions could be undertaken on an arm's length

[2] Business Standard (2017): Videocon, JP Associates, IVRCL on RBI's 2nd list of loan defaulters: Report, August 29 (https://www.business-standard.com/article/companies/rbi-s-second-list-of-loan-defaulters-contain-40-companies-reports-117082900686_1.html)

price. Pursuant to these steps, contracts were extended with a view to maintain the business as a GC.

> **As per terms of the process, if the interested parties decided to withdraw, their EMD was to be refunded and access to VDR withdrawn. If they decide to submit the resolution plan an additional EMD of ₹ 50 crore was required.**

(c) Cash Crunch and Working Capital Challenges: Implemented Stringent Controls and Unlocked Opportunities

During the period leading up to the commencement of CIRP, the company faced with severe liquidity crunch on account of declining revenue, negative EBITDA margins, and increased finance costs. On CIRP commencement day, the CD had a nil cash balance. Since the company no longer enjoyed working capital credit facilities, it was evident that maintaining it as a GC would be an uphill task.

To mitigate the above risk, a system of 13-week rolling cash flow forecast was formulated and cash requirements were determined. The short-term cash generation was the top priority. Liquidity opportunities were identified to generate cash and bridge the cash gap. A detailed plan was drawn to generate liquidity from the existing balance sheet including recovery of outstanding dues from sticky debtors, tax refunds, windmill receivables from government agencies, inventory optimization, etc. Further, a robust payment approval process was set up to ensure there were no financial leakages in the system. All the bank accounts of the CD were reviewed, and appropriate actions were taken to ensure increase liquidity like closure of non-consortium accounts, levying debit freeze, change of signatories and transfer of funds to central a/c.

Focus on liquidity throughout the CIRP period, helped improve the cash balance from nil on commencement of CIRP to ~₹ 400 crore within 18 months.

(d) Large Creditor Base with Substantial Overdue across Suppliers – Procurement from Intermediaries/ Financers

On account of inadequate working capital availability, the overdue amount to all suppliers and other stakeholders had piled up to huge sums. Out of total claims received from creditors against the CD, ₹ 2,761 crore was due to Operational Creditors (OCs).

Additionally, as the CD was amongst the first few large accounts on which CIRP was initiated, suppliers were still coming to terms with the process and with the possibility of loss of their dues. This increased the risk perception in the eyes of the vendors making it further difficult to obtain critical materials and services necessary to maintain the business as a GC.

Owing to the uncertainties looming over recovery of their existing dues, key raw material suppliers and transporters abstained from offering any credit period to the CD for future transactions. Further, certain stakeholders agreed to continue solely in the event of a revision of existing payment terms i.e. a shift to terms requiring advance payments.

As stated earlier over 80% of the input costs pertained to imported raw materials where payment through letter of credit was a norm. Palm-based raw materials were imported through countries such as Indonesia and Malaysia where shipment times ranged from 7 to 14 days. On the other hand, Sunflower and Soyabean based materials were imported from South American countries where shipment times were close to 45-60 days. Given the crunch in working capital, the RP team in consultation with the supply chain heads determined that imports from South American countries which had longer lead times be done through reputed intermediaries who would carry the stock on their book till it arrived in India. RSIL would pick it up once goods arrived in India relieving critical working capital which would have otherwise been stuck.

While this arrangement led to additional finance costs, it resolved the short-term cash requirements and allowed the company to steadily increase its capacity utilization levels from ~35% to ~55% - thereby stabilize revenue (₹ 12,000 crore per annuam) and improve profitability. Despite being in CIRP, the Company was able to generate EBITDA of ₹ 222 crores and PAT (Profit After Tax) of ₹ 77 crores for the year ended 31st March 2019.

4.2. Getting Resolution Plan for the CD

Since RSIL was among the second list of 28 defaulters[3] flagged by RBI for resolution, there were limited domestic precedents on the manner in which the resolution process be conducted. RP's team involved members having rich and practical experience of dealing with insolvency laws in the United Kingdom, and a detailed plan was outlined

[3] NCLT Mumbai (2017): CP 1371 & CP 1372/ I&BP/ NCLT/ MAH/ 2017, December 15

on the manner in which the resolution process be conducted.

Subsequently, on February 05, 2018, the RP published an invitation for expression of interest (EOI) in the newspapers. The published invitation for EOI also had stated timelines and parameters based on which the entities would be eligible to submit their EOI. The RP and his team interacted with ~150 prospective strategic and financial investors via emails, calls, and meetings, and explained the investment opportunity and shared a teaser.

RP received EOIs from 28 parties. After an interested party had furnished Earnest Money Deposit (EMD) of ₹ 25 lacs and signed a non-disclosure agreement, access to the Virtual Data Room (VDR) was provided for sharing Information Memorandum (IM) and relevant details to help them evaluate the investment opportunity.

RP's team worked with the legal counsel to put a well-defined Process Memorandum in place which was placed before the CoC for inputs and their feedback was incorporated. The Process Memorandum established the guidelines about sharing information with the Potential Resolution Applicants (PRAs), and evaluation of resolution plans, contents of the plan, T&C for submission of resolution plans, conditions subsequent, EMD/ Performance deposit, etc. Manner of information sharing, the mechanism for redressal of queries, key milestones for the data diligence etc. were clearly laid down in the process memorandum itself to avoid any ambiguities.

Pursuant to discussions among RP, CoC and legal advisors, the Swiss challenge system was adopted for the first time under the IBC

Out of 28 EOIs that were received, 26 met the eligibility criteria and were given data room access. 24 of these shortlisted investors paid EMD of ₹ 25 lacs and started the first round of due diligence. RP, along with his team, provided detailed clarification to every query raised by the parties which would facilitate their decision making.

As per terms of the process, in case the interested parties decided to not invest in the CD, the EMD received was refunded and access to VDR withdrawn. However, in case the interested parties decided to move ahead and submit the resolution plan, they were required to furnish an additional EMD of ₹ 50 crore.

While 28 EOIs were received, as the process progressed with due diligence, plant visits, management meetings, etc., the resolution plans were received only from four parties. Further, compliant resolution plans were received from two parties i.e. Adani Wilmar Limited (AWL) and Patanjali Group lead by Patanjali Ayurveda Ltd. (PAL).

To compare the two resolution plans, an evaluation criteria was proposed by the RP, discussed at CoC meetings and reviewed by an independent process advisor appointed by CoC. Thereafter, the CoC finalised the criteria and an evaluation matrix was formulated, which formed part of a comprehensive process memorandum. This matrix would result in scoring of the resolution plan on seven parameters, listed herein below:

i. Upfront cash recovery
ii. NPV factoring upfront cash recovery based on certain stated discount rates
iii. Equity upside
iv. Fresh equity infusion for improving operations
v. Reasonableness of financial projections
vi. Ability to turnaround distressed companies
vii. Standing of the bidder in the sector

The CoC conducted commercial negotiations with above qualified applicants during which applicants could improve their commercial offer in a two step Swiss Challenge process. The offer could be improved only on identified criteria (upfront cash recovery, NPV, equity upside, and fresh equity infusion) which were aligned to the evaluation matrix. The negotiation process was consented to by the RAs and supervised by an independent bid advisor. Also, discussions w.r.t legal aspects (drafting and compliance) were conducted among the legal advisors of RP, CoC and Resoluiton Applicants (RAs).

Few members of RP team had an extensive experience of handling insolvency resolutions under insolvency laws of the United Kingdom. Accordingly, the team was successful in developing innovative and practical approaches/ solutions to maximize the value of the asset. Pursuant to discussions among RP, CoC and legal advisors, the Swiss challenge system was adopted for the first time under the IBC, with an objective of resolution of RSIL. Under this system, lower bidders were given chance to match the higher bidder and if matched then highest bidder was asked to improve its bid. After all rounds of bidding were completed, AWL stood as the highest bidder with the total bid amount of ~₹ 4,300 crore against total claims of ~₹ 12,000 crore while PAL stood H2 with a total bid amount of ~₹ 4,064 crore. AWL having secured a higher score as per the evaluation matrix (including commercial offer) was declared as the successful Resolution Applicant.

On August 23, 2018, the resolution plan of AWL was put to vote before the CoC and was approved with 96.8% CoC consent. However, PAL immediately filed an application before NCLT challenging the decision of the CoC's approval to AWL's Resoluiton Plan. PAL challenged the eligibility of AWL to submit the resolution plan under section 29A of IBC and the process adopted for negotiation.

> **After extensive deliberations and multiple hearings, the NCLT vide its order dated September 06, 2019, approved the resolution plan of PAL with certain modifications which were duly accepted by PAL**

The resolution plan of AWL as approved by CoC couldn't be implemented due to matter pending before the NCLT. Citing delays in the resolution process and concerns over the deterioration of CD's assets, AWL withdrew its resolution plan in December 2018. Meanwhile, PAL also shown its inclination to match the offer made by AWL.

Pursuant to the above, PAL, being the only resolution applicant, increased its bid offer to ₹ 4,235 crore towards settlement of creditors and an additional equity infusion of ₹ 115 crore for improving the operations of the Company. CoC approved Resolution Plan submitted by PAL on April 30, 2019. NCLT approved the same on September 06, 2019

4.3. Crucial Litigations

Post commencement of CIRP, the CD was faced with multiple litigations which delayed the resolution process. Some of the contentious issues are briefly discussed as follows:

(a) Recovery by lender during CIRP

One of the financial creditors had recovered ~₹ 48 crore from the CD post commencement of CIRP. As this particular recovery happened during the period of moratorium, lender could not have taken any coercive recovery action against the CD. The RP approached NCLT to direct lender bank to reverse transaction since once moratorium has been effective in relation to the CD, neither any assets belonging to the CD can be transferred, alienated or disposed off nor can any action for foreclosure or recovery of security interest created by the CD can be taken. While lender contested stating that these recoveries were in the normal course of business and that it was merely honouring the LC's issued in favour of third party suppliers, the relief was granted to the CD by NCLAT[4] and subsequently the amounts were reversed to the account of CD.

(b) Suspended Board of Directors to be Given Access to CoC Proceedings: Vijay Kumar Jain v/s Standard Chartered Bank & Others

IBC does not specify whether erstwhile directors be allowed to participate in CoC meetings. Accordingly, in this case, they weren't privy to any of the proceedings at CoC meetings.

Mr. VK Jain, erstwhile director of the CD, had filed an application before the Supreme Court of India seeking directions to the RP to provide all relevant documents including the resolution plans to the members of the suspended Board of Directors of the CD, which would facilitate them in participating in the CoC meetings. Based on directions of the Supreme Court[5], RP shared the resolution plans with the suspended board of directors.

5. Approval of the Resolution Plan

The resolution plan submitted by the consortium led by PAL was approved by the NCLT Mumbai vide order[6] dated July 24, 2019 subject to filing affidavit by the RA regarding the acceptance of the modifications in the resolution plan and submitting other information as per the directions given in the order. With this order, the CoC members were elated hoping that once Resolution Applicant complies with the directions of the NCLT, they would be home soon (in the quarter ending September 2019) after driving through a long bumpy road.

However, the Resolution Applicant was not in agreement with one specific paragraph in the order which stated that "Any relief sought for in the Resolution Plan, where the contract/agreement/ understanding/proceedings/ actions/notice, etc. is not specifically identified or is for future and contingent liability, is at this moment rejected."

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[4] NCLAT (2018): Company Appeal (AT) 390/2018, July 24

[5] Vijay Kumar Jain v/s Standard Chartered Bank & Others., Supreme Court, Civil Appeal No. 8430 of 2018 with Writ Petition (Civil) No. 1266 of 2018, January 31, 2019.

[6] NCLAT (2019): MA 1721/2019, MA 1428/2019, MA 1746/2019, & MA 1816/2019, In CP (IB) 1371 & 1372 (MB)/2017, Under Section 30 (6) of the IBC, July 24.

After extensive deliberations and multiple hearings, the NCLT vide its order dated September 06, 2019 approved the resolution plan of PAL with certain modifications which were duly accepted by PAL, the RA. In its order, NCLT also inter-alia clarified that "…it is to be made clear that while approving the resolution plan, we have dealt with every aspect of the resolution plan in details and all the claims which have been admitted during CIRP are being dealt with by us in terms of the resolution plan. Anyone who has not filed its claim then he will not have any right to agitate the same after the approval of the resolution plan."

6. Formation of Monitoring Committee

Now with absolute clarity in place, the Monitoring Committee (MC) was formed as per the terms of the resolution plan with three representatives from FCs, three representatives of the RA, the RP as Monitoring Agent (MA), and one observer from RA. The MC was entrusted with the responsibility to supervise the implementation of the Resolution Plan and manage the operations of the Company as a GC in the interim.

> **"In accordance with the approved Resolution Plan, the FCs received ₹ 4,093 cr against claims admitted of ₹ 9,385 cr which is about 44% of the total admitted claims."**

At that time, there was no major precedence available as to how would monitoring committee function and meet its end objective. However, the MA along with its legal and process advisors prepared a comprehensive document laying out terms of reference and charter for the MC to function. The document was well perceived by the representatives from the RA and CoC and was taken on record in the first monitoring committee meeting.

The document broadly laid out:

i. Background and Objective of the Monitoring Committee (MC)
ii. Constitution of MC
iii. Governance Structure
iv. Manner of Voting and Decision Making
v. By Rules of the MC Meeting
vi. Routine Functioning and Controlling Mechanism
vii. GC Activities
viii. Compliances and Record-Keeping

With the rules now clearly laid down, the RA was required to implement the Resolution Plan and settle creditors within 75 days from the effective date.

7. Implementation of the Resolution Plan

During the next 2 months, MC met frequently to review the progress of the steps that were supposed to be taken for implementation of the Resolution Plan and the funding arrangement of the RA. The implementation of the Resolution Plan involved giving effect to the transaction structure proposed in the Resolution Plan which involved steps such as capital reduction, funding at Special Purpose Vehicle (SPV) level, and merger of SPV into the CD.

During the implementation process, creditor-wise distribution was worked out to the exact rupee and an Escrow Account was opened for funding and settlement of creditors. Finalization and execution of escrow agreement was a herculean task with 26 creditors. Some inter-creditor issues made the manner of distribution even more complex and required careful consideration.

The teams of the MA and CoC worked closely with the escrow agent to ensure that the creditor settlement files were made in accordance with the 'system acceptable formats'. In parallel, it was also made sure that all accounting entries for transaction closure are also kept ready to be passed on the transaction day.

However, in the course of preparations an unexpeted roadblock emerged ! The escrow agent informed that they would need lot more documents than that were currently not on the table, in order to settle the foreign creditors. Aware of the stringent FEMA rules and tight banking protocols, the same was accepted as a challenge by the team of the MA. The team assisted by certain employees of the CD burnt midnight oil to get the requisite compliance documents in place. In a record time, the documents were made available to the escrow agent's satisfaction for maximum cases. Only a handful of cases remained which were also provided in due course of time.

All set, it was now showtime! An evening worth remembering - Wednesday December 18, 2019, when the Resolution Plan amount was deposited in an escrow account and from thereon went straight to the creditors for settlement of their dues. A long process with innumerable battles fought valiantly was finally nearing a successful closure. In accordance with the approved Resolution Plan, the FCs received ₹ 4,093 cr against claims admitted of ₹ 9,385 cr which is about 44% of the total admitted claims.

Pursuant to successful implementation of the approved Resolution Plan, the RA requested the RP and his team to extend advisory and support services to the Company given the on-ground experience for more than two years. During this period, the Company continued to run as a GC and has explored several cost and revenue synergies. The matters related to avoidance and preferential transactions are pending before the NCLT.

8. Key Take-Aways and Best Practices Adopted

(a) Prior to NCLT filing and Pending Admission

Based on the information available, we understood key financial and business performance indicators and financial difficulties/ reasons for stress in the recent past. The loan documents made available by applicant FCs helped to understand additional details. Thereafter, we made a preliminary assessment of risks associated with business and manage the affairs on a GC basis. Further, an assessment of key stakeholders and bringing them on board before admission/ filing for IBC facilitated running the CD as a GC during IBC and avoid loss of value.

(b) Immediate Actions after CIRP Announcement

> **"As against no cash balance on the date CD entered into CIRP, it had cash and bank balance in ~ ₹ 400 crores, which continued to be retained by the Company post-implementation of the Resolution Plan."**

Once the CD is admitted in CIRP, the IRP is required to juggle many balls simultaneously. In the case of RSIL, as soon as CIRP commenced, RP and the team identified KMPs (Key Managerial Personnel) and finalized the organization structure delineating the roles and responsibilities of each KMP. This approach ensured that there are no internal disruptions at the initiation of CIRP. While the RP deployed resources at different plant locations, immediate control of CD's head office at Indore was taken. The head office was the control point from operations and strategy perspective. Further, a set of stringent controls were established for cash flow and working capital management. To build stakeholder confidence from Day 1, townhalls were conducted – assuring them that it was 'business as usual' during CIRP period with the only exception that RP would be in charge under the guidance of the COC and the IBC.

(c) Defining the Organizational Structure

The absence of erstwhile promoters, management, and experienced personnel results in a massive loss of organizational knowledge and experience. Accordingly, efforts were taken to retain senior management and harness their valuable knowledge base. Also, such personnel were entrusted with additional responsibility for the sake of company's revival.

(d) Robust Cash Management

Considering the huge volume of business and payments being processed to more than 100 vendors daily, a dedicated team of RP reviewed and approved the payments. A system of cash rationing was established to make critical payments and maintain CD as a GC. An action plan for cash-generating initiatives was developed. Realization of debtors / non-core assets and tax refunds, facilitated in improving the cash balance. Further, a periodic assessment of cash requirements of the business ensured improved the cash flow position. As against no cash balance on the date NCLT approved initiation of CIRP, the company had cash and bank balance in excess of ₹ 400 crores, which continued to be retained by the Company post the implementation of resolution plan

(e) Comprehensive Investor IM Created a Good 1st Impression

We prepared a robust investor IM covering - (a) Investment highlights (b) Industry overview (c) Company overview (d) Profiles of all KMP's (e) Business and operational details (f) Manufacturing facilities overview (g) Supply chain and distribution network. Team spent significant time reviewing internal data, discussions with KMP's and industry experts so that the IM reflects the true strengths and the value in the business. IM went through multiple rounds of iterations and we took feedback from KMP and senior management which helped refine the investor presentation which were ultimately shared with over 28 investors.

(f) Conducted Internal Due Diligence on the Data before Making it Available to Potential Investors

The RP team started putting data together for VDR from the EOI stage itself to ensure timely readiness. For every data to be put in VDR, a maker checker responsibility was established in the Company so as to ensure that data provided to investors is relevant and accurate. When the data room was made available to investors after obtaining confidential undertaking, SPOCs (Single Point of

Contacts) were established in the team for resolving any technical and operational issues in using the data room.

(g) Defining Resolution Process Steps, Timelines and Protocols for Investor

RP's team worked with the legal counsel to put a well-defined process memorandum in place which was placed before the CoC for inputs and their feedback was incorporated. The process memorandum clearly established the guidelines pertaining to sharing information with the PRAs, examination and evaluation of resolution plan, contents of the plan, T&C for submission of resolution plans, conditions subsequent, EMD/Performance deposit, etc. Manner of information sharing, mechanism for redressal of queries, key milestones for the data diligence etc. were clearly laid out in the process memorandum itself to avoid any ambiguities. The guidelines on all aspects were laid out in the process memorandum.

(h) Swiss Challenge: Adopted for First Time under IBC

Negotiations were conducted with qualified applicants under which qualified applicants were allowed to improve their commercial offer in a two step Swiss Challenge Process. The offer could be improved only on identified criteria's (upfront cash recovery, NPV, equity upside and fresh equity infusion) which was aligned to the evaluation matrix. The negotiation process was consented to by the RA's and supervised by an independent bid advisor. The applicant with the highest score as per the evaluation matrix (including commercial offer) was declared as the successful resolution applicant.

(i) Preparing for Resolution Plan Implementation is the Key

Even before resolution plan was approved by Adjudicating Authority (AA), we undertook preparation activities for setting up the MC. Since there were few precedents of on-ground operations during implementation phase, a document formalizing protocols such as mode and manner of operations, extent of control, information sharing was agreed amongst RA and FCs. Finally, a list of activities with timelines and responsibilities to be done by each stakeholder was agreed upon by all representatives keeping in mind the closing date.

(j) Post-NCLT Approval - Continuous Engagement with RA

There were regular discussions with the RA in MC with respect to status of funding arrangements to ensure a successful implementation of approved resolution plan. A clear plan of action to be undertaken was established - disbursement mechanism and documentation, book closure, secretarial compliance, etc.

Graph 4: CIRP timeline - Significant events during CIRP process of RSIL

Dec'17	5-Feb-18: Issuance of expression of interest.
Jan'18	2-May-18: Submission of resolution plans.
Feb'18	8-Jun-18: Order for 90-day extension.
May'18	Applications made by an Executive Director of Ruchi for effective participation in COC
Jun'18	13-Aug-18: Filing of avoidance transactions.
Jun'18	15-Dec-17: Commencement of CIRP
Aug'18	23-Aug-18: AWL resolution plan approved by COC and submission to NCLT for approval

Aug'18	12-Jan-18: 1st Meeting of the Committee of Creditors.
Aug'18	27-Aug-18: Stay order from Supreme Court in the matter filed by Executive Director of Ruchi.
Sep'18	4-Sep-18: Filing of fraudulent transaction application. 10-Sep-18: End of 270 days.
Jan'19	31-Jan-19: Supreme Court direction to deliberate on the resolution plans afresh.
Feb'19	7-Feb-19: AWL plan filed with NCLT dismisses as withdrawn.
Feb-Apr	Negotiations with Patanjali on their resolution plan. 30-Apr-19: PAL resolution plan approved by CoC.
May'19	6-May-19: Resolution plan filed in NCLT. 7-May-19: CIRP ends (excluding time utilized in legal proceedings of application filed by Executive Director)
Sep'19	6-Sep-19: NCLT approval of Patanjali Group's resolution plan.
Sep'19	7-Sep-19: Resolution plan implementation period starts.
Dec'19	17-Dec-19: End of Resolution plan implementation period.
Dec'19	18-Dec-19: Payment to financial and operational creditors on Closing date.