Performance Analysis of Bhushan Steel Limited, Pre, During and Post CIRP

Bhushan Steel Limited (BSL) was among the 12 Large Accounts identified by the Reserve Bank of India in June 2017 with instructions to lenders for file CIRP applications. In pursuance of the insolvency application of the State Bank of India, the Principal bench of the National Company Law Tribunal (NCLT) vide an order on July 26, 2017, admitted the Corporate Insolvency Resolution Process (CIRP) of the Company. The NCLT also appointed Mr. Vijaykumar V. Iyer as the Interim Resolution Professional who was subsequently confirmed as the Resolution Professional (RP) by the Committee of Creditors (CoC). The RP and team, with the support of stakeholders, maintained manufacturing and sale operations of the Company. This enabled the team to market the Company, generate interest and obtain two compliant resolution plans before the Company's custody was handed over to Tata Steel Ltd, the successful resolution applicant.

The present case study, sponsored by IIIPI, was developed by Mr. Iyer with his colleagues Mr. Sandeep Negi and Mr. Abhishek Sood. In this study, he has provided a first-hand step by step guide to resurrect a corporate life.

Read on to know more…

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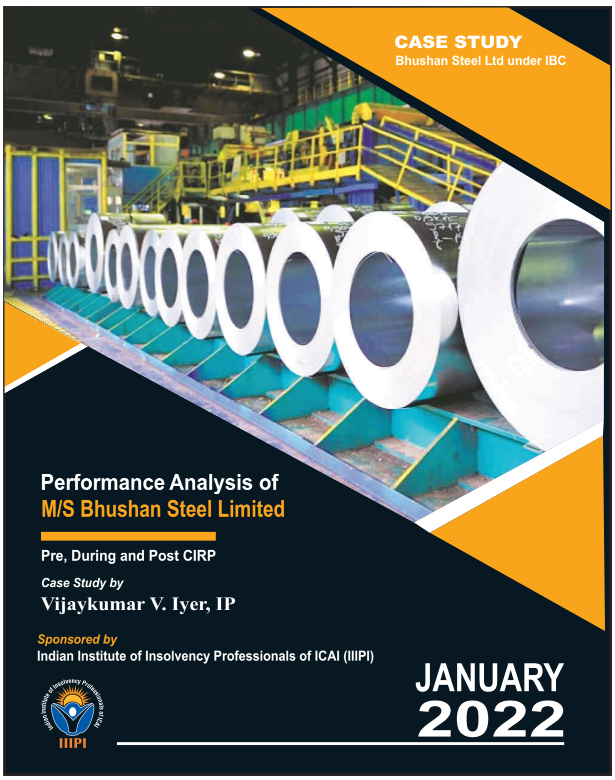
1. Introduction

Bhushan Steel Limited, (the Corporate Debtor or the Company) renamed as Tata Steel BSL Limited, is a leading producer of primary and secondary steel in India. The case of Corporate Insolvency Resolution Process (CIRP) was admitted against the Company under the Insolvency & Bankruptcy Code, 2016 (IBC or the Code) in the Principal Bench of the National Company Law Tribunal (NCLT) in July 2017.

During the CIRP, the Resolution Professional (RP) and RP Team, as per the provisions of the Code, maintained the operations of the Corporate Debtor as a going concern. Besides, the RP and team also conducted the resolution process which resulted in the resolution plan of Tata Steel Limited being submitted for the consideration of the Adjudicating Authority i.e., NCLT. The NCLT approved the resolution plan, and the Corporate Debtor was expeditiously transferred to the successful resolution applicant, Tata Steel Limited (TSL).

The present case study discusses the operational parameters, the challenges and steps taken for sustained



and improved operations, and cash position of the Company during the CIRP, thereby, facilitating a successful resolution as envisaged under the Code.

> **Having facilities closer to customer locations enable the Company to respond to customer requirements in an expedited manner.**

2. Company Profile

a) Bhushan Steel Limited, listed at Bombay Stock Exchange (BSE) and National Stock Exchange of India Limited (NSE), has been a leading primary and secondary steel producer in India.

b) The Company was established in 1983, by Mr. Brij Bhushan Singal, Chairman and founding Director. At the time of CIRP commencement, Mr. Neeraj Singal, was the CEO and Managing Director.

c) The production capacity of the Company is 5.6 Million Tonnes Per Annum (MTPA) and the product portfolio comprised of Hot Rolled Coils, Cold Rolled Coils, Galvanized & Colour Coated Products, High Tensile Steel Strips, Hardened and Tempered Steel strips, pipes and tubes and billets.

d) The Company primarily caters to the automobile and white goods industry and is one of the largest steel suppliers to the Indian automobile industry.

e) The Company has manufacturing facilities at three locations in India, namely, Sahibabad in Uttar Pradesh, Angul in Odisha and Khopoli in Maharashtra. Additionally, it has offices, service centers, warehouses, sales depots at various locations across India.

f) The Company established its first plant at Sahibabad, Uttar Pradesh, in 1989, for the production of cold rolled and galvanized steel products servicing the automotive and consumer durables customers.

g) The second plant was set up at Khopoli, Maharashtra in 2004, to expand its geographical reach and product portfolio.

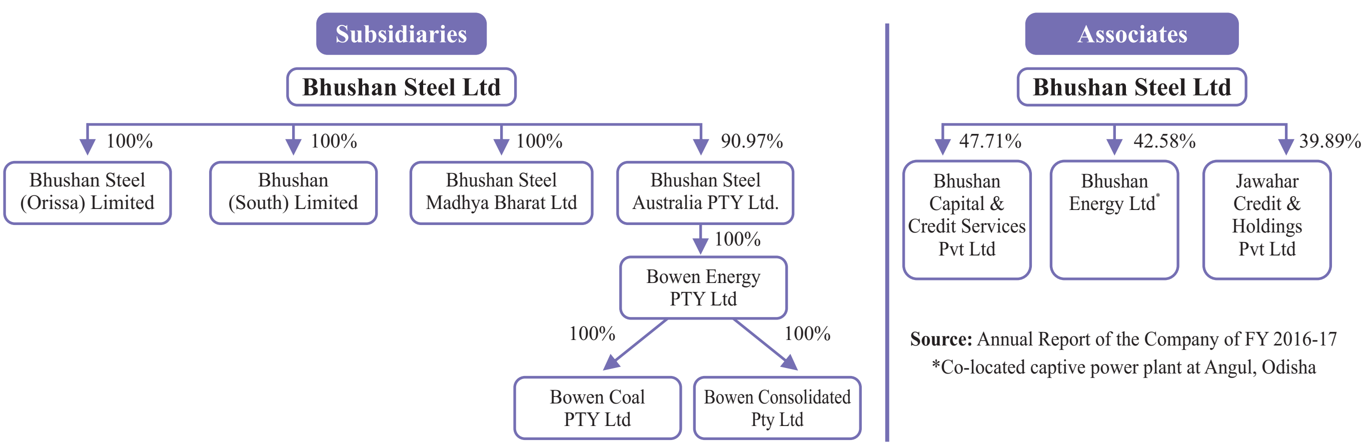
h) The Khopoli plant manufactured precision tubes, API Pipe and high tensile steel strapping, Hardened & tempered (H&T) steel, color coated sheets, besides cold rolled and galvanized sheets.

i) As part of backward integration, the third plant, an integrated steel plant with capacity of 5.6 MTPA of liquid steel, was set up in Angul, Odisha to produce hot rolled (HR) coils and billets. This marked the Company's entry into the primary steel sector.

j) The Company has a widespread distribution network, comprising 14 warehouses cum marketing offices in India. Of these, three locations are service centers equipped with facilities for cutting tubes to custom sizes required by customers. Having such facilities closer to customer locations enable the Company to respond to customer requirements in an expedited manner.

k) The Company also owns ~50 acres of land at Pilkhuwa (near the Sahibabad Plant) along with railway siding which is used as a distribution center for Northern India and for supplying raw material from the integrated steel plant (Angul) to the Sahibabad plant. The Company also has a rented yard at Paradip Port for facilitating imports of coking coal.

Graph-1: Subsidiaries & Associates



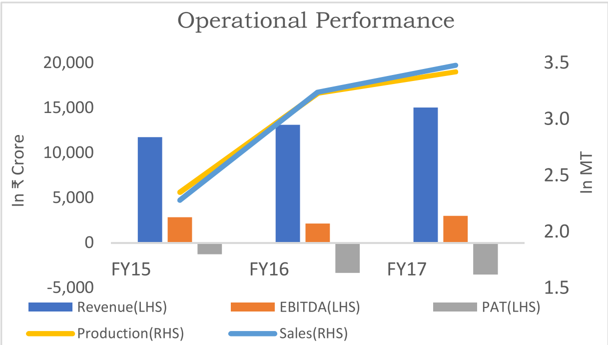
Source: Annual Report of the Company of FY 2016-17

*Co-located captive power plant at Angul, Odisha

l) The Company had won rights to the 'Kalamang Mine' in Odisha with a premium of 100.05% through auction. The mine had reserves of 92 million tonnes of iron ore.

m) Furthermore, the Company has several subsidiaries, step-down subsidiaries and associates[1] as depicted Graph -1.

Graph 2 : Operational Performance



3. Pre-CIRP Performance

3.1. Performance in Three Previous Years[2]

As is evident from the above, the Company was operating at a significant capacity with a large revenue base and positive earnings before interest, taxes, depreciation, and amortization (EBITDA). However, due to high interest cost, the Company was incurring Profit After Tax (PAT) losses and was in financial stress.

3.2. Reasons of Financial Stress

The key reasons[3] for high debt and subsequent financial stress in the Company as informed to the RP and team are summarized below:

a. Non-allocation of captive iron ore mine in Odisha

(i) As per MoU with Govt. of Odisha, the Company was to be allocated a captive iron ore mine which would have ensured a cost-effective feedstock, basis which the Company went ahead with setting up the large integrated steel plant in the State.

(ii) However, no mine was allocated and therefore the Company had to rely on purchased ore which is expensive, requires relatively higher inventory and higher working capital on account of payment in advance for inventory purchases.

b. Delays in commissioning of several projects at Angul Plant

(i) Key components of Oxygen plant were damaged during transportation for installation, and had to be sent to Germany for repairs, which lead to a five-month delay in plant commissioning.

(ii) Ramping up of Blast furnace operations was delayed as it was observed that the support structures were under-designed and needed to be replaced.

(iii) In addition, Cold Blast pipelines were offered to be replaced by the supplier based on its experience at another site, which lead to a further six-month delay in commissioning.

c. Accident in blast furnace which lead to closure of Angul plant

(i) There was an unfortunate incident of fire/explosion in Blast Furnace-2 during the trial run in November 2013. As a result of the same, the Odisha Pollution Control Board directed the closure of Blast Furnace–2.

> **“Though the Company was operating at a significant capacity with a large revenue base and positive earnings before EBITDA, it was incurring PAT losses and was in financial stress.”**

(ii) The Blast Furnace-2 was restarted at significant cost, after a period of six months, during which time, the Company suffered losses on account of accumulated interest and loss of income due to delay in commissioning.

d. De-allocation of Coal Block

(i) The Company was allocated the New Patrapara Coal block by the Union Ministry of Coal in 2006 along with seven joint allottees.

(ii) In 2012, Ministry of Coal de-allocated the coal block pursuant to recommendations of the Inter-Ministerial Group (IMG) due to no substantial progress in development of the coal block. The IMG noted that time was lost due to litigation between the joint allottees and there was a significant delay in finalization of the mining plan. Subsequently, the Supreme Court cancelled all coal block allocations in 2014.

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[1] Annual Report of the Company of FY 2016-17

[2] The Company's Financial Statements

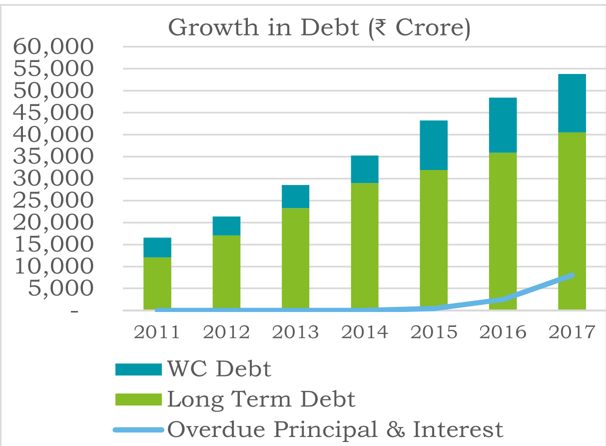
[3] Information Memorandum (IM) prepared by SBI Caps for Flexible Debt Structuring, in March 2015.

(iii) The Company had relied upon the coal block to setup a coal washery, DRI route of steel manufacture and a captive power plant. The deallocation of the coal block impacted the viability of the DRI route as the Company had to purchase expensive coal from the open market, and thus DRI capacity was not utilised optimally.

Due to the above factors, the Company's total debt outstanding increased, including accumulated interest prior to commissioning of the Angul plant. The Company and its lenders made several attempts at revival, including flexible restructuring of ~₹ 30,000 crores under the 5/25 scheme in July 2015. However, despite such efforts, the Company was not able to service its outstanding debt and the account was classified as a Non-Performing Asset (NPA) by several lenders.

The below chart evidences the ballooning debt (long term debt and working capital debt) and the overdue position. Long term debt increased by 235% from ₹12,087 Crore in FY2011 to ₹40,495 Crore in FY2017, while the working capital debt soared by 198% from ₹ 4,474 Crore (FY2011) to ₹13,326 Crore (FY2017) over the same period. In addition, the overdue interest and principal was ₹ 8,026 Crore in FY2017.

Graph-3 : Growth in Debt



4. Corporate Insolvency Resolution Process (CIRP)

4.2. Appointment of IRP / RP

In June 2017, Reserve Bank of India (RBI) identified 12 large accounts which were in default and instructed the lenders to file the application for initiation of CIRP. The Company was identified on this list.

On July 13, 2017, application was filed by State Bank of India (Applicant) before the NCLT against Bhushan Steel Limited in terms of Section 7 of the Insolvency and Bankruptcy Code, 2016 read with its Rules and Regulations. The NCLT admitted the application of State Bank of India and appointed Mr. Vijaykumar V. Iyer as the Interim Resolution Professional (IRP) vide its order dated July 26, 2017 (Insolvency Commencement Date, ICD). The IRP was subsequently confirmed as the Resolution Professional (RP) by the Committee of Creditors (CoC) pursuant to the voting at the first CoC meeting held on August 24, 2017. With the active support of financial creditors and other stakeholders, the CIRP was completed within stipulated timelines envisaged under the Code and followed through with a quick implementation of the approved resolution plan.

The summary of the CIRP timeline is presented in **Annexure 1**.

4.2. Initial Assessment

The written order initiating the CIRP was issued by the NCLT on July 26, 2017, and the RP along with RP Team reached the Company's head office in New Delhi on the morning of July 27, 2017, for initial meetings with the management team and to take charge of assets of the Corporate Debtor.

> **"Long term debt increased by 235% from ₹12,087 Crore in FY2011 to ₹40,495 Crore in FY2017, while the working capital debt soared by 198%."**

The initial meetings were held at the corporate office between the key members of the management and the RP, RP Team- the legal advisors to the RP and the technical experts appointed by the RP. The objective of the initial meetings was to meet the promoters, directors, Key Managerial Personnel (KMPs) to explain the CIRP protocols, the roles & responsibilities of the RP, and to explain the expectations and cooperation sought from the promoters, directors, KMPs to achieve a successful resolution. The meetings were also utilised to further understand the issues and financial situation of the Company. their concerns and immediate pain points. In such meetings, the department heads from the plant locations also joined virtually.

Additionally, the RP Team and technical experts took charge of the three operating units of the Company

(Angul, Khopoli and Sahibabad). Similar initial meetings were held with the department heads and their teams at the respective plant locations.

Following are some of the key takeaways from these initial discussions:

a. Sustaining Plant operations

The infrastructure at the Company's plants was reasonably state-of-the-art and operating parameters were comparable to other key players in the Indian steel industry. The Company was able to operate its plants at viable utilisation levels with positive EBITDA. However due to high debt accumulated, such EBITDA was not sufficient to service the debt and Company was caught in a debt trap.

b. Condition of plants

The technical experts were convinced with respect to the capabilities of the plant. However, based on their analysis suggested certain capital expenditure to improve operating efficiencies such as improvement in SMS gas holder and pulverized coal injection facility and the completion of Coke Dry Quenching ("CDQ") facility to comply with environmental regulations.

c. Security and safeguarding of assets

The RP and RP Team also evaluated the security services and their positioning especially considering the vast area over which the plant facilities were spread, and the large number of employees and workmen living within the Company's township at Angul. A security agency was deployed to supplement and oversee the existing security arrangements and to safeguard each of the plant locations and assets therein.

d. Remote Plant locations

The integrated steel plant of the Company at Angul is located in a remote location within a sensitive tribal area.

e. Centralised operations under oversight of Promoters

While the manufacturing and dispatch activities were carried out from the plants, the primary marketing, sales and distribution activities were carried out from the corporate office of the Company by a few senior employees in consultation with, and with oversight of, the promoters. These consultations were largely verbal with limited audit trails.

Similarly, the technical head and procurement heads were also based out of the corporate office – and had been working with the promoters and the Company for a long period of time.

> **"The situation was exacerbated by the initiation of the CIRP, as all dues prior to the ICD were to be included in the claims."**

f. Working Capital Position

(i) Being an operational unit, the Company was generating cash to fund operations. However, due to the financial stress a portion of the cash generated was diverted towards meeting debt obligations.

(ii) Further, the Company was maintaining minimal inventory levels which was a precarious situation for a continuous plant (Angul) as any inventory shortage could result in an unsafe shutdown of the plant. Such an unsafe shutdown could lead to significant damage to the plant, high restart costs and risk of harm to labour deployed at the plant. Therefore, it was imperative to increase and manage the inventory levels to ensure Angul plant's operations were not disrupted.

g. Sensitive situation at plant locations and strike by labours and transporters

There were unpaid dues of labour contractors, transporters and other vendors with payments being made with delay due to the financial position of the Company. The situation was exacerbated by the initiation of the CIRP, as all dues prior to the ICD were to be included in the claims.

There were labour strikes/factory gate lockdowns on account of delay in payment of wages by sub-contractors, which needed immediate attention due to continuous nature of operations at Angul. There were also instances for example where a transporter held material hostage for their unpaid dues.

4.3. Identified objectives

The key objectives identified by the RP for fulfilling his obligations under the Code were:

a. To protect and preserve a sizeable asset with a continuous nature of operations at significant risk of damage in case of disruption in operations.

b. Managing day to day operations despite large outstanding dues including dues to various statutory bodies.

c. Managing a large set of stakeholders with diverse interests.

4.4. Measures taken to address challenges, maintain operations during CIRP process

The measures taken by the RP and RP Team to meet the challenges and maintain operations to achieve optimal resolution at the earliest and in not more than the 270 days (180 days + 90 days of extension provided by the Adjudicating Authority) as prescribed in the Code include the below:

a. Managing Operations

The RP and RP Team deployed senior technical people for assistance in managing the operations of the Company. The team shadowed the KMPs and was included in all key decisions with respect to operations, while the day-to-day operations were left to the existing management and employees.

> **Considering the critical role of employees and labour it was ensured that salary dues are paid by 10th to 12th day of the following month.**

Such deep involvement led to control over operations, and some key steps by the RP and RP Team to improve operations such as restricting supplies to customers with long overdues, limiting related party transactions, etc.

(i) Sales

The centralised sales team of the Company booked orders for delivery over the short term and there were no significant long-term sale contracts.

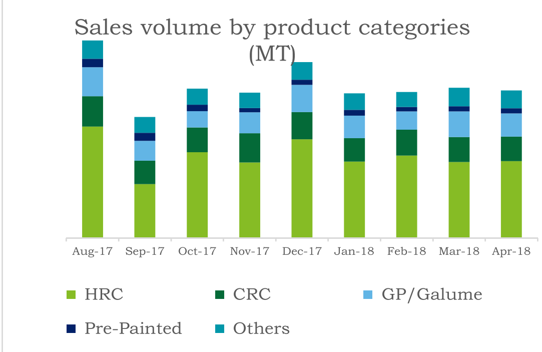
Further, historically it was observed that sales in the months of July / August were low for the steel industry. However, the Company witnessed significantly high sales in August 2017, the month immediately following the commencement of CIRP period.

Sales in September 2017 were subsequently low, in part due to the relatively high offtake in August, and in part due to the concern of various customers in the initial period of CIRP regarding continuity of operations of the Company and assurance of supplies.

The RP Team interacted with various customers and assured them of continued operations.

During the CIRP period, the Company was able to maintain sales with an average monthly offtake of ~324k MT (August 2017 – April 2018).

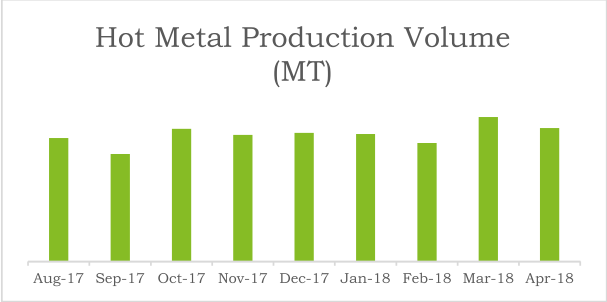
Graph-4: Sales volume by product categories



(ii) Production

The Company was also able to maintain production levels during the CIRP period, with average hot metal production during the period (August 2017 – April 2018) at ~335k MT, despite limited inventory to start with.

Graph-5: Hot Metal Production Volume



b. Managing Working Capital / Cash

In order to ensure control over the cash generated from operations, the RP Team initiated preparation of weekly budget, and tracked performance against such budget which covered:

(i) Collections

(ii) Raw material purchases

(iii) Labour payments

(iv) Statutory payments

On subsequent stabilization of operations, the budget was prepared on a monthly basis.

Further, all the payment requests received from the Company were reviewed and scrutinized at multiple levels by the RP Team and only post such scrutiny were payments forwarded to the bank for processing. In addition, periodic reconciliation was carried out between final payments made by the bank and approved payments to ensure that no unauthorized payments were being made.

Such control over cash / payments also helped the RP

Team in prioritising key inventory items and in ensuring that adequate inventory level was maintained at all times.

Due to the above steps, the CIRP period resulted in adequate inventory build-up, and cash surplus for the Company, with net cash generated at the end of CIRP of >₹ 500 Crore. In addition, there was margin build-up for Letter of Credit (LCs) / Bank Guarantee (BGs) to the tune of >₹ 500 Crore.

RP and RP Team remained in close dialogue with such suppliers. As a result, there were no disruptions in operations/sales during the CIRP.

c. Various regulatory authorities

At the commencement of CIRP, intimations were sent to major authorities informing them of commencement of CIRP, and requesting them to file their claims, if any, as per the provisions of the Code.

On receipt of notices from authorities, replies were sent to them intimating about the provisions of the IBC. The RP and RP Team closely monitored the communication with such authorities and held meetings with several critical authorities including labour department officials who had oversight of the Angul Plant.

d. Critical suppliers and key customers

At the commencement of CIRP, intimations were sent to major customers and suppliers informing them of commencement of CIRP, and requesting them to file their claims, if any, as per the provisions of the Code.

Meetings were also held with selected suppliers and customers to assure them of continued operations during the CIRP period and the need for their on-ground support.

Further, to continue operations of the Company as a going concern, existing suppliers were needed to continue supply of critical raw materials. As per the Code, past dues were to be included in claims as on Insolvency Commencement Date (ICD), however, some key suppliers demanded past payments for making continued supplies.

RP and RP Team remained in close dialogue with such suppliers. As a result, there were no disruptions in operations / sales during the CIRP.

The Company was hence enabled to achieve one of its highest ever monthly production and sale of liquid steel during the CIRP period.

e. Employees / Labour

The RP and RP Team held regular meetings with key employees, labour contractors / labour commissioner seeking support during CIRP.

Further, considering the critical role of employees and labour, the payments were streamlined and prioritised, resulting in payment of salary dues by 10th to 12th day of the following month, an improvement over extant practice of deferred payments.

The Company was hence able to ensure that there were no significant disruptions during the CIRP period on account of delayed payments.

f. Books of account and financial statements

Being a listed entity, the Company was required to prepare quarterly financial statements and publish the same to the stock exchanges. As a result, there was a process in place for updating the books of account and finalisation of financial statements. In order to meet the strict timelines under the listing requirements, the RP and team maintained oversight of such procedures. Further, the notes to account relevant to the CIRP process were particularly reviewed by the RP and team.

In order to meet the strict timelines under the listing requirements, the RP and team maintained oversight of such procedures.

With respect to annual financial statements, the CIRP commenced in the month of July 2017, and by then the company had already prepared its annual report for the previous financial year. Further, as the CIRP was completed by the month of May 2018, and the affairs of the Corporate Debtor were transferred to the incoming management, the annual report for FY2018 was finalised and published by the incoming management of the successful resolution applicant.

To attract investors, the RP Team prepared marketing material for the transaction and reached out to several strategic and financial investors, both domestic and international.

5. Resolving claims of creditors

Total claims of ₹ 62,002 crore as on ICD were submitted by various categories of creditors, out of which claims of ₹ 57,505 crore were admitted by the RP and RP Team, post detailed verification.

Table 1 : A summary of claims against the Company

S. No.	Category of Creditor	No. of claims	Amount claimed (₹ Crore)	Amount admitted (₹ Crore)
1	Financial Creditors other than preference shareholders	53	56,080	56,022
2	Financial Creditors – Preference shareholders*	48	2,357	-
3	Operation Creditors other than Workmen and Employees	1,035	3,563	1,483
4	Operational Creditors - Workmen and Employees	40	1.90	0.32
	Total	**1,176**	**62,002**	**57,505**

**The preference shareholders were related parties of the Corporate Debtor.*

During the CIRP, large claims were received from several financial creditors with varied restructuring structures and consortiums. RP and RP Team invested considerable amount of time to go through these facility agreements, inter creditor agreements, security documents and bank statements to plot the sanctioned, disbursed, and outstanding amounts including unpaid interest and penal interest, charges, etc. and the security interest for each of the facilities.

Several financial creditors had submitted manual calculations of interest and such calculations were meticulously rechecked with iterations between the RP Team and financial creditors. Considering the different methodologies followed by the financial creditors in maintaining accounts at their end, especially for NPA accounts, the RP Team had to examine each claim individually without reliance on any set template.

A point of note is that during the plan implementation phase it was required to identify each Financial Creditor which was the beneficiary of pledge of shares given by the promoters. The methodologies followed and the extensive documentation by the RP Team facilitated the successful resolution applicant, TSL, in identifying the pledge beneficiaries and in implementing the resolution plan.

Some of the major challenges in claim verification and approach to mitigate such challenges are as follows:

a) Inadequate support from the management

Receiving adequate information from the management of the Corporate Debtor was a challenge and access to the accounting system (systems, applications, and products, SAP) was delayed. RP and the RP Team engaged vigorously with the management and conducted multiple meetings with the promoter and KMPs to obtain the relevant information.

This is apart from obtaining directions by the Adjudicating Authority to the KMPs and promotors to provide support to the RP on an application filed under section 19 of the Code.

b) Lags in accounting of invoices and improper accounting system

It was observed that the books of account of the Company were not up to date and there was a time lag which could be witnessed in recording of invoices. This limited the reliability of the books of account of the Company for the purposes of claim verification.

It was observed that in several cases, the classification in the books of accounts was erroneous which required detailed reconciliations to be conducted.

The Company also utilised two accounting software – one for capital expenditure, and one for operating expenditure and other items. The two systems were not integrated and were manually aggregated and included in the financial statements.

> **It was observed that in several cases, the classification in the books of accounts were erroneous which required detailed reconciliations to be conducted.**

RP and team conducted meetings with the claimants to understand the nature of their claims and further performed the reconciliation with the books of accounts.

The RP Team also took assistance from the accounting team and the auditors of the Company in performing reconciliation exercise to facilitate verification of the claims.

c) Each claimant had its own story to tell

Claims received were different in nature and no particular methodology could be applied for verification to all or most of the claims. Each claim was required to be studied in detail, the underlying work orders and invoices were required to be verified and then the claim was admitted basis the supporting documents submitted by the claimant and the detailed reconciliation exercise undertaken by the RP Team.

There were claimants who were unaware of the claim submission process as prescribed in the Code and hence the RP Team explained the key process as per the Code to such claimants and handheld them in filing their claims.

> **Some of the claims, including from Statutory Authorities, were under litigation. On the advice of the legal advisor, such claims were admitted at a notional value of ₹ 1.**

d) Claims including Tax Deducted at Source (TDS)

Many of the operational creditors also sought to claim their TDS liabilities since the Corporate Debtor had not furnished the TDS certificates to them, despite depositing the tax against the same. The RP Team after understanding the matter, instructed the management to issue TDS certificates to such vendors which lead to reduction in their claim amounts and further developed confidence in such vendors and suppliers.

e) Claims under litigation

Some of the claims, including from Statutory Authorities, were under litigation at various forums. Advise was sought from the legal advisor on such claims, and basis their inputs, such claims were admitted at notional value of ₹ 1 since the amount payable against such claims was sub-judice and could not be determined as of the ICD. Details of such cases formed part of the data room to be accessed by potential resolution applicants.

f) Claims pending for >5 years

Certain creditors filed claims for outstanding dues of last seven to eight years and it was noted that they provided critical capital goods or services to the Company. The lapse of extended time complicated the reconciliation / verification of such claims.

RP and team had to undertake detailed discussions with such creditors, the projects team and accounting team of the Corporate Debtor to understand and reconcile such claims as part of the verification.

For example: in the case of one of the large operational creditors where capital goods were supplied several years prior to ICD, there were many on-going disputes and several failed attempts at reconciliation in the past. The RP Team organized multiple meetings with key officers of the Corporate Debtor and management of the claimant and undertook a detailed reconciliation exercise to resolve past disputes, taking cognizance of past settlement agreements (even if not honored) and verified the claim amount which was acceptable to both the parties.

6. Activities related to the resolution plan

The Code provides for a public issuance of invitation for expression of interest. Considering the size of the Company, the RP and team also thought it prudent to aggressively market the asset to all potential investors in order to garner adequate interest in the resolution process.

The RP Team prepared marketing material for the transaction and reached out to several strategic and financial investors, both domestic and international.

As a result of such efforts, and the quality of the underlying asset, the RP received expression of interest from over twenty parties, of which most of the parties thereafter signed the confidentiality undertaking sought and received access to the virtual data room created by the RP. Close to ten parties also completed site visits as part of their diligence exercise – showing keen interest in the process.

a. Evaluation Matrix

Considering the large number of members of the CoC and the size of the asset, the CoC appointed an external advisor to assist them in the resolution process, in preparation of the Request for Resolution Plans (Process Document), and finalization of evaluation criteria for inviting eligible resolution plans from potential resolution applicants. This Process Document was disseminated to potential resolution applicants through the Virtual Data Room (VDR) to provide them a framework for submission of resolution plans, and to clearly outline the evaluation criteria for the resolution plans.

b. Diligence process by potential resolution applicants

As mentioned above, a VDR was maintained to facilitate the diligence process from multiple parties across geographies and considering the strict timeline envisaged under the Code. Further, physical data room access was also provided for legal and secretarial documents which were otherwise unwieldy in terms of scanning and uploading to the VDR.

In order to expedite and facilitate the diligence by multiple potential resolution applicants, the RP, with approval from CoC, commissioned a Legal Diligence Report and a

Technical Diligence Report.

The RP also facilitated meetings of potential resolution applicants with the management of the Corporate Debtor, and a committee of members of the CoC, along with CoC Advisor & legal advisor to the CoC.

c. Receipt of Resolution Plans

In pursuance to the code, RP received resolution plans from three resolution applicants.

The resolution plans, as per the Process Document, were received in sealed envelopes. To ensure integrity of the process, the RP further sealed the envelopes in an outer covering which was initialled by representatives of RP, legal advisor to the RP and the respective resolution applicant.

Such exercise was undertaken to ensure that there was no possibility of the resolution plans being inadvertently disclosed prior to the formal opening.

d. Opening of Resolution Plans

In order to maintain complete transparency and integrity of the resolution process, the resolution plans were opened only in the presence of representatives of all the three resolution applicants, and in a recorded session.

All resolution applicants were informed of date and time for the bid opening and were invited to attend the same.

The sealed cover put in place by the RP was opened post confirmation from the resolution applicants that such covers were not tampered with. Subsequently, the sealed envelopes provided by the resolution applicants were opened.

On opening of the resolution plans, the back of each page of each resolution plan was stamped and initialled by the RP, representatives of each resolution applicant, legal advisor to the RP, legal advisor to the CoC and the CoC advisor for evaluation of resolution plans. The objective of such initialling was to remove any potential allegations that a particular page in the resolution plan has been subsequently modified.

The transparency maintained in the receipt and opening of resolution plans, ensured that there was no allegation of misconduct in opening of the resolution plans.

e. Evaluation of resolution plans

Resolution plans and associated documents were subsequently scanned and shared with the CoC members, legal advisor to CoC, legal advisor to RP, and CoC advisor for evaluation of resolution plans, through the VDR only, which ensured that the security protocols applied in the VDR were applied to the resolution plan documents as well to maintain confidentiality. The access to VDR was only provided to those members of CoC and its advisors who had signed NDA as per the Code.

In accordance with the Code, the RP, with assistance from the legal advisor to RP, ensured compliance of the resolution plan with the Code and shared the compliant resolution plans with the CoC.

"The sealed cover put in place by the RP was opened post confirmation from the resolution applicants that such covers were not tampered with."

Subsequently, the CoC and its advisors evaluated the resolution plans in accordance with the Process Document and the communicated evaluation criteria.

The RP facilitated presentations by each of the resolution applicants to a committee of members of the CoC to highlight the key aspects of the resolution plan, and provide any explanations, wherever relevant.

f. Announcement of H1 resolution applicant

As per the Process Document, the H1 resolution applicant was declared, and same was communicated to the H1 resolution applicant. Other resolution applicants were also informed that they had not been selected as H1.

g. Discussions with H1 resolution applicant

Discussions were held between the H1 resolution applicant and the CoC members to cater to concerns and requirements of CoC members and the outcome of these discussions, was suitably recorded in the form of amendments to the resolution plan and shared with the CoC members for their consideration.

The final, negotiated resolution plan was put to vote and unanimously approved by the CoC.

It may be noted that three members of the CoC (cumulatively less than 0.5% voting share) were not able to vote within the stipulated timelines due to various logistical issues, and subsequently filed affidavits before the NCLT to be considered as consenting members of the CoC with respect to the approved resolution plan.

h. Pre-work

Once the resolution plan was approved, it was immediately filed with the NCLT for its consideration and approval. While there were a few applications filed against the resolution plan, due to the transparent process followed, there was no allegation of impropriety in the process.

In order to implement the plan expeditiously post approval and avoid any unnecessary delays, several preparatory meetings were held between legal advisors to the CoC, legal advisor to the RP, RP and the successful resolution applicant, TSL, to chalk out the plan for implementation of the approved resolution plan.

Key bottlenecks / dependencies for implementation were identified during such discussions and steps were taken to resolve the same.

A detailed implementation structure was planned out along with timelines which were followed strictly and successfully completed.

Applications for requisite approvals were made to the RBI and Competition Commission of India by TSL prior to receipt of approval from the NCLT to ensure that no time was lost subsequently.

Further, the applications to other relevant authorities such as the Securities and Exchange Board of India (SEBI), and stock exchanges were prepared in advance, so that they could be sent immediately on receipt of approval on the resolution plan.

The proposed transactions documents and process were also discussed in detail and finalized prior to NCLT approval.

In order to ensure payments as envisaged under the resolution plan were made to the respective accounts on time, the RP Team verified and collated the bank account details of each Financial Creditor and also obtained confirmations of the same from such creditors.

Further, the CoC advisor prepared detailed computations of amounts to be paid to each financial creditor as per the resolution plan, and also the shares under pledge to be invoked / allocated to financial creditors as applicable. The resolution plan also envisaged allotment of shares to each of the financial creditors and the necessary internal approvals from creditors and documentation for allotment of shares was prepared and kept ready for expedited execution on approval of the resolution plan.

The resolution plan envisaged a partial payment to each of the financial creditors. Detailed discussions were held with respect to novation of the unpaid debt to TSL, which was captured in the transaction documents. Further, negotiations were also held between TSL and the CoC to determine the manner for appropriation of payments under the resolution plan to ensure a tax efficient structure for TSL.

All these steps ensured that the resolution plan was implemented in an expedited manner once the approval from NCLT was received.

i. Closing actions

The approval from NCLT was received on May 15, 2018 and thereafter, the agreed upon transaction documents were executed by each Financial Creditor and TSL.

The closing steps included opening of bank accounts as per the transaction documents, conduct of Board Meeting of the Corporate Debtor to allot shares to TSL, infusion of funds by TSL towards allotment of such shares, reconvening of Board Meeting for infusion of funds to repay the financial creditors and actual transfer of funds as per the Code and approved resolution plan.

The total realisation by creditors under the resolution plan was as below:

Table-2: Realisation by creditors under the resolution plan

S. No.	Category of Creditor	Amount Admitted	Resolution Achieved
1	Financial Ccreditors other than preference shareholders	₹ 56,022 Crore	₹ 35,200 Crore + 12.26% shareholding in BSL
2	Operation Creditors other than Workmen and Employees	₹ 1,483 Crore	₹ 1,200 Crore
3	Operational Creditors - Workmen and Employees	₹ 0.32 Crore	₹ 0.32 Crore
	Total	₹ 57,505.05 Crore	₹ 36,400.32 Crore + 12.26% Shareholding in BSL

7. Post CIRP / acquisition activities[4,5]

In pursuance to the NCLT order dated May 15, 2018, the

[4] Business Today, How Tata Steel turned around bankrupt Bhushan Steel, May 18, 2021 (https://www.businesstoday.in/latest/corporate/story/how-tata-steel-turned-around-bankrupt-bhushan-steel-296337-2021-05-18)

[5] Annual report of TSBSL for FY2020-21

custody of the Corporate Debtor, was handed over to TSL on May 18, 2018. The Company was subsequently renamed as Tata Steel BSL Limited (TSBSL) w.e.f. November 27, 2018.

TSL re-designed the organisational structure and created dedicated functional departments within a month of acquisition for safety, environment, Corporate Social Responsibility (CSR), vigilance and ethics, human resources, transformation, shared services, and industrial by-product management, among others.

Post-CIRP, Company has achieved revenue of ₹ 21,536 Crore in FY2021 and a consolidated net profit of ₹ 2,518 Crore.

The gross debt of erstwhile Bhushan Steel Limited was ₹ 63,020 crore as of 2018. The debt stands at ₹ 17,028 crore on March 31, 2021.

- TSBSL focused on leveraging group synergies with Tata Steel group companies to increase use of captive raw material, optimizing product mix to maximize system benefits, horizontal deployment of best practices across the value chain, manufacturing of TSL branded products at the plants and leveraging the channel and distribution network of TSL for increasing the share of branded products. The plant achieved multiple BPDs (best-demonstrated-performance) throughout the year across multiple cost & throughput parameters which accelerated the journey towards 5.2 MTPA of crude steel production.
- Key initiatives on throughput include - debott lenecking across upstream units like Raw Material Handling System ('RMHS'), Steel Melting Shop ('SMS'), Hot Strip Mill ('HSM') etc. and multiple downstream units, maximizing the utilization of Direct Reduced Iron ('DRI') kilns (7 kilns in operation). Besides these, the initiatives focused on value creation including – customer diversification in multiple segments, ramping up volumes of branded products (including launching of three new brands – ColorNova, GalvaNova, GalvaRos), increasing the sales of value-added products, external sales of DRI and various by-products (1st ever dispatch by rakes).

8. Conclusion

As a result of the above revival efforts, the Company has achieved revenue of ₹ 21,536 Crore in FY2021 and a consolidated net profit of ₹ 2,518 Crore and is currently a viable asset contributing to the income generation in the nation. The stock price of the Company has also increased from ₹ 27.65 per share on May 18, 2018 (date of implementation of resolution plan) to ₹ 52.15 on March 31, 2021, significantly contributing to the wealth generation in the country and underlining the fact that Bhushan Steel Limited is one of the marquee successes of the IBC regime.