

# Resolution of Orchid Pharma Limited

*Orchid Pharma Limited (OPL) was part of the second list of 28 defaulters that Reserve Bank of India (RBI) had flagged for resolution in August 2017. Pursuant to petitions filed by Lakshmi Vilas Bank, an Operational Creditor (OC) under Section 9 of the IBC, the National Company Law Tribunal (NCLT), Chennai Bench, vide order dated August 17, 2017, admitted application for initiation of CIRP for OPL. Mr. CMA CS Rajendran, Insolvency Professional (IP) was appointed as Interim Resolution Professional (IRP) and Mr. Sripatham Venkatasubramanian Ramkumar, IP was later confirmed as Resolution Professional (RP) vide order of NCLT, Chennai Bench dated October 27, 2017, to manage the affairs of the Corporate Debtor (CD). With more than ₹3,600 crore of creditor claims, 24 members in the Committee of Creditors (CoC) and 1,600 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 OPL during the first phase of Covid-19 lockdown.*

*The present case study, sponsored by IIIPI, was developed by Mr. Ramkumar in which he has provided a first-hand step by step guide to resurrect a corporate life even in adverse situations. **Read on to know more...***



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## 1. Introduction

The Corporate Insolvency Resolution Process (CIRP) of OPL, the CD, has been an exciting and thought-provoking case of resolution under Insolvency and Bankruptcy Code, 2016 (IBC) with many firsts. It 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. Key highlights and takeaways in this resolution are:

- Maintaining the CD as a Going Concern (GC) during the entire 31 months of CIRP
- Cost reduction and optimisation achieved across different expense heads resulting in efficient and sustainable operations
- Retention of major customers in regulated markets by building trust and meeting their requirements in time
- Retention of key employees and rewarding them suitably to ensure that operations are run unhindered



- e) Handling the litigations faced from unsuccessful resolution applicants and non-implementation of resolution plan by a resolution applicant leading to annulment of plan
- f) Lastly, implementation of the resolution plan during 1st wave of Covid-19 inducted lockdown

## 2. Business Profile of the CD

Established in 1992 as an export-oriented unit (EOU), Orchid Pharma Ltd (CD) is a vertically integrated company spanning the entire pharmaceutical value chain from discovery to delivery with established credentials in research, manufacturing, and marketing. The CD ranked among the top 50 pharmaceutical companies in India and had multi-therapeutic presence across segments like anti-infectives, anti-inflammatory, Central Nervous System (CNS), Cardio-Vascular Segment (CVS), nutraceuticals, other oral and sterile products.

**The CD ranked among the top 50 pharmaceutical companies in India. It is listed on India's NSE and BSE and Luxemburg Stock Exchange, Luxemburg.**

The CD also provides pharmaceutical solutions including Active Pharmaceutical Ingredients (API) and finished dosage forms. It had global presence across 40+ countries through alliances and partnerships with globally reputed majors. The API facility is located at Alathur, Tamil Nadu and formulations facilities at Alathur and Irungattukottai (IKKT), Tamil Nadu. The facilities have from time to time been inspected and approved by global regulatory authorities including United States Food and Drug Administration (USFDA), United Kingdom Medicines and Healthcare products Regulatory Agency (UK MHRA), European Directorate for the Quality of Medicines & HealthCare (EDQM), Pharmaceuticals and Medical Devices Agency, Japan (PMDA), Directorate of Medical Affairs (DMA), Medicines Control Council, South Africa (MCC) and Therapeutic Goods Administration, Australia (TGA). The API facility is one of the largest manufacturers of broad-spectrum antibiotics and had a capacity of 900 MT per annum and FDF units specialised Non-Penicillin, Non-Cephalosporin drugs and had a combined capacity of 1 billion tablets/ capsules per annum. Further, the CD is listed on India's NSE and BSE and Luxemburg Stock Exchange, Luxemburg.

This Case Study is divided into three stages – Pre-CIRP Performance, CIRP and Post-CIRP. Each stage had its

separate set of challenges requiring the RP and team to adapt to the dynamic environment and simultaneously cope up with the then ongoing pandemic during implementation of resolution plan.

## 3. Pre-CIRP performance

### 3.1. Performance during three years before CIRP commencement:

- a) The Company was under severe stress from 2012 onwards and was admitted to restructuring under Corporate Debt Restructuring (CDR) scheme in 2014.
- b) The sales of the company reduced gradually by ~168% during the said period, however the pre- EBITDA costs during the said period increased from 82% of sales to 98% of the sales. Given the same, the EBITDA margins reduced drastically from 18% to 2%. Below is the snapshot of the same:

**Table 1: EBITDA Percentage**

Particulars	2013-15	2015-16	2016-17	2017-18
	<b>18M</b>	<b>12M</b>	<b>12M</b>	<b>12M</b>
Revenue (₹ Crores)	1,736	879	755	649
Operating expenses (₹ Crores)	1,416	705	663	635
EBITDA (₹ Crores)	320	174	92	14
<b>EBITDA %</b>	<b>18%</b>	<b>20%</b>	<b>12%</b>	<b>2%</b>

- c) Despite the decrease in the operating levels, the company was unable to control the proportionate costs which has resulted in erosion of margins.

### 3.2. Reasons of Financial Stress: Major reasons of financial stress were as following:

- a) Due to the liquidity crunch and ongoing debt restructuring exercise (CDR), OPL's plants were running at lower capacity utilization. The lower capacity utilization resulted in delay in supply of orders to customers, thus affecting the 'order book' of the company.
- b) Costs (Direct material cost and fixed overheads) were significantly higher than competitors due to lower capacity

utilization.

- c) The company has lost orders from major customers due to delay in fulfilling the 'order book' which has severely affected the cash flows.

#### 4. Corporate Insolvency Resolution Process (CIRP)

NCLT vide its order<sup>1</sup> dated August 17, 2017, initiated the CIRP of the CD under Section 9 of the IBC. The CoC in the first meeting proposed to appoint Mr. Sripatham Venkatasubramanian Ramkumar as the RP of the CD which was also confirmed by Adjudicating Authority (AA) vide order dated October 27, 2017.

##### 4.1. Initial Assessment

Post receipt of the order from the NCLT, the RP along with his team met with the incumbent management team of the CD, to take charge of its assets and to understand the existing business operations and the organizational structure. The RP also informed the management regarding the provisions of the IBC and laid down the roadmap for maintaining the going concern of the business during CIRP and for future co-ordination and expectations from the incumbent management.

The meeting helped in identifying key Point of Contacts for critical functions and in identifying critical functions, current status of licenses and approvals and steps to be undertaken for maintaining the regulatory licenses.

During these meetings and visits, the RP and team managed to understand the key intricacies of the business and potential concerns/ risks in maintaining the going concern of the business, some of which have been highlighted here:

- a. **Large employee base with salary delays for both on-roll and contractual employees:** With over 1600+ employees, the company was a major source of employment and livelihood in the part of country where it operated. The declining profits and cash crunch had resulted in salary delays of two-three months across locations and also created a huge uncertainty among

the employees. Initiation of CIRP also largely depleted the morale of the employees.

- b. **Working capital challenges and cash crunch:** During the year preceding the commencement of insolvency, the company faced severe cash crunch due to reducing business operations which eventually resulted in payment delays across stakeholders including employees, suppliers, statutory agencies, and financial creditors.
- c. **Trust deficit with customers and risk of business loss:** Given that the company had long-term contracts with customers, liquidity issues and subsequent initiation of CIRP created concerns on the ability of the company to satisfy its contractual obligations. The customers also panicked and started inducting alternate supply sources for securing their inputs. This led to a fall in the order book of the company and was also unable to attract new customers.

**The declining profits and cash crunch had resulted in salary delays of two-three months across locations and also created a huge uncertainty among the employees.**

##### 4.2. Key Concerns/Challenges faced by the RP

- a. **Absence of CFO / COO / Sales / Procurement Heads:** Company did not have full time Chief Financial Officer (CFO), Chief Operating Officer (COO), Sales Head, and Procurement Head. This resulted in respective teams working without proper guidance and direction. The entire operations of CD were done under the guidance of RP and his team for 31 months of CIRP period (Oct 2017 to March 2020) with no promoter involvement.
- b. **Ability to retain required workforce and reduce the employee cost:** The company's operation essentially mandated to have experienced workforce and with the long outstanding employee dues, the RP had to convince and keep the talented workforce

<sup>1</sup> NCLT Chennai, *Laxmi Vilas Bank Ltd. Vs. Orchid Pharma Ltd.*, CP/540/IB/2017, Date of Order, August 17, 2017.

motivated throughout the entire CIRP period. On another hand, the company had huge employee strength which essentially meant huge payroll expenses which is not commensurate to the level of operation at the initiation of CIRP.

- c. **Stoppage of LC issuance by banks:** The lead bank which was supporting with LC facility against 100% margins stopped issuing LC in April 2018. This has resulted in paying vendors in advance for securing supply of Key Starting Materials (mostly imported) thereby extending the working capital cycle by at least 90 days which has put further stress of cash flows and corresponding production.
- d. **Cap on limit of Forex advances:** Due to restrictions in FEMA regulations, the FOREX advances were limited to \$ 200,000 per vendor at any given time resulting in longer lead time for procurement and receipt of Key Starting Materials (KSMs) from China which were essential for uninterrupted production.
- e. **Crisis in electricity supply:** Company was procuring power from a power generating company under captive consumption. However, CIRP was initiated on the power generating company in March 2019 that stopped production due to liquidity issues which meant that the CD had to procure power from Tamilnadu Electricity Board (TNEB) at 50% higher rates which would further erode margins heavily as power is a major cost contributor in the manufacturing process.
- f. **Disproportionate cost structure:** The company did not have adequate systems in place to monitor the expenditure incurred for production and other overheads. This has led to a situation wherein no control was exercised in the manner expenses were incurred.
- g. **Continuous monitoring of Regulatory aspects:** Since the company is operating in a highly regulated environment, the RP and

team has to ensure all necessary compliances required as per Good Manufacturing Practice (GMP) standards on a continuous basis. Further, RP had to facilitate completion of USFDA inspections and EU GMP inspections during his tenure. Since the cost of non-compliances are huge and the RP and his team had to regularly monitor and spend extended hours to ensure timely compliance of GMP standards.

**Increments of ~10% to ~30% for the performing employees were given twice during CIRP period with the approval of the CoC.**

#### 4.3. Solutions / steps taken by the RP

- a. **Sales and marketing functions:** RP headed the entire sales function wherein he was directly meeting customers to provide them necessary assurances and ensured that additional products with higher margins are sold to them as well thereby increasing capacity utilization and better realisation from limited production.
- b. **Retaining workforce:** Employee payroll was rationalized during CIRP period resulting in ₹ 8.65 Crores savings a year and employee strength came down from ~1,600 at the start of CIRP to ~1300 towards the end of CIRP. RP also ensured elimination of unnecessary costs like doing away with idle contract manpower, etc. Increments of ~10% to ~30% for the performing employees were given twice during CIRP period with the approval of the CoC (Feb 2019 and Dec 2019) to retain the talented workforce from the savings obtained through rationalising workforce.
- c. **Alternate power purchase:** Given that the company was staring at a power crisis, the RP was quick in identifying alternate power sources, i.e., RP started procuring power from IEX energy exchange which also resulted in savings of electricity cost by ₹ 70-80 lakhs per month compared to procurement from state distribution utility.



**d. Optimisation of fixed overheads:**

The RP and team have put in budgeting systems in place and started evaluating the nature and scope of recurring expenses incurred by the CD. Unnecessary costs incurred in manpower, overheads, electricity, insurance and other areas are identified and reduced which has resulted in contributing to the increase in EBITDA from 2% at the start of CIRP to ~15% during the CIRP period.

**e. Change in product mix:** The company focused on products yielding higher margins and meeting needs of regular customers thereby improving the EBITDA levels from being negative (pre-CIRP) to 12-15% during CIRP period (~31 months of operations). The capacity utilization levels also increased from 35% to 40% with better realization of product mix produced.

**f. Implementation of MIS systems:** RP introduced monitoring systems to streamline the payments and push for early collections. Further, RP implemented cross-functional MIS systems and deployed business intelligence tools to enable data driven decision making within the organisation.

**g. Maintenance of compliance calendar and facilitate completion of regulatory inspections:** RP successfully completed 3 USFDA and 2 EU GMP inspections during his tenure. The inspecting authorities recommended continuation of the respective licenses / approvals. Extension of the regulatory approvals helped the company not only to continue as a going concern but also in attracting Potential Resolution Applicants (PRAs). RP also maintained compliance and license calendars to ensure that the renewals were applied for within the prescribed time limits and all necessary approvals are kept up to date.

**h. Identifying alternate vendors:** Given the FEMA cap on advances, RP identified/

approved new vendors and material requirement was spread across multiple vendors within the limit prescribed. This has resulted in securing the necessary supply of KSM without any delays which otherwise would have hampered production.

**i. Alternates to Letter of Credit (LC):** Negotiation with customers explaining the constraints faced by the company resulted in receipt of part advances for orders placed and elongation in credit period offered keeping the working capital cycle in control.

**4.4. The Resolution Process****4.4.1. Failure in Implementation**

The RP published an advertisement for inviting Expression of Interest (EoI) for the CD on February 09, 2018. An application for liquidation was filed on 270th Day i.e., May 14, 2018, by the RP, when no plan was received till 270 days and CoC voted in favour of it. Applicant-1 approached the NCLT for their plan to be considered and NCLT vide letter dated May 28, 2018, directed the RP to consider the same. Subsequently, the plan of Applicant-1 was put for voting and passed with requisite majority. NCLT also approved plan of Applicant-1 vide its order dated September 17, 2018.

**After detailed arguments on the potential for revival of the CD by the RP, NCLT granted an additional 105 days' time for fresh round of bidding.**

However, Applicant-1 failed to implement the resolution plan citing various frivolous reasons despite directions and orders from NCLT.

Given the failure to implement the plan, the CoC proceeded to request NCLT to annul the Applicant's plan and filed an application with the NCLT on November 29, 2018, and the same was confirmed by the NCLT vide order dated February 28, 2019, and IBBI initiated civil and criminal proceedings against the Applicant-1 in concerned courts at Chennai. After detailed arguments on the potential for revival of the CD by the RP, NCLT granted an additional 105 days' time for fresh round of bidding to rerun the process once again.

#### 4.4.2. Issues faced by the RP post annulment of the plan

In the second round of investor process, plan of Applicant-2 was voted in favour by the CoC and the same was approved by NCLT vide its order dated 27 June 2019. One of the resolution applicants appealed against the order of NCLT on July 26, 2019, citing that a lender Punjab National Bank (International) Limited (PNBIL) had after voting in favour of resolution plan had dissented later over email and the minimum voting of 66% is not achieved in favour of the resolution plan by the CoC (reference is drawn to the Stock Exchange intimation made by the CD by the contesting resolution applicant). Upon NCLAT setting aside<sup>2</sup> the approved Resolution Plan, several external stakeholders interpreted that the company was staring at liquidation and RP had to meet with key customers/vendors to address their concerns on 'going concern' status of the company:

- a) Major Customers sought for legal status of the CD in the aftermath of media articles surfacing on NCLAT order.
- b) Major concern for customers being whether the company would be able to supply their orders without any disruption.
- c) RP and sales team worked on addressing these concerns raised by customers;
- d) RP and sales team were also working on getting additional orders from existing customers;
- e) Vendors supplying KSM were restricting supplies for the CD fearing cancellation of contract entered with them;
- f) Vendors preferred other customers even though CD was making 100% advance payment for KSMs fearing their contracts would be terminated in case the CD heads to liquidation;
- g) RP and Procurement team visited key vendors to ensure allocation of KSMs and to assure that CD will honour the contracts entered on time;

<sup>2</sup> NCLAT New Delhi, *M/s. Accord Life Spec Private Limited Vs. M/s. Orchid Pharma Limited, and Ors.*, Company Appeal (AT) (Insolvency) No. 761 of 2019, Date of Order: November 13, 2019.

**Upon NCLAT setting aside the approved Resolution Plan, several external stakeholders interpreted that the company was staring at liquidation.**

- h) RP and Procurement team worked on adding alternate vendors for key KSMs to safeguard the CD from any supply chain disruption.

#### 4.4.3. Legal disputes before the courts

##### Issue 1: Litigations surrounding resolution plan approval

Basis the NCLT order, the RP published an advertisement inviting EoI for the CD on April 10, 2019. Subsequently, the CoC voted for the resolution plan of Applicant-2 and the NCLT vide its order dated June 27, 2019, approved the plan of Applicant-2.

However, shortly thereafter, a stay was granted by the NCLAT on the approved resolution plan on July 27, 2019 based on the appeal filed by one of the resolution applicants citing that a lender PNBIL had after voting in favour of resolution plan had dissented later over email and the minimum voting of 66% is not achieved in favour of the resolution plan by the CoC (reference is drawn to the Stock Exchange intimation made by the CD by the contesting resolution applicant).

Subsequently, on November 13, 2019, the NCLAT set aside the order of NCLT on the ground that the value of the resolution plan of Applicant-2 was less than the liquidation value.

On December 06, 2019, the Supreme Court stayed the order of NCLAT based on the appeal filed by one of the members of the CoC argued that the member who ascended to the plan first in the e-voting platform but later descended has not objected to the implementation of resolution plan (as this is the primary reason raised by NCLAT for setting aside the order of NCLT). Finally, the NCLAT, on February 28, 2020, set aside the order of NCLT paving way for implementation of Applicant 2's plan.

##### Issue 2: Appropriation made by a lender post CIRP initiation reversed

One of the financial creditors had recovered ~₹ 184 crore from the CD post-commencement of CIRP. As this particular recovery happened during the period of

moratorium, lender should have restrained from taking 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, no assets belonging to the CD can be transferred, alienated or disposed of nor can any action for foreclosure or recovery of security interest created by the CD 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 NCLT which was later contested by the lender in NCLAT<sup>3</sup> and Supreme Court<sup>3</sup> which was dismissed and subsequently an amount of ₹ 184 crores was reversed to the account of the CD.

#### 4.4.4. Hustles caused by Covid-19

January 2020 to March 2020 saw unfolding of the Covid-19 pandemic and imposition of severe lockdowns curbing the economic activities and physical movements which were then critical in execution of legal documents and in implementation of resolution plan. In particular, the RP was faced with the following issues:

##### a) Issues faced in sourcing of KSMS

- i. Company was sourcing 80% of the Key Starting materials (KSMS) for its Active Pharmaceutical Ingredient (API) business from China. Due to Chinese New Year shutdown in mid-Jan 2020 and subsequent Covid-19 pandemic, there was no clarity on the time by which Chinese vendors would resume supplies.
- ii. Company had stock of KSMS for the months of February 2020 and March 2020 for few products only. Company would have faced a complete stock out situation in April 2020 and would not have been able to produce few products from March 2020 onwards which would have resulted in EBITDA losses.

- iii. Procurement of KSMS were also impacted by the limit of \$200,000 on advances made to foreign vendors as per FEMA regulations (in the absence of any LC support from banking system).
- iv. Since the entire pharma industry was facing a stock out situation due to the epidemic in China and there would have been high demand for KSMS once Chinese vendors had resumed production, RP proposed to the CoC for relaxation of limit of \$200,000 per vendor to \$500,000 (which can be approved by the AD banker as delegated by RBI) for the critical vendors to ensure continuity in production.

**Once the proposal was approved by the CoC, the RP approached the AD banker for relaxing the limit on advances for above vendors from \$ 200,000 to \$ 500,000.**

- v. Once the proposal was approved by the CoC, the RP approached the AD banker for relaxing the limit on advances for above vendors from \$ 200,000 to \$ 500,000 and ensured supplies are secured during this period and the operations continued without any issues.
- vi. Ensuring continuous operation at the beginning of covid induced lockdown was critical as the appeals against the resolution plan was turned down by Supreme court during this period and the resolution applicant was in the process of implementing the plan. Any stoppage of operations would have made the resolution applicant to delay or back out from implementation of resolution plan.

<sup>3</sup> NCLAT New Delhi, *State Bank of India Vs. Punjab National Bank & Ors.*, Company Appeal (AT) (Insolvency) No. 329 of 2018, Date of Order: April 11, 2019.

## b) Issues faced during implementation of resolution plan due to covid lockdown

- i. Obtaining Stamp Paper required for execution of documents from stamp vendor when the lockdown was imposed.

**Solution adopted by RP** - RP team member physically visited the office of OPL during lockdown to get the stamp papers arranged.

- ii. Submitting signed Escrow Bank Account opening forms to banks when the lockdown was imposed

**Solution adopted by RP** - RP team member ensured that the signed forms are arranged from RP who was stuck at another city at that time and physically went to the escrow bank for submission of account opening forms during lockdown

**RP identified a platform for digitally signing the documents and convinced all the lenders and resolution applicants to onboard and execute the required documents using the digital platform.**

- (iii) Obtaining the audit report from the MC appointed CA, on the working capital changes between March 31, 20 19 and Plan approval date (February 28, 2020) as required under resolution plan for implementation and arriving at surplus cash payable to Financial Creditors.

**Solution adopted by RP** – All details were provided to auditors remotely and clarifications were sorted out by RP and team to get the report on time before implementation.

- (iv) Execution of documents including documents for implementation of the plan.

**Solution adopted by RP** – RP identified a platform for digitally signing the documents and convinced all the lenders and the resolution

applicants to onboard and execute the required documents using the digital platform.

### 4.4.5. Successful implementation of the plan

Around 25+ plus stakeholders signed the Escrow and NDC documents digitally using digital platform on March 28, 2020, in a record time of six hours. On March 31, 2020, the successful Resolution Applicant-2 infused funds into the company.

Noticing the performance of the company as part of Monitoring Committee (MC), (Positive EBITDA and surplus cashflows) even during the period Jan 2020 to March 2020 wherein entire pharma industry was facing issues with procurement of KSM and supply of end products, the Resolution Applicant-2 decided to pay the entire consideration to various stakeholders as upfront payment while implementing resolution plan by fast-tracking deferred payment proposed as well and hence, the plan was implemented on March 31, 2020.

## 5. Key Achievements by the RP

- a) The CD was run as a Going Concern for the entire CIRP period of ~31 months in spite of various challenges faced in the form of litigations, loss of customers, liquidity issues and covid outbreak.
- b) The RP maintained consistent revenue of ~₹ 100-120 crores and operating EBITDA of ~10%-12% throughout CIRP on a quarter-on-quarter basis by supplying high margin products and products with minimal credit period.

**Table 2:** Operating EBITDA

Particulars	FY18	FY19	FY20
Period	CIRP	CIRP	(Feb 20)
Revenue from operations (₹ Crores)	649	555	485
Operating EBITDA (₹ Crores)	86	56	45
EBITDA %	13.3%	10.2%	9.3%

This has also created confidence in the Resolution applicants to take over the CD during



the first wave of Covid-19 without any second thoughts by implementing the resolution plan.

- c) Surplus Cash of ₹ 440 Crores were generated in CIRP period from the operations of CD during CIRP period subject to change in WC capital of ₹46.23 Crores (which was paid out to secured FCs i.e., CD had a cash balance of ₹440 Crores and Net working capital of ₹56.35 crore on the date on which Supreme court held the NCLT order as correct in comparison to a cash balance of ₹ 2.94 Crores at the time of CIRP initiation and Net working capital of ₹ 180.82 crore.
- d) Retention of major customers and addition of new customers in the regulated and less regulated markets during CIRP period by maintaining good and transparent relationships with customers.
- e) ₹ 1,100 Crores (~31% of claims admitted) has been recovered by different class of creditors in the course of the resolution process.

### 6. Key takeaways and Best Practices Adopted

#### (a) Prior to NCLT filing for IRP to RP change

Based on the information available, we understood key financial and business performance indicators and financial difficulties/ reasons for stress in the recent past. Discussion with applicant's FCs helped to understand additional details on reason for failure of CDR scheme prior to admission of CIRP. Thereafter, we made a preliminary assessment of risks associated with business and manage the affairs on a going concern basis. Further, an assessment of key stakeholders and bringing them on board before admission/ filing for IRP to RP change facilitated running the CD as a GC during IBC and avoid loss of value.

#### (b) Immediate Actions after NCLT order appointing RP

Once the application for change in IRP to RP was approved, the RP is required to juggle many balls simultaneously. In the case of OPL, as soon as RP change happened, 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 due to CIRP process. While the RP deployed resources at different plant locations, immediate control of CD's head office at Chennai was taken. The head office was

**The company had cash and bank balance in excess of ₹ 440 crores at the time Supreme court held that the resolution plan approved is valid.**

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 flow management

Considering the huge volume of business and payments being processed to more vendors on a daily basis, a dedicated team of the RP reviewed and approved payments. A system of cash rationing was established to make critical payments and maintain CD as a going concern. An action plan for cash-generating initiatives was also developed. Realization of debtors, tax and GST refunds and realisation of export credit scrips, facilitated in improving the cash balance. Further, a periodic assessment of cash requirements of the business ensured improved the cash flow position. As against a cash balance of ₹ 2.97 Crores on the date NCLT approved initiation of CIRP, the company had cash and bank balance in excess of ₹ 440 crores at the time Supreme court held that the resolution plan approved is valid, which was later passed on to the secured financial creditors as additional consideration during implementation of resolution plan net of working capital adjustment of ₹ 46.29 Crores for the CIRP period.

#### (e) Comprehensive Investor IM Created a Good First 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 (h) regulatory

approvals in place. 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 50 investors in both rounds of investor process.

**(f) Establishing relationship with key suppliers and customers**

The RP and his team spent considerable time in visiting key customers and vendors in different locations around the world and establishing good relationship with them. This has ensured that Customers continued to have trust on the CD with order book was built over such relationship and vendors ensuring adequate supplies are made for meeting customer order book when KSMs imports from China was facing environmental and supply chain hurdles.

**(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, terms, and conditions

(T&C) for submission of resolution, 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) Preparing for Resolution Plan Implementation is the Key**

Even before resolution plan was approved by 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.

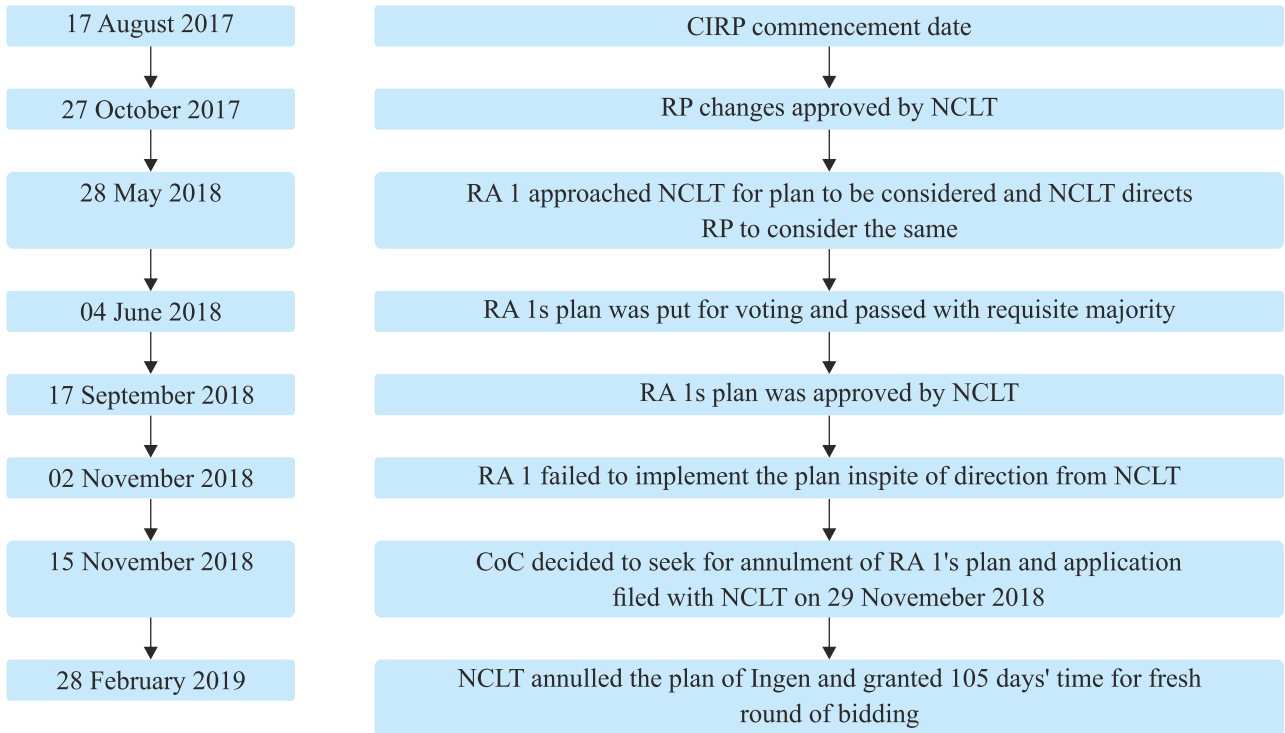
**(i) Continuous Engagement with RA – Post NCLT approval**

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 with regard to disbursement mechanism, documentation, booknd secretarial compliances, etc.



7. Key timelines

First Round of Investor Process



Second Round of Investor Process

