Preface

The study group constituted by Indian Institute of Insolvency Professionals of ICAI (IIIPI), on '***Roles of IPs/Professionals Across Insolvency Value-chain from Incipient Stage till Post-resolution***' is pleased to present this report. The study group has attempted to develop a comprehensive understanding on the subject after elaborate consultation among intra-group and with other professionals/ stakeholders. With a view to broad base the profession and equip the insolvency professionals to face newer challenges, this report on behest of study group constituted by IIIPI, focuses on enhancing role of IPs/Professionals in the value chain from the incipient stage of stress till post-resolution. The report by study group attempts to identify areas where Ips/Professionals can play a role in the said value chain. The suggestions made in the report are towards providing inputs to the policy makers and stakeholders in this direction. For a focussed approach and ease of reference, the report has been divided into different topics having contemporary relevance. The study group consisted of members with rich experience in managing CIRPs and liquidations. Alvarez and Marsal India Private Limited has helped in drafting the report and conduct a survey for identifying the roles Ips/Professionals can play in the value chain. 44 responses were received from the survey. The group members relied on their personal experience, survey results obtained and discussions within the study group to identify the roles IPs/Professionals can play across the value chain. The study group is thankful to Chairman, IIIPI for providing an opportunity to develop the knowhow as above and for providing his insights. The group is also thankful to Managing Director and officials of IIIPI for providing valuable support to the said effort. In addition, the group expresses gratitude to several other professionals including experienced IPs, legal experts and other professionals who have contributed directly and indirectly to the development of this research report.

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CONTENTS

Acronyms

CIRP: Corporate Insolvency Resolution Process

CoC: Committee of Creditors

IRP: Interim Resolution Professional

NCLT: National Company Law Tribunal

RP: Resolution Professional

Background

In today's business environment, companies operate in a dynamic and highly competitive scenario, which make them susceptible to varied external and internal factors that can have a direct bearing on their financial health. These factors can include changes in market conditions, economic downturns, technological disruptions, and internal mismanagement, etc. Consequently, it is not uncommon for companies to experience stress situations from time to time. However, it is important for the caretakers of the company, such as the board of directors and the management, to plan for the rescue of the company and its business from stress at the earliest. This is because the longer a company remains in distress, the greater the risks to its survival and the more difficult it becomes to turn around its fortunes. The objective at this stage of incipient sickness should be to restore the company's profitability and cash flow, and to put it back on a sustainable growth trajectory to maximize value for all stakeholders

Insolvency professionals play a crucial role in the Corporate Insolvency Resolution Process (CIRP) in India. They are appointed by the National Company Law Tribunal (NCLT) to manage the affairs of the insolvent company during the CIRP. The first order objective of IBC is to maximize the value of the assets of the company, which is to be kept in mind by IRP/RP while running the CIR process. While it is imperative to make insolvency resolution more holistic, encompassing the early/incipient stage of corporate insolvency going up to post-resolution stage, there is also a need to reimagine and carve roles of insolvency professionals, within this expanded horizon. As the traditional role of IRP/RP during CIRP is already codified in the IBC and CIRP Regulations, this paper studies the role an IRP/RP can further play in the value chain in an insolvency resolution during pre-CIRP, and post-CIRP phases.

Pre-CIRP, insolvency professionals can add value by conducting a thorough analysis of the financial position of the company and identifying the underlying reasons for its financial distress. They can also help the company prepare a resolution plan that addresses the root cause of the financial distress and is acceptable to the creditors. This can improve the chances of the company's survival and prevent it from going into liquidation.

Post-CIRP, insolvency professionals can add value by managing the affairs of the company and implementing the resolution plan approved by the creditors. They can also help the company in restructuring its operations, renegotiating contracts, and improving its financial performance.

Additionally, they can assist the company in raising capital and improving its credit rating, which can improve its access to financing and support its long-term growth.

Insolvency professionals can also help in resolving disputes among stakeholders and managing the liquidation process, if required. This can help ensure a smooth and efficient winding-up of the company and minimize the losses incurred by the stakeholders.

Overall, insolvency professionals play a critical role in the CIRP process and can add significant value both during pre-CIRP and post-CIRP stages as they bring specialized expertise and experience to the table, which can help companies in distress navigate the complex legal and financial landscape and emerge stronger and more resilient.

The paper study's additional role by IRP/RP which can lead to significant value add to an overall resolution during the following phases of a Corporate Debtor:

I. **Identifying incipient sickness and early stress signals**
II. **Addressing the stress at an early stage**
III. **Post insolvency resolution of the CD**

Meaning of Distressed Company:

Distress for a company refers to a situation where the company is experiencing financial difficulties and is struggling to meet its financial obligations. Distressed companies may experience a range of financial challenges, such as declining sales or revenue, reduced margins, high levels of debt, cash flow problems, reduced liquidity, and difficulty obtaining financing. Distress can be a challenging and stressful situation for a company and its stakeholders, such as employees, shareholders, customers, and suppliers. It's important for companies to be proactive in managing their finances and identifying potential financial stressors, in order to address them before they become major problems.

Benefits of addressing stress at early stage:

There are several benefits to addressing stress in a company at an early stage, including:

1. **Improved Financial Health:** Addressing stress in a company at an early stage can help to prevent financial difficulties from escalating and becoming more severe. By identifying and addressing financial stressors early on, a company can take steps to improve its financial health and prevent the need for more drastic measures, such as bankruptcy.

2. **Retain Talent:** Retaining employees is critical for the long-term success of any organization. Addressing stress in a company at an early stage can help to increase the company's ability to retain its talented employees. By taking proactive measures to manage finances, the company can respond to challenges more effectively.

3. **Better Relationships with Stakeholders:** Addressing stress in a company at an early stage can help to maintain positive relationships with stakeholders, such as employees, shareholders, customers, and suppliers. By demonstrating a commitment to addressing financial challenges, the company can build trust and confidence among its stakeholders, which can be important for long-term success.

4. **Greater Control:** Addressing stress in a company at an early stage can help to give the company greater control over its financial situation. By taking proactive measures to

manage finances, the company can avoid being forced into more reactive or defensive positions later.

5. **Reduced Costs:** Addressing stress in a company at an early stage can help to reduce costs associated with financial difficulties, such as legal fees, interest payments, and penalties for late payments. By addressing financial stressors early on, the company can prevent these costs from adding up over time.

Overall, addressing stress in a company at an early stage can help to prevent financial difficulties from escalating and becoming more severe, while also positioning the company for long-term success.

RP/Other professionals can play in identifying and addressing stress at early stage

A resolution professional/other professionals can play a critical role in helping companies identify and address financial stress at an early stage. By providing expertise, guidance, and support, resolution professional/other professionals can help companies develop effective strategies for managing financial stress and positioning themselves for long-term success, thus avoid drastic measures such as restructuring and bankruptcy.

Resolution professionals/Other Professionals can help in identifying stress at early stages using the following indicators:

1.1 Operational/Business parameters

Monitoring the Operational and business parameters can help a company to identify potential issues which can cause stress before they escalate into larger problems that are more difficult to resolve.

Some operational and business parameters that can help in identifying stress at an early stage in a company:

a. **Cash flow:** Cash flow is the lifeblood of any business, and a consistent negative cash flow can be a red flag. If the company is not generating enough cash to meet its obligations, it can be a sign of stress.
b. **Revenue:** Revenue is the lifeblood of any business, and a decline in revenue can be a sign of underlying issues that are impacting the company's ability to generate sales. If revenue starts declining, it's essential to investigate the cause and take corrective measures to get back on track.
c. **Profitability**: Profitability is a key measure of a company's financial health, and a decline in profitability can indicate that the company is facing challenges that are impacting its ability to generate revenue and control costs. If profits are decreasing, it's essential to investigate why and implement measures to improve profitability.
d. **Customer satisfaction:** If customers are dissatisfied with the company's products or services, it can be an early indication of stress. A decrease in customer satisfaction can lead to a decline in revenue and profitability.
e. **Employee turnover:** A high employee turnover rate can be an early indication of stress. If employees are leaving the company at a higher rate than usual, it's essential to investigate why and take corrective measures.
f. **Delay in payment of salary/suppliers/ taxes:** Delay in payment of salary to employees, payment to supplier or payment of taxes is an indicator of stress in the company. Such delays can damage the reputation of the company. Delay in payment of taxes can lead to payment of various penalties on the company.
g. **Increase in level of material rejection:** An increase in material rejection can indicate that the company is experiencing issues with its production processes, such as poor-quality control, inadequate training of personnel, or problems with raw materials. It's important for companies to monitor their material rejection rates and take appropriate actions to address any issues before they become more significant problems that can impact the company's reputation, customer satisfaction, and profitability
h. **Loss of major customers:** When a company loses a major customer, it can lead to a decline in revenue, which can put pressure on the company's financial stability. It is important for companies to identify the root cause of the loss and take action to address it in order to maintain their financial stability, competitiveness, and reputation.

i. **Stock audit:**. A stock audit is a physical verification of the inventory or stock of a company, which helps to ensure that the stock records are accurate and complete. Regular stock audits can help to identify discrepancies or irregularities in the stock records, which can be an indication of potential problems or stress in the company's operations.

j. **Debt levels:** An increase in debt levels can be an early indication of stress. If the company is borrowing more than usual, it's essential to investigate why and ensure that debt levels are manageable.

k. **Diversification into non-core business:** Diversification can also pose several challenges, particularly if the new business is not well-aligned with the company's core competencies or if the company lacks the necessary resources and expertise to manage the new business effectively.

l. **Stress Test:** IPs/IPE/Consultants can conduct a stress test for the companies with specific debt levels as may be prescribed by regulatory authorities for identifying stress at early stage.

By analysing these parameters regularly, a resolution professional/other professional can help a company in proactively taking steps to address the root causes of stress, such as adjusting business strategies, improving operational efficiencies, and increasing customer engagement.

1.2 Financial Parameters

Financial parameters can be helpful in detecting stress in companies at early stages. Financial parameters are a set of quantitative metrics that measure a company's financial health and performance. By analysing a company's financial statements, Resolution professional/other professionals can calculate various financial ratios that provide insights into the company's profitability, liquidity, debt levels, and other key financial metrics.

Some of the financial parameters that can help identify stress in companies at an early stage are as follows:

a. **Liquidity ratios**: Liquidity ratios measure a company's ability to meet its short-term obligations. A low liquidity ratio could indicate that a company is having difficulty paying its bills or may have trouble obtaining financing. Examples of liquidity ratios include the current ratio and the quick ratio.

b. **Debt-to-equity ratio**: The debt-to-equity ratio measures a company's leverage or the amount of debt it has relative to its equity. A high debt-to-equity ratio could indicate that a company is taking on too much debt, which could lead to financial distress if the company is unable to meet its debt obligations.

c. **Profitability ratios**: Profitability ratios measure a company's ability to generate profits relative to its revenue, assets, and equity. A decline in profitability ratios could indicate that a company is facing competitive pressures or experiencing operational inefficiencies.

d. **Interest coverage ratio**: The interest coverage ratio measures a company's ability to meet its interest payments on outstanding debt. A low interest coverage ratio could indicate that a company is at risk of defaulting on its debt obligations.

e. **Debtor Day Ratio:** Increase in the average collection period or debtor days ratio can be an indicator of stress in a company. A longer average collection period indicates that a company is taking longer to collect payment from its customers, which can lead to cash flow problems and increase the risk of bad debt. An increase in the average collection period can also be an indicator of problems with the company's credit policies or the creditworthiness of its customers

f. **Creditor day Ratio:** An increase in the creditor days ratio can be an indicator of stress in a company. A longer creditor days ratio indicates that a company is taking longer to pay its suppliers, which can be a sign of cash flow problems or difficulties in managing its debt obligations. An increase in the creditor days ratio can also be an indicator of problems with the company's supply chain or purchasing processes.

g. **Altman Z Score:** Altman Z-score is a commonly used financial metric that can help in detecting stress in a company. The Altman Z-score is a formula that combines multiple financial ratios to provide an overall score that can indicate the financial health of a company. The formula considers factors such as a company's profitability, liquidity, leverage, and asset turnover, and compares them to industry benchmarks. A low Z-score can indicate that a company is experiencing financial distress or is at risk of bankruptcy.

h. **Short term funds used to finance long term assets:** Using short term funds for long term assets can result in stress for a company. This is because short term funds are typically borrowed for a shorter period, usually up to one year, while long term assets, such as property, plant, and equipment, are expected to provide benefits to the company over a more extended period, usually exceeding one year. Using short term funds to finance long term assets can create a mismatch in the company's cash flow, as the funds may need to be repaid before the benefits from the long term assets are realized. This can result in cash flow issues, particularly if the company's revenue or profitability is not growing as expected.

Industry and economic parameters

Industry and economic parameters can help in identifying stress in companies at an early stage by providing a set of benchmarks and indicators that can be used to monitor the health and performance of the company\ By tracking these parameters, it is possible to identify changes and trends that could indicate that a company is experiencing stress before the situation becomes critical.

Industry parameters, such as key performance indicators (KPIs) and metrics, can provide insights into the health of the company relative to its peers in the same industry. For example, if a company's revenue growth is lagging behind its competitors in the same industry, it could be a sign that the company is facing headwinds that could lead to stress. Similarly, economic parameters, such as GDP growth, interest rates, and consumer confidence, can provide a broader context for assessing the health of the company. A decline in GDP growth or consumer confidence, for example, could lead to a slowdown in demand for the company's products or services, which could put pressure on the company's financials. Some of the industry and economic parameters which can cause stress in a company are as follows:

a. **Supply chain disruptions:** Supply chain is a critical aspect of any business operation, and disruptions to it can have a ripple effect throughout the entire organization. Supply chain disruptions can also lead to increased costs, as companies may need to find alternative suppliers or pay more to expedite shipments. This can create additional financial pressure for the company, especially if it is already operating on tight margins.

b. **Disruptive Technology:** Advancement in technology can cause stress in a company by disrupting its existing business model. For example, if a company's product or service becomes obsolete due to the introduction of new technology, it may struggle to find new sources of revenue or may face increased competition from new market entrants. This can put pressure on the company's financial performance and make it difficult for the company to maintain its market position.

c. **Competitive landscape:** Competition can result in price pressure, as companies may need to lower prices to remain competitive. This can result in lower profit margins and can make it difficult for companies to invest in new initiatives or to maintain the same level of quality. Increased competition can create pressure for a company to innovate and differentiate itself from its competitors. This can require significant investments in research and development and may result in a higher risk of failure. If new competitors enter the market or existing competitors gain market share, it's essential to investigate why and take corrective measures. Change in Regulatory Environment: Regulations are a set of rules and guidelines that govern how businesses operate within a given industry or sector. When regulations change, businesses may need to alter their processes, procedures, and operations to comply with the new requirements. These changes can be costly and time-consuming, especially if they require significant changes to infrastructure, equipment, or staffing. In some cases, regulatory changes may also lead to decreased profitability or market share, which can further add to the stress on businesses in the industry. Furthermore, uncertainty around regulatory changes can also cause stress. When businesses are unsure about how regulations will change or what the implications of those changes will be, they may delay investments or expansion plans, leading to decreased growth and competitiveness.

By monitoring both industry-specific and broader economic parameters, it is possible to identify early signs of stress in a company and take corrective action before the situation becomes critical. This could include measures such as cost-cutting, restructuring, or seeking additional capital to weather the storm.

Key areas to address and control early sign of distress:

When a company is going through a difficult financial situation or showing early signs of stress, there are several roles that an Insolvency Professionals (IPs) or consultants can play to address and assist the organization.

Cash-flow monitoring: It involves closely tracking the company's finances to ensure that there is enough cash to meet its obligations. It is a critical aspect of financial management for any business. Monitoring cash flow allows a company to understand its financial position and identify potential problems before they become significant issues. Cash flow issues can often be a sign of distress in a company, and monitoring cash flow can provide early warning signs of financial problems.

One of the most significant benefits of cash flow monitoring is that it allows a company to identify potential shortfalls in cash before they occur. By monitoring cash flow regularly, a company can project its future cash needs and make necessary adjustments to ensure it has enough cash to cover its expenses. If a company does not have enough cash on hand to cover its expenses, it may need to take out loans, sell assets, or even declare bankruptcy.

Another benefit of cash flow monitoring is that it can help a company identify areas where it can improve its cash flow. For example, a company may be able to negotiate better payment terms with its suppliers or encourage customers to pay their invoices more quickly. By making these improvements, the company can improve its cash flow and avoid potential financial distress.

In summary, cash flow monitoring is an essential tool for any company that wants to avoid financial distress. By monitoring cash flow regularly, a company can identify potential cash shortfalls before they occur and make necessary adjustments to improve its cash flow. If a company does experience cash flow problems, it can take steps to address them before they become more significant issues.

Performance evaluation or stress assessment: Where an assessment is made of the company's overall financial situation to identify the root causes of its financial distress. Performance evaluation by an insolvency professional can be beneficial for a company in distress or early distress situation in several ways. The evaluation can provide the company with a comprehensive understanding of its current financial position and help identify potential problems that need to be addressed.

One of the primary benefits of performance evaluation is that it allows the company to identify areas where it can improve its financial performance. This can include identifying operational inefficiencies, reducing expenses, or increasing revenue streams. By making these improvements, the company can improve its financial position and avoid the need for insolvency proceedings.

Additionally, the evaluation can help the company determine whether it is eligible for any restructuring or insolvency proceedings. If the company is eligible, the evaluation can provide guidance on the best course of action, whether that be a debt restructuring, liquidation, or another type of insolvency proceeding.

Performance evaluation can also provide a roadmap for the company's management team and stakeholders to follow. It can identify specific goals and objectives that need to be met to improve the company's financial performance and avoid insolvency. By providing a clear path forward, the evaluation can help restore confidence in the company and its ability to operate successfully.

Finally, performance evaluation by an insolvency professional can provide an objective and independent assessment of the company's financial position. This can be especially valuable in situations where there may be disputes or disagreements among stakeholders about the best course of action for the company.

In summary, performance evaluation by an insolvency professional can be an effective tool for a company in distress or early distress situation. It can provide valuable insights into the company's financial position, identify areas for improvement, and provide a roadmap for the company to follow. Ultimately, this can help the company avoid insolvency and restore confidence in its ability to operate successfully.

Preparing/Collating information/documents: Resolution Professionals/Other professionals can help companies in preparing/collating some of the following information/documents that can help the said companies in addressing stress at early stages:

a. Identification of critical activities which are essential for keeping the company as going concern
b. Preparation of backup strategy for the said critical activities
c. an updated corporate structure with nature of relations and dealings with related parties
d. updated and reliable books with complete information about the assets and liabilities of the company, that avoids disputes relating to default and claims
e. a guide to ensure smooth and frictionless shifts of management and control
f. an updated and authentic information memorandum including some of the following information:
    - Issues that caused stress in the company
    - a statement of material contracts, assets, and liabilities, with brief details of disputes, encumbrances, and litigations
    - a statement of ongoing proceedings, if any, of alleged contraventions of provisions of law by the company and its management
    - Suitability of different alternatives for resolution plans

Preparation/collation of these documents can lead to faster resolution of the stress in the company. It will help the company to build trust and confidence among its stakeholders, which can be important for long-term success. Further, the financial credit lenders would prefer to provide loans at a reduced interest rates to companies that have kept the aforesaid information readily available.

To act as an Independent/ Third Party Consultant: They can provide unbiased advice and guidance to the company's board of directors. Also, they can play a crucial role in identifying and addressing early signs of distress in a company. As individuals who are not affiliated with the company's management team or major shareholders, independent directors are well-positioned to provide an objective and impartial perspective on the company's operations and financial health.

Here are some ways in which independent third-party agencies can help identify early signs of distress:

a) **Monitoring Financial Performance:** They can monitor the company's financial performance and analyze financial statements to identify any red flags. For example, they can identify a decline in revenue or cash flow, an increase in debt, or a decrease in profit margins, which can be early warning signs of financial distress.
b) **Reviewing Internal Controls:** They can review the company's internal controls and risk management processes to ensure that they are robust and effective. This can help identify potential areas of weakness that could lead to financial distress.
c) **Conducting Regular Audits:** They can oversee the company's regular audits and review the results to ensure that the company is complying with applicable laws and regulations. They can also identify any irregularities or potential fraud that may indicate financial distress.
d) **Providing Objective Insights:** They can provide objective insights on the company's operations and strategy. They can ask challenging questions and offer constructive criticism to management, which can help identify potential problems and address them before they become significant issues.
e) **Monitoring External Factors:** They can also monitor external factors that may impact the company's operations, such as changes in the economic or regulatory environment, industry trends, or competitor actions. This can help identify potential risks and opportunities that may impact the company's financial health.

In summary, Third Party/Independent Consultants can provide valuable insights and oversight that can help identify and address early signs of distress in a company. By monitoring financial performance, reviewing internal controls, conducting regular audits, providing objective insights, and monitoring external factors, independent directors can help companies avoid financial distress and operate successfully in the long term.

2. Other Roles/Steps to address or identify early stress:

In addition to the roles mentioned above, there are several other roles/steps by which an IP/Consultant/Other Professionals can help a distressed company or a company exhibiting early signs of stress.

1. **Pool of Specialized/ Industry Expert Insolvency Professionals/ Domain or Sectoral Experience:** Insolvency Professionals with an industry background pool should be formed to provide guidance and expertise in handling business. Insolvency Professionals can act as financial analysts and advisors from domain experts. They can perform a true and fair audit, including management audit and search for diversion of funds. IPs with industrial expertise can be appointed as stress monitors to avoid value erosion in the assets of the borrower at an early stage. They can also provide early consultancy towards mitigation and can take corrective steps or suggest changes in contracts to the management for revival.
2. **Forensic Audits:** Involvement of Professionals/Consultant to investigate any transactions or diversion of funds of the corporate debtor during twilight period.
3. **Interim Management/Restructuring Service:** When a company is under stress, it can be difficult to identify and address the root causes of the problem. Hiring an experienced interim manager can provide a fresh perspective and a level of expertise that may not be present within the current management team. Professionals can be appointed as a Chief Restructuring Officer to work on various alternatives for revival.
4. **Internal Controls and Negotiations:** Insolvency Professionals/Consultants can ensure effective internal control, coordination among various departments, and information systems. Subsequently, they can negotiate with government entities for reliefs, concessions, approvals, and statutory clearances.
5. **Business continuity plan**

Insolvency professionals or consultants can play a crucial role in helping businesses develop and implement effective business continuity plans. Here are some ways in which they can help:

- **Conduct a thorough assessment:** Insolvency professionals can conduct a detailed assessment of the company's financial health and identify potential areas of risk that could affect its ability to maintain business operations. They can also help identify critical business functions and the resources needed to support them.
- **Develop a plan:** Based on the assessment, insolvency professionals can work with the business to develop a comprehensive business continuity plan that outlines the steps needed to ensure business operations can continue in the event of a disruption.
- **Test the plan:** Insolvency professionals can help businesses test their continuity plan to identify potential gaps or weaknesses and make necessary adjustments. This testing can include tabletop exercises, simulations, and drills.
- **Provide ongoing support:** Insolvency professionals can provide ongoing support to businesses to ensure their continuity plan remains up-to-date and effective. This can include reviewing and updating the plan regularly, providing guidance on risk management, and helping the business respond to disruptions as they occur.

  Overall, insolvency professionals or consultants can bring valuable expertise and experience to help businesses develop and implement effective business continuity plans that can help ensure their survival in times of crisis.

3. Raise finance through sale of non-core business.

Insolvency professionals or consultants can play a key role in helping businesses raise finance through the sale of non-core businesses. Here are some ways in which they can help:

- **Conduct a detailed review:** Insolvency professionals can conduct a detailed review of the company's non-core businesses to identify those that have the potential to be sold and generate significant value. They can also help determine the most appropriate timing and method for the sale.

- **Develop a sales strategy:** Based on the review, insolvency professionals can work with the business to develop a comprehensive sales strategy that identifies potential buyers, values the business, and outlines the sales process.
- **Negotiate with buyers:** Insolvency professionals can help businesses negotiate with potential buyers to ensure they receive the best possible price for their non-core businesses. They can also help with due diligence, contract negotiations, and closing the sale.
- **Use the proceeds to raise finance:** Insolvency professionals can help businesses use the proceeds from the sale of non-core businesses to raise finance for the company. This can include paying off debt, funding growth opportunities, or supporting the business's core operations.

Overall, insolvency professionals or consultants can bring valuable expertise and experience to help businesses identify and sell non-core businesses to generate finance. By doing so, they can help businesses improve their financial position and strengthen their core operations.

4. Operational restructuring including closure of loss making divisions

Operational restructuring, including the closure of loss-making divisions, can be a crucial step for a stressed company to improve its financial position and restore its viability. Insolvency professionals or consultants can play a key role in helping companies carry out such restructuring. Here are some ways in which they can help:

- **Conduct a comprehensive review:** Insolvency professionals can conduct a thorough review of the company's operations to identify areas of inefficiency and loss-making divisions that are not essential to the company's core business. This review can also help identify the strengths and weaknesses of the company's operations.
- **Develop a restructuring plan:** Based on the review, insolvency professionals can work with the company to develop a comprehensive restructuring plan that includes the closure of loss-making divisions, streamlining operations, reducing costs, and improving efficiency. The plan should be realistic, achievable, and supported by a detailed financial analysis.
- **Implement the plan:** Insolvency professionals can assist the company in implementing the restructuring plan, including the closure of loss-making divisions. This can involve the

identification of alternative sources of revenue, the negotiation of redundancies, and the provision of support to affected employees.

- **Monitor progress:** Insolvency professionals can help the company monitor progress against the restructuring plan, identifying areas where further action may be needed, and adjusting the plan as necessary.

Overall, insolvency professionals or consultants can bring valuable expertise and experience to help stressed companies carry out operational restructuring, including the closure of loss-making divisions. This can help the company improve its financial position, restore its viability, and build a stronger future.

Lastly, they can identify alternative sources of distress funding, support mergers or acquisitions by another company, and provide operational restructuring. Resolution professional/other professionals can also help in evaluating Resolution professional/other professional can help the companies in carefully evaluating the potential risks and benefits of diversification before making any significant changes to their business strategy.

5. Preferred ways by which professionals can help in the Resolution of a company in distress

When it comes to resolving a distressed company, there are several options available, and the preferred option will depend on the specific circumstances of the situation.

One Time Settlement Offer (OTS), which is a settlement plan that allows the debtor to pay off their debt in a lump sum or in installments, often at a discounted rate. This is a preferred option because it provides a quicker resolution for both the debtor and the creditor and can help to avoid lengthy legal proceedings.

Restructuring under RBI's June 7 Circular, which provides guidelines for the resolution of stressed assets by banks and other financial institutions. This option can involve a range of measures, including debt restructuring, asset sale, and infusion of fresh capital, and can be an effective way to turnaround a distressed company.

Restructuring through **schemes of arrangement under Companies Act 2013**, which is a process that allows a company to restructure its debt and operations through a court-approved plan. This option can be useful for companies that need to reorganize their business structure and financial obligations.

Settlement through arbitration or mediation, which can be a quicker and less expensive way to resolve disputes compared to litigation. This option can be useful for companies that are dealing with contractual disputes or other legal issues that are contributing to their distress.

Pre-pack insolvency, which is a process that allows a company to sell its assets to a buyer before entering formal insolvency proceedings. This option can be useful for companies that want to avoid the costs and uncertainty of a traditional insolvency process.

Finally, at the bottom of the list is the Corporate Insolvency Resolution Process (CIRP), which is a formal insolvency process under the Insolvency and Bankruptcy Code.

There are several other preferred options for the resolution of a company in distress besides those listed in the above paras. One option is to apply a change in management at an early stage, with the intent of the chairman of the bank playing a key role. Deficit financing of the working capital of the company is also a preferred option if other parameters are in order. Exploring alternative sources of finance and implementing business intelligence are other options that can be considered. Private equity, liquidation as a going concern, and outright distressed sale are also potential solutions. Additionally, strategic investment or dilution of equity and getting partners from the domain can be explored. The appointment of independent directors by financial institutions to monitor certain ranks and the implementation of concurrent audits from the first day of the distress situation until the commencement of one of the approved options are also viable. Furthermore, prepack will work if mandatory bankers' consent is relaxed, alternate funding options are made available to genuine stressed companies only, and banks and financial institutions take voluntary rehabilitation measures by constituting monitoring committees for early detection of industrial stress to prevent CIRP. Organizations such as IBBI/ICSI/ICAI can start restructuring activities for financially distressed companies. Technical feasibility and market reports and infusion of efficient and cash-rich management are also preferred options for resolution.

6. Post insolvency resolution Phase

The CIRP of the Corporate Debtor concludes upon the approval of the resolution plan by the Adjudicating Authority. However, given that the CIRP can at times end after long delays, the RP understands the business operations in the best manner than an incoming incumbent as he/she has managed the company for a long enough period. Hence, it is only fair and in the best interest for all the stakeholder to allow the IRP/RP to continue running the affairs of the company or act in an advisory role till the time the business operations can be successfully handled by the new owner. Further, the resolution plan approved by the AA must be implemented and this interim period for implementation of resolution plan necessitates an authority like RP to handle the affairs in the transitioning period to ensure proper implementation of resolution plan as well as to continue running the operations without any disruptions. Hence, while the role of the RP is well-defined and codified under the IBC, significant value can be added by him/her post-conclusion of the CIRP in several ways. This section will elaborate on the various ways in which the RP can add value post-conclusion of the CIRP.

- **Facilitating a smooth transition of the company through Monitoring Committee**

  Post-conclusion of the CIRP, the RP can play a crucial role in facilitating a seamless transition of the operations of the CD which may involve working closely with the new management to ensure that the transfer of assets, employees, and contracts in a suitable manner and more importantly, to ensure that the new management is made fully aware of any outstanding issues that need to be addressed, operational inefficiencies and bottlenecks or any other matter that may warrant immediate attention. Usually, he/she acts as chairperson of the Monitoring Committee (MoC) ensuring proper implementation of the resolution as well as handover of the business. The MoC phase activities that can be carried out by the RP has been further detailed out on page 24.

- **Monitoring the performance of the company**

  RP can continue to monitor the performance of the company, in a similar fashion as done during CIRP for regular updates to the CoC, to ensure that it is performing as per the business plan submitted as part of the resolution plan. This involves tracking key performance indicators and operational metrics resulting into identification of any operational or financial issues that may potentially arise.

- **Post-Merger Integration**

  RP and his team are best placed to spearhead the post-merger integration phase. RP has managed the entire business operations CD during its distress situation and thus after successful resolution, RP can further add value in developing integration plans, identify synergies and levers for cost savings, manage cultural integration, and bring the CIRP to a more logical conclusion by fully integrating it with the CD's new owner. Considering this is one of the crucial value add areas, we have further elaborated on the various possible activities on page 26

- **Facilitating stakeholder communication**

  The RP can continue to act as a communication channel and mediator between the stakeholders of the company and facilitate communication between them. This involves ensuring that all stakeholders are aware of any developments and that their concerns are addressed. The RP can also work with the management team to develop effective communication strategies to ensure that all stakeholders are kept informed.

- **Facilitate Onboarding new financial partners**

  The CD is resolved under CIRP on a clean slate principle. Hence, immediately post resolution all the assets of the company are available to the new investor free of any encumbrance which can utilized for raising fresh funds. At times, resolution plan envisages continuation/roll over of credit lines for which fresh charge needs to be affected post CIRP. Since RP plays a pivotal role in managing relationships with the CoC members during CIRP, the role can be continued post resolution phase as well.

- **Act as independent oversight for a certain period**

While the CIRP may conclude in the resolution of the CD, it is important to ensure the CD does not witness financial stress in the foreseeable future after conclusion of CIRP. Further, the new management is expected to run the company as a going concern and the CD should not be stripped off its assets just to recover the investment amount by the bidder or to make gains. To ensure that the bidder does not liquidate assets under the disguise of resolution and keeping the CD in a healthy state of affairs post resolution, RP may assume additional and more active role, say as an independent director, to safeguard the interests of all the stakeholders.

- **Managing any disputes that may arise**

  The RP can help in managing any disputes that may arise post-conclusion of the CIRP. This involves acting as a neutral and independent party and working towards finding a resolution that is beneficial to all parties involved. The RP can also provide guidance on dispute resolution mechanisms and help in identifying the most appropriate mechanism for resolving the dispute.

Of the various modes through which RP can add value in the post resolution stage, a crucial function is to ensure the resolution plan as approved by the AA is implemented and complied with. While the business practice is to appoint a monitoring committee, this can be regulated to provide an organized structure to it. RP can play a pivotal role by taking a leadership role in the monitoring committee. The monitoring committee is responsible for ensuring the successful implementation of the resolution plan and ensuring that the objectives of the CIRP are achieved. To run the monitoring committee phase effectively, the following are some of the best practices that can be adopted:

- **Clearly define the roles and responsibilities of the monitoring committee members:** The monitoring committee members should be clear about their roles and responsibilities. This will help in ensuring that everyone is working towards achieving the same goals and objectives.

- **Develop a comprehensive implementation plan:** The monitoring committee should develop a detailed implementation plan for the resolution plan. The plan should include timelines, milestones, and key performance indicators to track progress. This will help in ensuring that the implementation is on track and any deviations can be identified and addressed in a timely manner.

- **Ensure regular reporting and monitoring:** The monitoring committee should establish a reporting and monitoring mechanism to ensure that progress is regularly tracked and reported.

- **Conduct regular meetings:** The monitoring committee should conduct regular meetings to review progress, identify any issues, and take corrective action. The meetings should be scheduled at regular intervals, and all committee members should attend.

- **Facilitate communication and collaboration:** The monitoring committee should facilitate communication and collaboration between all stakeholders involved in the implementation of the resolution plan. This will help in ensuring that everyone is aligned and working towards achieving the same goals and objectives.

- **Ensure compliance:** The monitoring committee should ensure that all parties involved in the implementation of the resolution plan are complying with the terms of the plan. This will help in ensuring that the plan is implemented as per the agreed terms.

- **Maintain transparency:** The monitoring committee should maintain transparency in all its activities. This will help in building trust among stakeholders and ensuring that everyone is aware of the progress being made.

In practice, the monitoring committee phase ends upon the infusion of funds by the SRA, completion of implementation steps as envisaged in the resolution plan and signing of definitive transfer agreements. Upon completion of MoC phase and to ensure further operational continuity

RP can steer the merger integration process. The following section describes the various activities where RP can play a pivotal role in bringing the CD to a more stabilized position:

- **Prepare Day 1 readiness plan:** RP may start with evaluating risks & dependencies for business continuity as part of Day 1 plan, set up & engage project teams, define integration objectives, align priorities, and review rhythm.

- **Prioritize critical activities:** Set up financial systems for transactions booking & standalone reporting post Day-1, Onboard employees & validate org structure, onboard distributors and novate their contracts.

- **Stakeholder Engagement:** RP can develop communication plans for all key internal and external stakeholders, handover claims, set up meetings with key operational creditors to ensure operational continuity in the midst of lower claim settlements and address claim related concerns of employees and other creditors

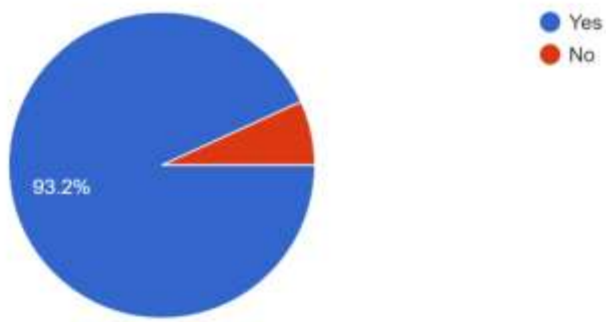
- **Action plan for organizational readiness:** RP can support in implementation of proposed organization structure, identify gaps in key positions, finalize services to be kept in-house vs outsourced based on cost benefit analysis basis the proposed strategic plan

- **Action plan for operational control:** RP can provide status update on all business related operational licenses and details of appropriate authorities to connect with, Status on pending project related approvals and accreditations, handover cash and payment management process, initiate new billing series, validate business plans, Develop KPIs and MIS to monitor implementation progress and resolve bottlenecks.

  Develop short term function-wise integration plan: Once a broad integration plan is place and key activities have been identified RP can help in finalizing operating model and preparing a function-wise short term plan.

Annexure 1: Result of survey

Q.1 Whether leading indicators such as Financial Ratios/ Operational/ Industry/ Economic parameters can help in identifying stress at an early stage?



Q.2 Rank the indicators that can help in identifying stress at an early stage

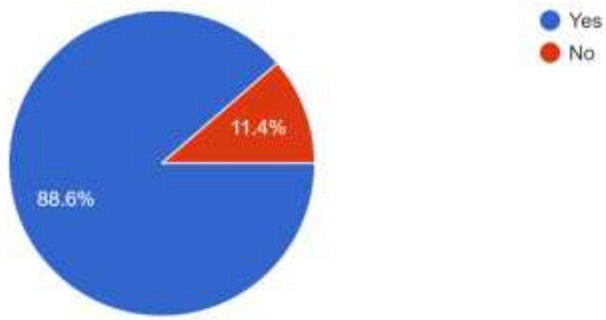
Rank 1	Operational/business parameters
Rank 2	Financial ratios
Rank 3	Industry and economic parameters

Q.3 Describe any indicator other than mentioned in Q.2 that can help in identifying stress at an early stage

1. Non routing of sales proceeds through the Bank account
2. Inflation growth, Interest Rate and Gross Margin %
3. Cash flow mismatch, short term fund used for long term purposes
4. BUSINESS ENVIRONMENT IN RELEVANT SECTORS
5. Delay in payment of salary, suppliers, taxes. High Employee turnover, abnormal level of material rejection, loss of major customers, litigation denting image, penalty by regulator
6. Business Operational and Development Strategy
7. Long term investment, Govt. policy and expansion strategy in Company/Group
8. Discussion with management, Auditors, maintenance of books of accounts etc
9. Technological aspects
10. Altman Z score
11. Payment commitments on due dates
12. Bank account credit summations monthly with funds flow analysis
13. operating margins
14. Cash Flow statement
15. Debt equity ratio
16. diversion of funds

17. Staff retention/resignation ratio
18. Quality of Human Resources, Management team, without the Promoters and their relatives
19. Any default in payment of instalment in past, before NPA as per classification
20. return of cheques, falling sales revenue, increasing debtors
21. Governance issues, Audit remarks, Physical verifications.
22. Genuine stock audit by stock Auditors helps the identification of stress, but Bankers intentionally giving worst fee of Rs.10000 for 6 days work of auditors and RBI also not asking the bankers on this area, if bankers pay the stock Audit fee as specified by the ICAI ,90% of sickness can be found from this stock Audit system, but nobody interested to find out the sickness immediately.
23. delay on repayment / frequent request for TOD/level of CA not in accordance with industry norm
24. CRISIL /ICRA and Indep. Business Analyst Reports
25. In most cases, due to lack of funding / NPA, the company is either not operating or operating at a minimal capacity. Hence, all indicators will give skewed results.
26. heavy receivables and slow payables
27. Cash flow and bank statement analysis
28. Monthly reports to banks on current assets and current liabilities and DP
29. Working Capital Debt - Current Fiscal / Previous Fiscal.
30. cash flow history
31. Promoters Credentials
32. Stockpiles
33. Low-capacity utilisation, overdue payments to vendors and employees
34. Brand value
35. Diversification into Non-core business
36. DSCR ratio
37. Study of cash flows
38. Sectoral economy where the film operates
39. Delay in servicing debt - Interest and/ or principal
40. Corporate governance and compliances
41. Key Managerial Person and Professional Management Board
42. Frequency of various statutory filings like GST returns, MCA forms, IT returns, disclosures to be made as per listing agreement by publicly listed companies, the mandated reports to lenders (monthly or quarterly) etc.

Q.4 Whether preparing of information/data such as updated corporate structure, dealings with related parties, information memorandum, identificat...in early resolution of entity in case of distress?



Q.5 Rank the information/documents that can help the companies in preparing in advance for the event of distress

Rank 1	an updated corporate structure with nature of relations and dealings with related parties
Rank 2	an updated and authentic information memorandum on the shelf, which the resolution professional can pull out and share with stakeholders to enable them to work out a resolution plan
Rank 2	a statement on caretakers' eligibility under section 29A
Rank 3	updated and reliable books with complete information about the assets and liabilities of the company, that avoids disputes relating to default and claims
Rank 3	a plan to ensure timely and appropriate communication with the stakeholders
Rank 4	suitability of different alternatives for resolution plans
Rank 5	a statement of ongoing proceedings, if any, of alleged contraventions of provisions of law by the company and its management
Rank 6	a back-up strategy for critical activities to keep the company as a going concern
Rank 6	a confirmation basis the due diligence that it has / has not been subject to any avoidance transaction during the relevant period
Rank 7	a guide to ensure smooth and frictionless shifts of management and control from the board of directors to the IRP/RP and to the successful resolution applicant
Rank 8	a statement of material contracts, assets, and liabilities, with brief details of disputes, encumbrances, and litigations

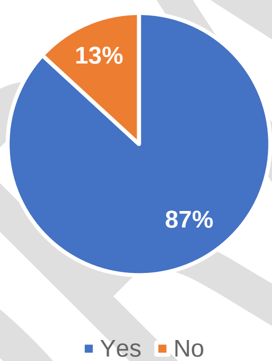
Q.6 Apart from the options mentioned in Q.5 is there any other information/documents that can help the companies in preparing in advance for the event of distress

1. forecast rolling cash flow

2. CONCURRENT BUSINESS SCENARIO AND COMPETITIVE ENVIROMENT OF THE PRODUCTS OF STRESSED CORPORATE DEBTOR
3. Companies fear that stakeholders will desert them if they disclose the true picture of the state of affairs. So, stakeholders need to be trained as to how to respond to different situations
4. Future Profitability Projections with underlying Assumptions
5. Accountability of financial creditors and routine review of Working Capital monitoring, Capital expenditure and cash inflow- Outflow monitoring help in identifying the earlier distress.
6. Our System is not resilient to assess in advance. No discussions are happening in that front
7. Interviews with Employees
8. At first, no company wants to show to public that they are facing stress. documents in Q5 are just procedural in nature. The early step would be appointing an independent IP much before CIRP application is being filed so that he can try to rectify the faults instead of entering the scene once CD entered deep underground.
9. Future cash flow statement
10. Bank reconciliation statement for each month and discussion thereon with the Bank Branch Manager or Relationship Manager
11. no
12. Working capital movement analysis or Fund flow statement
13. Early warning signals relating to the entity
14. yes
15. Product Mix, closure of loss making or unviable units or products or services
16. none
17. Technical details of the plant and machinery, product, market structure and major buyers etc.
18. Avoidance of value destruction of company s assets -----nothing is being done for this either lenders or promoters, Reserve funds to be allocated for the maintenance of various machineries of the borrower.
19. possibility of revival with TVE and Financial feasibility
20. Age of Creditors /Debtors /Inventory including Finished Goods
21. None
22. forensic audit
23. Feedback from market especially creditors and bankers
24. Feedback from statutory auditors, bankers, financial institutions, PF authorities and GST /Transco sources and legal counsels for the CD
25. Details (Experience, Qualifications etc.) of family members of Promoters and KMPs.
26. Forensic report
27. Business Continuity Plan
28. Creditors Reference
29. Potential White Knights who could be Resolution Applicants
30. Budgeting

31. Movement of stocks. If slow, distress is initiated
32. Break even calculations
33. To forecast the future business prospects
34. Being transparent and honest in the dealings
35. Business Continuity Plans in case of a Disaster
36. Yearly / Quarterly / Monthly Budgets prepared by the management for the future period; In case of manufacturing units, a detailed process flow for the entire production process, from raw material to finished products, (highlighting the critical components and any dependencies on third parties or market makers) should be readily available; Various process flows such as Procure-to-Pay, Order-to-Cash, Hire-to-Retire, etc., should shall be readily made available. The above would assist to ensure that the RP / PRA is to be able to quickly get an understanding grip of the processes followed by the Corporate Debtor and the critical components that require particular attention.

Q.7 Whether companies that are better prepared for handling distress by addressing it at incipient stages by keeping the information/documents mentioned in Q.5 readily available would be preferred by lenders for providing loans including providing loans at a better interest rate



<u>Other responses received</u>

1. The continuing evaluation mechanism of the Secured Lenders need to be improved vastly
2. Bankers are majorly accountable for stress and IBC given all powers to bankers who are culprits, hence IBC is not doing wonders though IBC designed to do wonders
3. In reality, the minute company discusses distress situation with lenders, the free flow of funds is stopped by lenders, thereby leading to further stress. Sometimes, lenders freeze existing accounts as well. Hence, in most cases, company shall not disclose their stress situation to lenders.
4. only key documents
5. Bankers are usually not supportive in case of stressed companies. If banks support is available stress assets will reduce in case of genuine companies where stress is due to economic parameters or market driven factors

Q.8 Rank the roles RP/consultants can play in a distressed company or a company exhibiting early signs of stress

Rank 1	Cash-flow Monitoring
Rank 2	Performance evaluation or Stress assessment
Rank 3	Project Assessment
Rank 4	Negotiation with creditors for financial restructuring
Rank 5	Play a role of mediator between creditor and the entity
Rank 6	Facilitate or help in preparing the documents/information specified in Q.5
Rank 7	Independent director

Q.9 Are there any roles other than mentioned in Q.8 above that RP/consultant can play in a distressed company or a company exhibiting early signs of stress. If yes, please describe them.

1. Banks to create a Pool of IP having Industry Background (not bankers and lawyers), worked in Senior level with experience in handling business, will help
2. TRANSACTIONS/ DIVERSION OF FUND OF THE CORPORATE DEBTOR
3. Can be appointed as Chief Restructuring Officer for working on various alternatives for revival
4. Forensic Review
5. Independent Review with other stakeholders
6. effective internal control, coordination among various department and information system
7. Negotiating with Govt entities for reliefs/concessions/approvals/statutory clearances/
8. Financial analyst
9. Advisors from Domain Experts ARE MOST VITAL
10. True and fair Audit including Management Audit, Search for diversion of funds.
11. RP s who are having industrial expertise can be appointed as stress monitors to avoid value erosion in assets of borrower early stages itself, but bankers will not do this
12. subject availability of information
13. Independent Concurrent audit from day 1 for all Public Finances from Banks /Institutions /Financiers for meeting CAPEX /Project Expenditure
14. Project Administrator whose primary focus should be to turn around the distress asset
15. early consultancy towards mitigation
16. Taking corrective steps or suggestions for revival to management including changes in contracts etc
17. To implead in litigations filed by or against the CD for maximizing value or resolution of disputes
18. Appointment of Restructuring Consultants and Technical Experts will help the early revival of 'Going Concerns and Improvement of Valuation of Stressed Assets.
19. CEO Role
20. Order book

21. Techno Economic Viability study in the present situation
22. Conciliation and arbitration
23. Turnaround Management Advisory Services
24. Identification of alternative sources of distress funding; Supporting merger/ acquisition by another company; Operational Restructuring

Q.10 Rank the preferred options for resolution of a company in distress?

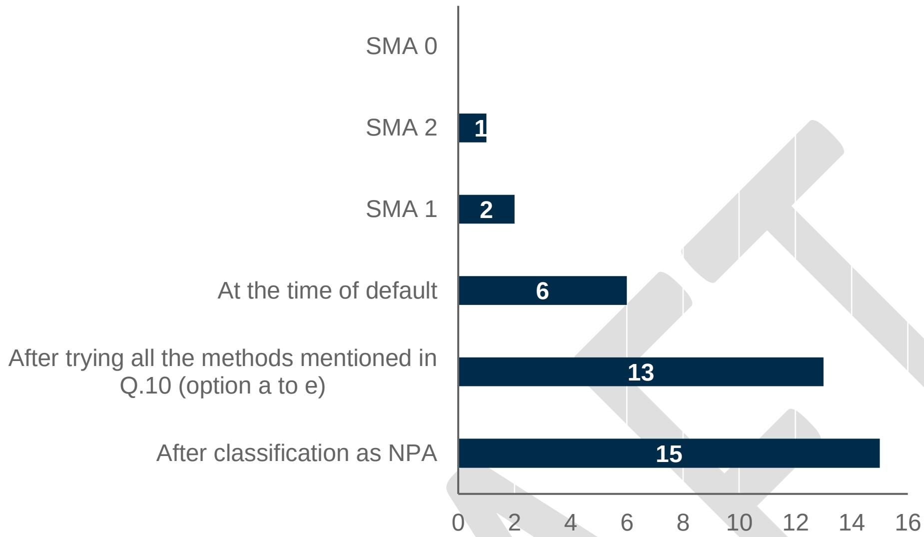
Rank 1	One time settlement offer (OTS)
Rank 2	Restructuring under RBI's June 7 Circular
Rank 3	Restructuring through schemes of arrangement under Companies Act 2013
Rank 4	Settlement through Arbitration or Mediation
Rank 5	Pre-pack Insolvency
Rank 6	CIRP

Q. 11 Describe any other preferred option for resolution of a company in distress

1. Apply Change in management of the CD at early stage, Intent of Chairman of bank's plays a key role
2. DEFICIT FINANCING OF WORKING CAPITAL OF CD IF OTHER PARAMETERS ARE IN ORDER
3. Exploring alternative sources of finance
4. Pre-Pack Insolvency should subsume RBI Restructuring Circular
5. Business Intelligence
6. Scheme of arrangement
7. Private Equity
8. liquidation as a going concern
9. Outright distressed sale
10. Strategic Investment or dilution of equity and getting partners from the Domain
11. Appointment of Independent Directors by FIs to monitor 1 to 3 ranks, Change of management in case of need.
12. PIRP failed since bankers have to accept haircut voluntarily, any scheme will be successful if there is haircut without undertaking responsibility
13. Irrespective of the above considerations, Concurrent Audit should commence from the first day of Distress Situation till the date of commencement of one of the above approved Options.
14. prepack will work if mandatory bankers’ consent is relaxed
15. Alternate funding options made available to genuine stressed companies only
16. Banks and financial institutions shall take voluntary rehabilitation measures my constituting monitoring committees for early detection of industrial stress and prevent CIRP.
17. Organisations like IBBI / ICSI / ICAI etc. may start restructuring activities for financially distressed companies.
18. insider trading and fraudulent manipulative techniques inside the company

19. Through Agencies
20. Technical feasibility and Market reports
21. Infusion of efficient and cash rich management

Q.12 At what stage do the Lenders/ Creditors decide to take a company in to CIRP?



Other responses

1. Banks are not preferring CIRP
2. When the CD's operational performance vis-a-vis dips below 25 % as compared to the same period, without any perceptible macro-economic factors.
3. After 60% value erosion of assets, then only bankers are coming to CIRP and RBI is not questioning bankers for huge value destruction. Nation’s wealth being eroded due to the irresponsibility of bankers
4. Whimsical and at times it's driven by ego clashes too
5. After trying all possibilities in Pre-Pack Insolvency
6. If there is a permanent default or intention of promoter is not to pay

Q.13 Apart from CIRP, Can Resolution Professionals/consultants play an active role in resolution of companies in distress under the options mentioned in Question 10?

44 responses

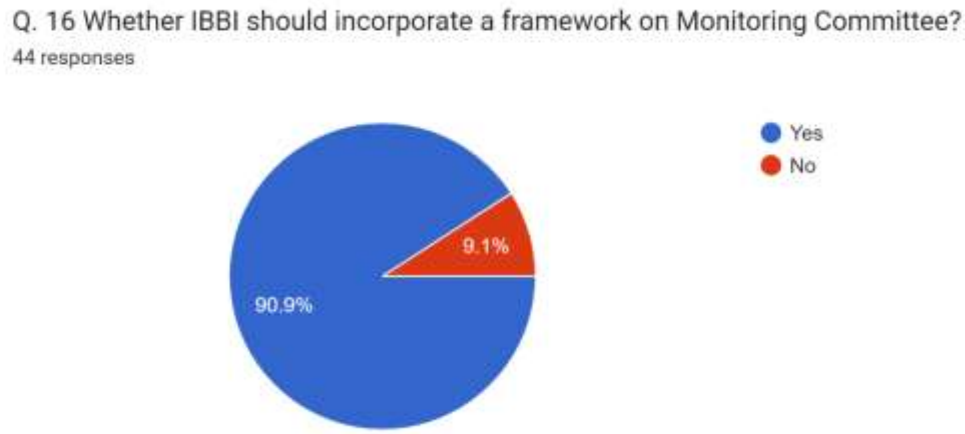
Q.14 What is the rationale lenders use to decide that the only resort is CIR process against the corporate debtor?

1. Nonprogress in recovery
2. Inability of the CD to come out of cash crunch after exhausting all the remedies.
3. Lenders love to use CIRP as a debt collection mechanism in the name of Commercial Wisdom, physical verification by Bank officers periodically (not outsourcing) and establish peer review amongst loan sanctioning officers, would help
4. NPA
5. IT MAY BE LAST RESORT FOR THE MAXIMIZATION OF THE VALUE OF ASSETS, IF OTHER MENTIONED EFFORT FAILED
6. High operational creditors, non-cooperative promoters, high statutory dues
7. After the stressed assets has become beyond any possibility of revival
8. Recovery of debt from the company
9. No
10. Losing confidence in Promoters
11. Failure of OTS
12. when all recovery efforts are in vain
13. Where potential investors/acquirers indicate preference for an IBC process as giving more certainty of title
14. all other options of restructuring / OTS exhausted
15. When management is totally nonresponsive, or collateral is not adequate.
16. If they are sure that it is not possible for the existing Promoters to revive the Company
17. To liquidate the entity
18. When all other restructuring options do not yield positive results.
19. Continuous failure in meeting the commitments by the company
20. Timelines, Judicial sanctity, and lesser responsibility

21. Good business prospects
22. asset value depreciation
23. Existing management is not capable to resolve the distress.
24. Value destruction in the projects of borrower happening periodically to be done by lenders before CIRP
25. when CD is not cooperating and chances for further deterioration
26. "Fading Trust" on the Management of the Corporate Debtor!
27. After settlement, restructuring options fail and if it is complicated to take over / sell the plant or other collaterals under SARFASI, then lenders move to IBC
28. whether the outstanding is recoverable by other methods
29. Their belief that company cannot be revived
30. Huge government debts. Litigant promoters, not readily saleable assets
31. With the deterioration of Financial Ratios.
32. The arrogance of not paying the dues by CD
33. Last Resort
34. Lag in time
35. Availability of Security and a Potential Resolution Applicant
36. To unlock business value
37. Hopeless situation of the Company for recovery
38. In India 90% lenders resort to CIRP either for recovery or write off through court order
39. No other option available
40. Restructuring the loan finance
41. Non-servicing of debt for a prolonged period
42. So-called commercial judgment
43. Communication breakdown with Management / Board
44. CIRP process may be invoked in situations where management is non- cooperative or is suspected of acting fraudulently. So that control of the company is removed from the management.

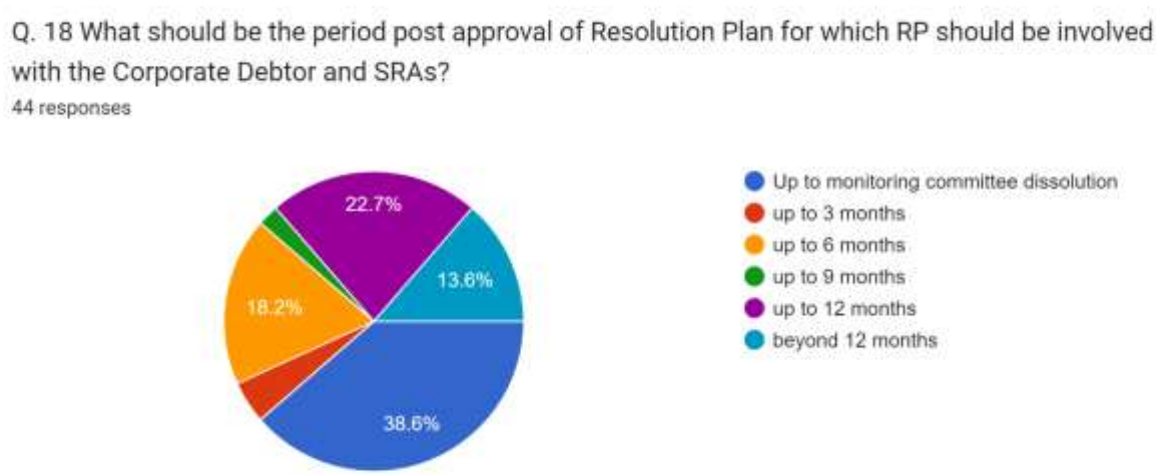
Q.15 Whether expanding the horizon of RPs capabilities beyond insolvency process will help corporate debtor in resolution or revival?

44 responses



Q. 17 Rank the areas in order of preference where RP can provide inputs after resolution of entity

Rank 1	Identification of critical activities to ensure improved operational performance/ going concern of the entity
Rank 2	Monitoring the performance of the entity through cashflows
Rank 3	Identifying areas which would require infusion of capex
Rank 4	Play an intermediatory role for smooth transition between the employees of the entity and successful resolution applicant
Rank 5	Identifying gaps within the organization structure



Q.19 What are the other areas of work where RP can add value after resolution of the entity?

1. Pre insolvency consultation

2. Advising the new management
3. Financial Business Modelling, Independent review of loans sanctioned by bank and review disposal of Periodical reports submitted by C D to banks which were reviewed by bank officers
4. regular monitoring thru board presence
5. To provide inputs for the better of the cd after the resolution of the entity based on his experience as a Resolution Professional to the CD
6. Monitoring, advice, independent director
7. Continue to act as an Independent Director of the Company for at least 3 years
8. Operations improvement
9. Independence to be maintained.
10. Orientation to staff activities and acting as interface between line and staff functions
11. Performance improvement
12. To provide consultancy to RA
13. Making sure of a viable financing strategy
14. transition and cashflow management
15. Mediation, Quarterly Financial as well as Operational Health check-up
16. Monitoring and implementation of the Resolution Plan as per the approved scheme
17. Advisor
18. in monitoring cash flows and controlling the expenditures.
19. As a mentor for the new team
20. Motivation of the personnel and honest appraisal of the entity, in the form of a SWOT Analysis. Financial Management and Statutory Compliance, operational and technical issues, should be left to the SRA
21. To act as an Independent Director and ensuring payments to creditors as per terms of payment
22. none
23. Besides Q 17 points RP should notice gaps in Governance issues, bottle necks in structure.
24. Management of CD up to stabilization of operations for new management, advisory role for the unsettled issues in CIRP, actions on pending suits filed by the CD against others
25. many
26. Improvements in the Systems and Processes in relation to Ethics and Compliances!
27. Not Applicable
28. helping the new RA to settle for a separate fee as mutually decided
29. No tutoring post resolution for some time to ensure entity is on right track
30. The monitoring committee can act as supervising body for the new board till it completely assumes control of the CD.
31. Deployment of Experts for Restructuring of the Financially Stressed corporates and submission of a Report regarding Non-Transparent dealings / activities by the entity.
32. Financial restructuring, without involving ANY of the CD members
33. Project Evaluation
34. Advisory

35. Business Plan and Capital Raising
36. Remains on the board of CD
37. Documenting the possible pitfalls and finding solutions
38. Improving upon operational and financial efficiency
39. Smooth transition and payments towards claims
40. Whether the resolution is properly followed
41. In continuation of the answer to Q18 above, the RP may be able to add value even after monitoring committee dissolution
42. Hand holding and acting as a bridge for smooth transition
43. Run it till a Professional Management / Board / CEO is in place
44. The RP and / or the team supporting the RP could well assist the SRA getting up to speed on the various elements of the CD, explaining the rationale for various decisions, updating the identified personnel on discussions with third parties that may not be necessarily documented and till such time that the SRA sees value in such support.