

# From Laggard to Leader: Success story of a 5-Star Hotel's Revival under the IBC

(CIRP of GBJ Hotels Private Limited, Coimbatore)

*M/s. GBJ Hotels Pvt. Ltd., Corporate Debtor (CD), possessed a 5 Star hotel property in the city of Coimbatore. It partnered with the USA's multinational hospitality company Radisson Hotel Group (RHG) for its operation under the 'Radisson Blu' brand while financial control remained with the promoters.*

*After initial success for about two years, the hotel started facing financial stress since 2019. Meanwhile, the CD's relationship with RHG also soured, resulting in a legal battle. Subsequently, NCLT ordered CIRP on the CD on April 19, 2022.*

*The primary challenges before the Resolution Professional (RP) were huge resistance from the promoters and high employee turnover. At the time of taking over the property, the RP discovered that several senior positions were vacant. However, the RP successfully addressed all those issues and turned around the CD into a profitable venture during the insolvency period. The Swiss Challenge Method was adopted to discover the best price and finally the process culminated in a 100% recovery for all creditors.*

*In the present case study, Mr. M. Suresh Kumar, the RP, has highlighted the challenges faced during the CIRP process, his efforts in value maximization, and handover of the CD to the SRA.*

*Read on to know more...*



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## 1. Background of Corporate Debtor

M/s. GBJ Hotels Private Limited, the Company or Corporate Debtor (CD), promoted by Shri. G Balasubramaniam began commercial operations in January 2017 after six to seven years of acquisition, approval, and development process. The Company partnered with the American multinational hospitality company Radisson Hotel Group (RHG), and the hotel operated under the "Radisson Blu" brand with RHG's assistance. This 135- key hotel project featured 5-star amenities such as a restaurant, pool, bar, spa and was funded by its sole lender, Indian Overseas Bank (IOB).

The CD entered into an operations & management agreement with RHG. Under this agreement, the RHG team will manage the hotel's day-to-day operations, excluding financial management. The promoters will retain control of financial matters.

The initial two years were successful, but by 2019, severe financial stress led the bank to classify the

Company account as Non-Performing Assets (NPAs). The relationship with RHG also soured around this time, resulting in a legal battle. Due to non-payment of management fees / royalty to RHG, its support dwindled and was on the brink of termination at the commencement of the Corporate Insolvency Resolution Process (CIRP).

## 2. Initiation of CIRP

Loan delinquencies in the first half of 2019 led to recovery actions by IOB, including enforcement of security interest under SARFAESI provisions. The management proposed several One-Time Settlement (OTS) plans. However, the situation worsened due to the COVID lockdowns in 2020 and attempts to sell the debt to an Asset Reconstruction Company (ARC) were unsuccessful. Consequently, IOB filed a Section 7 application under the Insolvency and Bankruptcy Code, 2016 (IBC) before the NCLT Chennai Bench. The application<sup>1</sup> was admitted on April 19, 2022, after a contested hearing. The management's further appeal before NCLAT and Supreme Court were unsuccessful.

## 3. Public Announcement and Takeover

Upon receiving the order on April 20, 2022, the Interim Resolution Professional (IRP) issued a public announcement in newspapers and assumed control of the company management. Pursuant to takeover, IRP implemented a revised management reporting structure including changes to authorized bank signatories and financial transaction approvals with immediate effect.

Despite the initial agreement for full management support under RHG's "Managed Hotel" category, contractual breaches by the erstwhile management progressively strained the relationship. Consequently, RHG delisted the location from their online reservation system and was on the brink of removing the hotel from their brand entirely.

## 4. Reasons for Poor Performance & Financial Stress

Upon taking over, the IRP team conducted a brief review of the hotel's past and present performance, identifying the key factors contributing to the decline:

- a. The General Manager (GM) position has been vacant for over two years, with the managing director assuming these responsibilities.

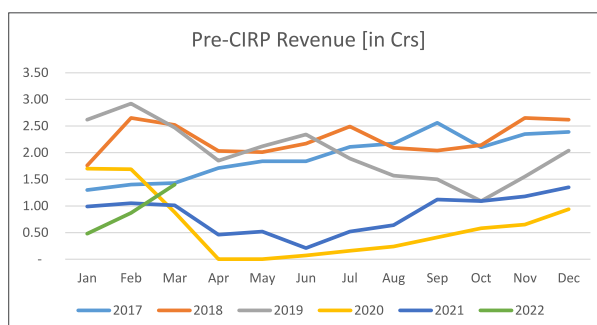
- b. Day-to-day operations deviated significantly from RHG's standards, lacking a professional approach to problem-solving.
- c. The five-star hotel lacked an online booking facility and was unavailable on popular online travel agencies (OTAs) such as MakeMyTrip and Cleartrip.
- d. The hotel experienced extremely high annual employee turnover exceeding 200%, significantly undercutting the industry standard of 10-25%. Furthermore, the 135-key five-star hotel is operating with only 65-75 employees, resulting in a staffing ratio of approximately 0.5 employees per key. This severely hampers operational efficiency compared to the industry average of 1.5 to 2.0 employees per key.
- e. Senior marketing positions have been vacant for a long period, with junior staff handling these duties without decision-making authority.

On Overall basis, the hotel was rated the poorest performer in its category within the region for both quality of service and occupancy for the past two years 2021-22 & 2022-23 (Ref: STR Report).

**“ The hotel’s staffing ratio stood around 0.5 employees per key against industry average of 1.5 to 2.0 employees per key. Senior marketing positions were vacant for a long and junior staff were handling those duties but without decision-making authority. ”**

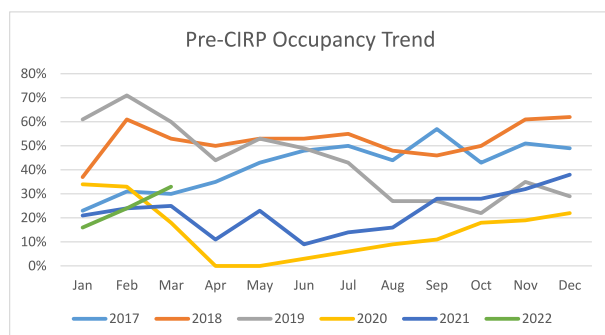
While cash flow wasn't a pressing concern due to the CIRP moratorium, the challenges remained to improve the hotel's overall performance in terms of service quality, customer safety, occupancy, and other crucial areas.

**Graph - 1: Pre-CIRP Revenue (₹ Crores)**



<sup>1</sup>. NCLT Chennai Bench order no. CP(IB)/279/CHE/2021 dt: 19th April, 2022

Graph - 2: Pre-CIRP Occupancy Trend



## 5. Revival Process

After the CIRP began and the IRP took over, discussions were initiated with RHG's corporate team to seek their assistance in reviving the hotel. Recognizing the market potential and a better chance of success, RHG's corporate team pledged their full support to the IRP's efforts.

RHG's support included assigning a General Manager (Operations) from their special projects team, initially for a 3-month term with the possibility of extension based on mutual agreement. The new GM's key performance targets (KPIs) were:

- Recruitment and employee retention (focuses on addressing the high turnover)
- Improving the quality of service to customers
- Re-establishing online booking facilities to increase occupancy rates

**“ Managing Director threatened to bar new GM’s entry into the hotel. To address this issue, the RP adopted a proactive approach by physically remaining at the hotel and initiating dialogues among employees by organizing small group meetings and one-on-one discussions. ”**

The new GM's appointment faced resistance from the Managing Director (MD), who threatened to bar their entry to the hotel. To ensure a smooth transition, the IRP/ RP took a proactive approach by physically remaining at the hotel for three weeks organising numerous small group meetings, one-on-one discussion with key employees, reviewing compliances & Corrective

actions with RHG's assistance. This facilitated a delicate balancing act, managing the resistance from the directors and their loyal employees while successfully onboarding the new GM.

## 6. Claim Process and CoC Constitution

Following the public announcement, the Resolution Professional (RP) collated claims from financial and operational creditors, finalized the creditors' list, and constituted the Committee of Creditors (CoC) in compliance with Section 21 of the IBC.

Table - 1: Summary of List of Creditors (Before approval of the Resolution Plan by the CoC)

| S. No. | Nature of Creditor                               | Number of Claims | Amount Claimed (₹ in Crores) | Amount Admitted (₹ in Crores) |
|--------|--|------------------|------------------------------|-------------------------------|
| 1      | Secured Financial Creditors                      | 1                | 142.74                       | 113.50                        |
| 2      | Unsecured Financial Creditors                    | 5                | 1.92                         | 1.92                          |
| 3      | Operational Creditors [Includes Employee claim]  | 45               | 19.70                        | 13.62                         |
| 4      | Government Dues [operational]                    | 3                | 7.51                         | 5.35                          |
| 5      | Other Creditors [share application money claims] | 9                | 42.31                        | 35.49                         |
|        | <b>TOTAL</b>                                     | <b>63</b>        | <b>214.17</b>                | <b>169.87</b>                 |

Table - 2: Constitution of CoC

| S. No. | Nature of Financial Creditor | Voting Share   |
|--------|------------------------------|----------------|
| 1      | Indian Overseas Bank         | 98.34%         |
| 2      | S. Balakrishnan              | 0.37%          |
| 3      | Rohit Enterprises            | 0.61%          |
| 4      | Vinayaga Enterprises         | 0.23%          |
| 5      | M.Veerappan                  | 0.32%          |
| 6      | M.Veerappan (HUF)            | 0.13%          |
|        | <b>TOTAL</b>                 | <b>100.00%</b> |

The CoC convened its first meeting on May 23, 2022, and in the meeting confirmed the appointment of the existing IRP as the Resolution Professional (RP). Subsequently, the RP proceeded with the appointment of Insolvency and Bankruptcy Board of India (IBBI) registered valuers for each asset category and obtained fair value and liquidation values.

## 7. First Round of EOI & Rejection of Resolution Plan

At its second meeting on June 2, 2022, the CoC authorized the issuance of an Invitation for Expression of Interest (EOI) through Form G, setting the deadline for resolution plan submission on August 2, 2022. The CoC also established key eligibility criteria, including a minimum net worth of ₹50 crore and preferred sector experience of 2-3 years. The public invitation issued on June 3, 2022, attracted 19 interested parties. Of these, 18 were declared eligible Prospective Resolution Applicants (PRAs) for the resolution plan process, while one PRA was disqualified under Section 29A.

**Table - 3: List of PRA (Round 1 of EOI)**

| S. No. | Nature of PRA  | Status       | Plan Status |
|--------|--|--------------|-------------|
| 1      | Ballson Gopal, USA   | Qualified    |             |
| 2      | EPR Ventures India Private Limited, Coimbatore   | Qualified    |             |
| 3      | Kundan Care Products Limited (Kundan Group), Uttarakhand                               | Qualified    |             |
| 4      | Square Four Housing & Infrastructure Development Private Limited, Kolkata              | Qualified    |             |
| 5      | Poppys Knitwear Private Limited, Tiruppur  | Qualified    | Received    |
| 6      | KP Textiles Coimbatore Private Limited & 2 ors, Coimbatore                             | Qualified    |             |
| 7      | Anirudh Agro Farms Limited, Hyderabad  | Qualified    |             |
| 8      | RKG FUND - I, Delhi  | Qualified    |             |
| 9      | Alcon Holding Resorts Private Limited  | Qualified    |             |
| 10     | Capri Global Holdings Private Limited, Mumbai  | Qualified    |             |
| 11     | Mr. Sandeep Gupta and Ms. Shalini Gupta & Mr. Anoop Kumar Mittal - Consortium, Haryana | Qualified    |             |
| 12     | Rare Asset Reconstruction Limited, Gujarat   | Qualified    |             |
| 13     | JVS & DHIMAN, Haryana  | Qualified    |             |
| 14     | Sankalp IN, Ahmedabad  | Qualified    |             |
| 15     | Shri Ram Multicom Private Limited, Kolkata   | Qualified    |             |
| 16     | Sri Veeramathiamman Infra Developer Pvt Ltd & S. Kumar, Coimbatore                     | Qualified    |             |
| 17     | Mr. Madhav Dhir & Dhir Hotels and Resorts Private Limited, Delhi                       | Qualified    |             |
| 18     | Hotel Gaudavan Private Limited & JFC Finance India Limited, Delhi&Rajasthan            | Qualified    |             |
| 19     | Pressana Group, Coimbatore   | Disqualified |             |

**Pursuant to the public invitation for EOI, 19 parties expressed interest out of which 18 were declared eligible Prospective Resolution Applicants (PRAs) but only one submitted its resolution plan with an initial offer of ₹110.5 crore.**

Following in-depth due diligence, only one party - Poppys Knitwear Private Limited, Tiruppur; submitted a resolution plan despite extending the plan submission deadline by 36 days. The received Resolution plan offered an initial amount of ₹110.5 crore. Through subsequent negotiations, the Resolution Applicant (RA) increased the plan value to ₹140 crore (with ₹75 crore allocated to IOB and the remaining amount distributed to operational creditors over a five-year payment term, with additional funds allocated for working capital). Considering the liquidation value and the Net Present Value (NPV) of the revised plan, the CoC unanimously rejected the plan at its 6th meeting held on September 14, 2022.

## 8. Issue of Rejection of EOI of “Connected Person”

One EOI submitted by a company associated with the promoter's son-in-law was rejected due to being considered a "connected person" under the IBC. This rejection was unsuccessfully challenged before the Adjudicating Authority (AA)/ National Company Law Tribunal (NCLT).

While the CD qualifies as a Micro, Small and Medium Enterprise (MSME) potentially eligible for exemption under Section 240A of the IBC, IOB's declaration of both the CD and the promoters as wilful defaulters under RBI regulations triggered disqualification under Sections 29A(b) read with 29A(j) of the IBC.

In a parallel effort, the promoter-director filed a writ petition before the Madras High Court seeking a stay on IOB's declaration of wilful defaulter status. However, this petition was also unsuccessful.

## 9. Second Round of EOI & PRAs

After rejecting the sole resolution plan in the first round of EOI, the CoC approved a 2nd round of invitation for

EOI alongside an extension for the CIRP. The Form G was published on September 16, 2022, with a deadline for submitting the resolution plan by November 21, 2022. This 2nd round attracted 12 additional qualified parties, bringing the total number of qualified PRAs to 30 (including those from the first round as permitted by the CoC to continue in the 2nd round without a fresh EOI application).

**Table - 4: Additional List of PRAs (Round 2 of EOI)**

| S. No. | Nature of PRA  | Status    | Plan Status |
|--------|--|-----------|-------------|
| 1      | Sagar Kamal Galani, Mumbai   | Qualified |             |
| 2      | Terminus Hotels & Resorts Private Limited, Hyderabad                   | Qualified |             |
| 3      | Chettinad Logistics Private Limited, Chennai                           | Qualified | Received    |
| 4      | Krishnasamy Pari, Chennai  | Qualified |             |
| 5      | Kailash Darshan Housing Development (Gujarat) Private Limited, Gujarat | Qualified |             |
| 6      | Sayaji Hotels Limited, Chennai   | Qualified | Received    |
| 7      | Bommidala Enterprises Pvt Ltd, Guntur                                  | Qualified | Received    |
| 8      | Mr. Syed Fahad & M/s. Greenergy Wind Corporation Pvt Ltd, Bangalore    | Qualified |             |
| 9      | K P Advisory Services LLP, Hyderabad                                   | Qualified | Received    |
| 10     | Megha Engineering & Infrastructures Limited, Hyderabad                 | Qualified |             |
| 11     | Bhumireddy Gari Mohan Reddy and Pushpalata Bai, Bangalore              | Qualified |             |
| 12     | RKG FUND - I, Delhi  | Qualified | Repeat      |
| 13     | SAS Hotels & Enterprises Limited, Chennai                              | Qualified |             |

## 10. One Time Settlement (OTS): Last try of Promoter Groups

Given the disqualification of the group company under Section 29A, the promoter group negotiated a one-time settlement (OTS) proposal with the main lender, IOB, for ₹105 crore. They deposited an initial advance with the intention of withdrawing the CIRP process under Section 12A of the IBC. The lender provided a 60-day window for fulfilling the OTS agreement, with a deadline of December 10, 2022. In light of this OTS proposal, the CoC extended the last date for plan submission to December 16, 2022. Ultimately, the OTS proposal failed due to non-payment, and the lenders rigorously continued with the CIRP process.

**“ During the CIRP, the promoter groups offered a settlement plan amounting ₹105 crore. However, this settlement plan could not succeed due to non-payment by promoter groups despite extending the deadline. ”**

## 11. Swiss Challenge Process (Price Discovery)

In response to the 2<sup>nd</sup> round of EOI, four resolution plans were received. The resolution plans offered values that reflected the hotel's past poor performance. However, during the CIRP period, the hotel's performance improved gradually, and the company began accumulating cash. All four Resolution Applicants (RAs) presented their respective resolution plans to the CoC.

Given that the initial plan values were significantly lower than the liquidation value, the CoC opted to run a Swiss Challenge Process among the four parties to facilitate price discovery. A Conditional Swiss Challenge Process with 5% minimum increment was initiated with an anchor bid. 24-hours response time given for each round of counter bids.

The Swiss Challenge process began on December 29, 2022, and concluded on January 4, 2023, after two rounds of challenges. The outcome of the Swiss Challenge Process is tabulated below:

**Table - 5: Outcomes of the SWISS Challenge Process**

| S. No. | Nature of RA              | Original Bid (₹ crores) | Round 1 (₹ crores) | Round 2 (₹ crores) | Remarks (₹ crores)                       |
|--------|---------------------------|-------------------------|--------------------|--------------------|--|
| 1      | Party 1 [SRA-KP Advisory] | 68.23                   | 126.00             | 184.87             | ₹ 149.38 Crs Payout                      |
| 2      | Party 2                   | 120.00                  | 175.00             | No bid             | ₹ 132.30 Crs Payout<br>₹ 42.70 crs NCRPS |
| 3      | Party 3                   | 70.00                   | W/D                |                    | Withdrawn                                |
| 4      | Party 4                   | 60.00                   | W/D                |                    | Withdrawn                                |

Following the conclusion of the competitive Swiss Challenge Process, both participating parties submitted their finally revised resolution plans. The CoC reviewed these plans during their 10<sup>th</sup> meeting on January 9, 2023, and voted on the plans at their 11<sup>th</sup> meeting on February 1, 2023. Ultimately, the CoC unanimously approved the resolution plan submitted by M/s. KP Advisory Services LLP.

## 12. Plan Fund allocation

The total admitted claims were less than the liquidation value, creating a challenge for the CoC. They needed to ensure 100% payout for all operational creditors and dissenting financial creditors, as any shortfall would impact their recoveries. However, the Resolution Applicants (RAs) were hesitant to increase their plan value.

To address this issue, the Successful Resolution Applicant (SRA) proposed a model that included issuing deferred instruments [Non-Convertible Redeemable Preference Shares (NCRPS)] for "other creditors" (non-operational creditors like those holding share application money) to cover all admitted claims. Further, the Plan offered deferred payments to belated claims from operational creditors [i.e., claims received after the plan approval by CoC before the AA approval] out of contingency funds.

**Table - 6: Plan Amount Distribution**

| S. No. | Nature of Creditor            | Amount Admitted (₹ crores) | Amount Distributed (₹ crores) |               |               |
|--------|-------------------------------|----------------------------|-------------------------------|---------------|---------------|
|        |                               |                            | Funds Transfer                | Issue of CCPS | Total         |
| 1      | CIRP Cost                     |                            | 3.05                          |               | 3.05          |
| 2      | Secured Financial Creditors   | 113.50                     | 113.50                        | -             | 113.50        |
| 3      | Unsecured Financial Creditors | 1.92                       | 1.92                          | -             | 1.92          |
| 4      | Operational Creditors         | 13.55                      | 13.55                         | -             | 13.55         |
| 5      | Employees                     | 0.07                       | 0.07                          | -             | 0.07          |
| 6      | Government Dues               | 5.35                       | 5.35                          | -             | 5.35          |
| 7      | Other Creditors               | 35.49                      | -                             | 35.49         | 35.49         |
| 8      | Contingencies                 |                            | 11.95                         |               | 11.95         |
|        | <b>TOTAL</b>                  | <b>169.88</b>              | <b>149.39</b>                 | <b>35.49</b>  | <b>184.88</b> |



## 13. Issues raised by Promoters in Plan approvals

The promoter director, who had attended CoC meetings, had not actively participated in plan discussions beyond mentioning the hotel's sale at a lower value. However, during the NCLT hearing on the plan application, the promoter's counsel presented a significant number of objections, as listed in Table 7.

**“ Though the promoter director attended CoC meetings but did not actively participate in Plan discussions beyond mentioning the hotel's sale at a lower value. However, he raised several objections before the AA demanding rejection of the Resolution Plan. ”**

**Table-7: Director/Promoter’s Objections to the Resolution Plan and RP’s Defence**

| S. No. | Director/ Promoter’s Grounds of Objection   | RP’s Defence   |
|--------|---|--|
| 1.     | <p><b>Evaluation Matrix:</b><br/>The evaluation matrix for a CIRP prioritizes quick recovery over revival of the business, potentially defeating the purpose of CIRP. It criticizes the matrix for assigning high weight to upfront cash payment within 30 days and low weight to factors like business revival plan and resolution applicant's experience.</p> | <ul style="list-style-type: none"> <li>While prescribing parameters for determining viability, the code also recognises the supremacy of the CoC’s commercial wisdom, and the evaluation matrix applied by the CoC falls within the commercial wisdom of the CoC</li> <li>The CoC can approve a resolution plan based on its commercial judgement, even if the appellant disagrees with the evaluation method used.</li> </ul> |

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|----------------------------------|---|---|--------------------|------------|----------------------------------|------------|-------------------|------------|-----------------------|------------|--------------|------------|
| 2.                               | <p><b>Is CD under any state of Insolvency:</b> The hotel undergoing CIRP (insolvency process) is actually a going concern with healthy revenue after Covid-19 recovery. It claims the CIRP was misused for takeover and the Resolution Plan undervalues the company.</p>  | <ul style="list-style-type: none"> <li>The CD account was classified as NPA during 2019 itself [a year before COVID-19 lockdowns]</li> <li>Director/ promoters being the root cause for the downfall of CD because of the inefficiency and negligence in managing the affairs of CD even before the breakout of pandemic, the mere allegations made against the insolvency process is without substance and not maintainable either in law or in facts</li> <li>The shareholder's complaint against the insolvency process is invalid because they caused the company's problems and challenging it is legally pointless and just delays the already approved resolution.</li> </ul> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td>Declaration of NPA</td> <td style="text-align: center;">01.06.2019</td> </tr> <tr> <td>Demand notice under SARFAESI Act</td> <td style="text-align: center;">19.06.2020</td> </tr> <tr> <td>Possession notice</td> <td style="text-align: center;">07.01.2021</td> </tr> <tr> <td>Application under IBC</td> <td style="text-align: center;">27.10.2021</td> </tr> <tr> <td>Date of CIRP</td> <td style="text-align: center;">19.04.2022</td> </tr> </table> | Declaration of NPA | 01.06.2019 | Demand notice under SARFAESI Act | 19.06.2020 | Possession notice | 07.01.2021 | Application under IBC | 27.10.2021 | Date of CIRP | 19.04.2022 |
| Declaration of NPA               | 01.06.2019  |   |                    |            |                                  |            |                   |            |                       |            |              |            |
| Demand notice under SARFAESI Act | 19.06.2020  |   |                    |            |                                  |            |                   |            |                       |            |              |            |
| Possession notice                | 07.01.2021  |   |                    |            |                                  |            |                   |            |                       |            |              |            |
| Application under IBC            | 27.10.2021  |   |                    |            |                                  |            |                   |            |                       |            |              |            |
| Date of CIRP                     | 19.04.2022  |   |                    |            |                                  |            |                   |            |                       |            |              |            |
| 3.                               | <p><b>Lack of any qualification to the Resolution Applicant:</b><br/>The SRA lacks experience in running a 5-star hotel and questions their credibility. The objection claims the SRA prioritizes debt recovery over reviving the business and accuses them of using the process to acquire the hotel for resale.</p>   | <ul style="list-style-type: none"> <li>There is nothing in Code that inhibits a Resolution Applicant from pursuing a line of business that is different to the erstwhile business of the CD.</li> </ul>   |                    |            |                                  |            |                   |            |                       |            |              |            |
| 4.                               | <p><b>Payment of CIRP Costs:</b><br/>The Resolution Plan proposes a large payment for CIRP costs even though none are outstanding. They claim this is a way to inflate the overall value of the Plan and suspect the SRA has no real Plan for how this money would be used.</p>   | <ul style="list-style-type: none"> <li>It was submitted that the allegations raised by the promoter/director with regard to CIRP costs is nothing but a frivolous and there has no locus as it's between the RP and the CoC.</li> <li>As per the approved plan of the RA, the excess of the funds proposed in the CIRP cost will be transferred to the Contingency Fund which will be available for distribution to future claims as defined in the plan</li> </ul>   |                    |            |                                  |            |                   |            |                       |            |              |            |
| 5.                               | <p><b>Invocation of Bank Guarantees (BGs):</b><br/>The Resolution Plan proposes delaying payment on invoked bank guarantees until the end of 20 years, which they believe is illegal and contradicts the terms of the guarantees themselves.</p> <p><b>Background:</b> The CD has submitted BGs to DGFT for various imports under EPCG scheme and the same are not getting invoked due to non-performance of export obligation.</p> | <ul style="list-style-type: none"> <li>Invocation of BG related payments were approved by the CoC exercising their commercial wisdom notably the said bank which had issued the referred bank guarantee are also party to the approval.</li> <li>Resolution Plan also provides an option to settle the invoked bank guarantees before 20 years at 15% of the crystalized claim amount.</li> </ul>   |                    |            |                                  |            |                   |            |                       |            |              |            |

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| 6.  | <p><b>Differential treatment and discrimination in payout proposal:</b><br/>The Resolution Plan unfairly discriminates against the applicant (a related party) by offering them a much lower payout in the form of non-redeemable preference shares, while offering other creditors cash or easily redeemable shares. They claim this is illegal and violates their equal rights as a creditor.</p> | <ul style="list-style-type: none"> <li>• There is no differential treatment of payout by the SRA among the same class of creditors and only among the class the timeline and payout proposal are varied and that too only for the related parties whereas the SRA is proposing to settle through issue of non-cumulative redeemable preference shares which is no bar and is within the law.</li> <li>• There is no discrimination to same class of stakeholders.</li> <li>• All Secured / Unsecured Financial Creditors are paid in full.</li> <li>• All the Operational Creditors are paid in full.</li> <li>• Other Creditors (Share Capital Advance - Related Parties) are paid through allotment of Preference Shares</li> </ul> |
| 7.  | <p><b>Resolution Plan is actually a farce:</b><br/>The Resolution Plan is a sham that undervalues the company. They claim the company is profitable, the promoters haven't taken money out, and there are no debts to avoid. They believe the high proposed payout is inflated with unnecessary costs and suspect the real goal is to take over the profitable business.</p>                        | <ul style="list-style-type: none"> <li>• Resolution Plan value is not imaginary value.</li> <li>• Resolution Plan envisages payment to all the creditors in full except equity shareholders</li> </ul>  |
| 8.  | <p><b>Equity holders given a raw deal:</b><br/>The objection argues the Resolution Plan undervalues the company by focusing on quantitative factors and ignoring qualitative aspects. They believe the company is worth at least 275 crores but is being sold for much less because the creditors only care about recouping their full debt. This unfairly harms the shareholders.</p>              | <ul style="list-style-type: none"> <li>• There is no provision to mandate the payment to equity shareholders. They will be paid only out of surplus leftover after meeting all the liabilities. Resolution Plan provides for payment of leftover contingency fund after 20 years as per waterfall mechanism.</li> <li>• There is no residual amount left in Resolution Plan value and hence, there is no payout to Equity Shareholders upfront</li> </ul>   |
| 9.  | <p><b>Valuation Report:</b><br/>Valuation reports were not shared by the RP and refusal by the RP appears to be something fishy. The valuation report was used to justify the Resolution Plan, which hinders their ability to object to the Plan and potentially violates their rights as creditors. The court is requested to order the release of the report.</p>                                 | <ul style="list-style-type: none"> <li>• As regards the valuation report, there is no specific provision in the law to share the entire report. As a part of Plan approval process, both the Fair Value and Liquidation Value details are shared with CoC members and the promoter directors during the CoC meeting.</li> </ul>   |
| 10. | <p><b>Absence of Asset Maximization:</b><br/>No sector specific effort was made so that the RP was able to find a better PRA who can bring better value higher than the fair value of the assets of the CD.</p>   | <ul style="list-style-type: none"> <li>• Firstly, two rounds of "Form G" were published in all India editions of newspapers to get the competitive bidders resulting in 30+ EOI from various parties across India, including leading hotel chains.</li> </ul>   |
|     | <p>No proper preparation of a marketing strategy for the CD's assets, so that an effort is made in a befitting manner to bring maximisation of value of assets of CD as per new amendment to CIRP Regulation 36C.</p>   | <ul style="list-style-type: none"> <li>• Secondly, Swiss Challenge method was conducted post second round of EOI process as a challenge mechanism mentioned under Regulation 39(1A) (b), introduced in the CIRP Regulations on September 30, 2021, for better price discovery from the bidder</li> </ul>  |



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| 11. | <p><b>Non-compliances:</b><br/>Resolution Plan is not in compliance with the applicable law but the entire CIRP proceedings itself does not appear to be devoid of any issues as irregularities and self-serving actions galore.</p> | <ul style="list-style-type: none"> <li>Resolution Plan accommodated all the legal, technical and the financial aspects of the Resolution Plan. In fact, the CoC has unanimously approved the Resolution Plan after considering its feasibility and viability, the manner of distribution proposed to the stakeholders’ interest and in compliance to the provisions of the IBC and Regulations</li> </ul> |
|-----|--|---|

Business revival following extensive arguments over four hearings that spanned 8-10 hours, the National Company Law Tribunal (NCLT) reserved its judgment on the Resolution Plan application. On August 25, 2023, the NCLT finally pronounced its order, approving the Resolution Plan<sup>2</sup>. The approved Plan was subsequently challenged before the Appellate Authority (NCLAT). However, this challenge was unsuccessful. Further, a few operational creditors are still contesting certain aspects of the Plan through legal means.

### 14. Business Turnaround

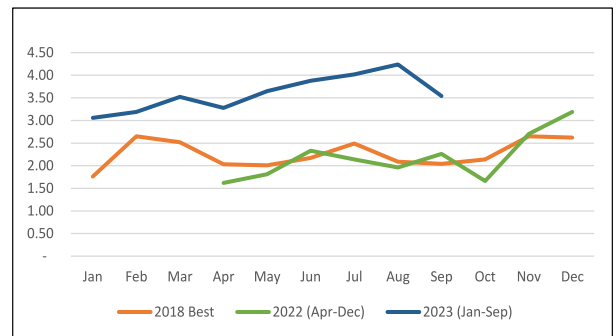
Over the past 18 months under CIRP, the hotel has undergone a remarkable turnaround, emerging as a top performer in Coimbatore’s hotel market. It has maintained the highest occupancy rates in Coimbatore’s hotel market for several months running alongside significant

**“ During the CIRP, the CD maintained the highest occupancy rates for several months in the Coimbatore’s hotel market and earned ~₹15 crore surplus despite substantial investments in critical repairs, maintenance, and capital expenditure. ”**

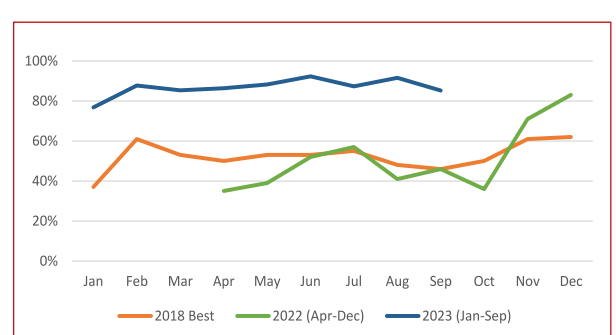
growth in revenue and cash flow. Notably, this success was achieved despite substantial investments in critical repairs, maintenance, and capital expenditures to ensure customer safety. The company (CD) even generated a surplus of ₹15 crore during the CIRP period, solidifying its position as a leader in both occupancy and customer satisfaction.

A brief overview of the turnaround as given in Graph-3, Graph-4 and Graph-5.

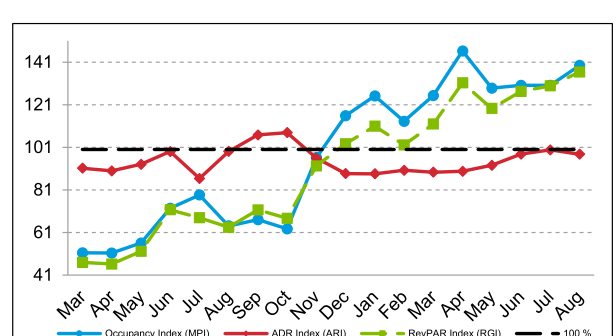
**Graph - 3: Revenue in Pre-CIRP Best Year Vs. CIRP Period (₹ crores)**



**Graph - 4: Occupancy trend in Pre-CIRP Best year Vs. CIRP Period**



**Graph-5: Corporate Debtor’s (Hotel) Competitive Performance during CIRP to other hotels in Coimbatore**



Note: MPI – Monthly Performance Index / ADR – Average Daily Rate / RevPAR – Revenue Per Available Room [Source: STR Report]

<sup>2</sup> IA(IBC)/349(CHE)/2023 in CP/IB/279/CHE/2021 dt: 25th Aug 2023

