

Reviving Excellence: The Transformative Journey of Oliver Engineering Pvt. Ltd. under the IBC Regime

Oliver Engineering Pvt. Ltd. (OEPIL), a manufacturing unit based in the village of Snadharasi, Shambu in Punjab, was renowned for its production of high-quality ferrous and non-ferrous castings for the automobile industry. However, it ran into several financial crises in the first quarter of 2022 and became non-operational. Meanwhile, on an insolvency application by Punjab National Bank (PNB) under Section 7 of the IBC, NCLT ordered commencement of CIRP against the company on April 26, 2022.

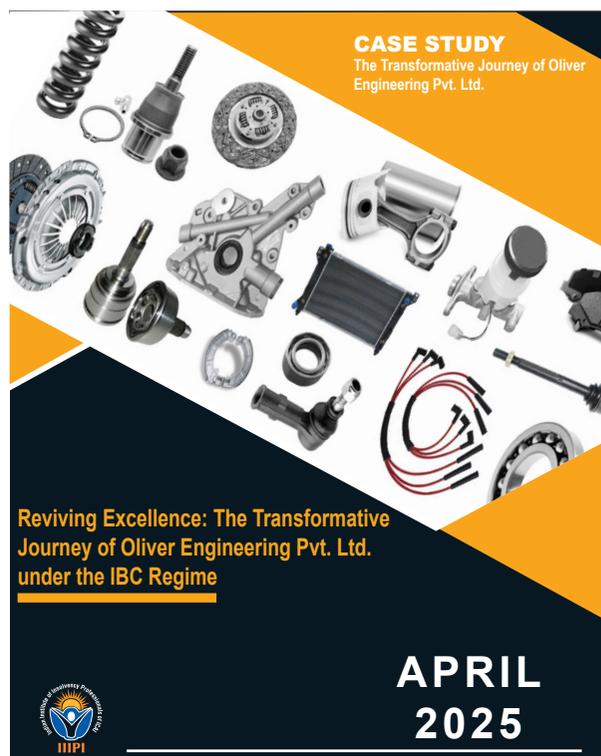
After taking over the assignment from the IRP, the RP and his team began the process of formulating a viable resolution plan for OEPIL. In response to the “Form G”, 10 companies expressed interest to submit bids but only three submitted their resolution plans. The CoC thorough evaluations and several rounds of negotiations followed by Electronic Challenge Mechanism approved the Resolution Plan submitted by KFIL with 100% vote share on August 11, 2023. The negotiations and Electronic Challenge Mechanism improved the Plan amount from initial ₹90 crore to ₹110.6 crore. The most important feature of the plan was 100% payments to employees’ dues and the EPFO. Another notable aspect of the OEPIL revival was the prompt payment to creditors within a 45-day timeline.

*In the present case study, Mr. Sumit Shukla, the RP of the CD, has highlighted the challenges faced during the resolution of OEPIL and the measures he adopted to conclude the resolution. **Read on to know more...***



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1. Introduction

The Insolvency and Bankruptcy Code, 2016 (IBC) enacted in 2016, has transformed the landscape of insolvency resolution in the country. This comprehensive legislation aims to consolidate and amend the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms, and individuals in a time-bound manner.

The IBC provides a structured and time-bound process for insolvency resolution, which is crucial for maintaining the confidence of stakeholders and ensuring maximum value realization. The framework’s emphasis on transparency, fairness, and efficiency enables fair market value discovery of the business through a competitive bid process.

Moreover, the IBC’s provisions for creditor protection and stakeholder engagement ensure that the resolution process is inclusive and equitable. The ability of the Committee of Creditors (CoC) to exercise its commercial

wisdom in a fair and just manner, as demonstrated in the Oliver Engineering Pvt. Ltd. (OEPIL) case, is a critical component of the IBC's effectiveness. By empowering the CoC to make informed decisions, the IBC ensures that the resolution process is aligned with the best interests of all stakeholders.

The case of OEPIL, an auto-component manufacturer, specializing in ferrous and non-ferrous castings, exemplifies the effectiveness of the IBC regime in reviving distressed companies and contributing to the nation's economic growth. Unlocking the value of the assets of a stressed company is a pivotal aspect of the insolvency resolution process, particularly under the framework provided by the IBC. The objective is not only to rehabilitate the distressed company but also to maximize the value of its assets to ensure the best possible recoveries for all creditors. A quintessential example of this can be seen in the revival of OEPIL, where the CoC negotiated a 24% value increase from the initial resolution. This remarkable outcome underscores the effectiveness of the IBC framework in enhancing value and reaffirms its importance in the economic landscape.

The process of unlocking the value of a company's assets begins with a thorough assessment and identification of all assets, including tangible and intangible assets. Tangible assets typically include physical properties such as machinery, equipment, inventory, and real estate. Intangible assets, on the other hand, may comprise intellectual property, brand value, patents, and goodwill. A comprehensive inventory of these assets is crucial as it forms the foundation for the subsequent valuation and resolution plan formulation.

2. Background

OEPIL, a manufacturing unit based in village Snadharasi, Shambu, Punjab, was renowned for its production of high-quality ferrous and non-ferrous castings for the automobile industry. The company had established a significant strategic presence in the region by serving prominent automobile manufacturers such as Swaraj and Sonalika, which are key players in the tractor manufacturing sector. However, due to severe financial stress, the company's production operations came to a grinding halt in the first quarter of 2022. This abrupt

cessation of operations led to all employees leaving the organization, further compounding the company's difficulties. Despite these challenges, the strategic importance of OEPIL in the regional supply chain remained undeniable, highlighting its potential value if successfully revived under a structured insolvency resolution framework. The company's critical role in the supply chains of major automobile manufacturers underscored the urgency and importance of its revival, not just for the sake of the company itself, but also for the broader industrial ecosystem in Punjab.

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3. Challenges

Over the years, OEPIL faced significant challenges that compounded its financial distress. Key such issues were poor financial management, inefficiencies in resources allocations, mounting financial obligations and inadequate cost controls have compounded the difficulties. These factors combined have eroded the company's operational performance, impacting profitability and long-term stability. OEPIL had been availing substantial financial assistance from Punjab National Bank (PNB), Bank of India, and Bank of Maharashtra to support its operations and growth. Despite this, the company's cash flow issues prevented it from fulfilling its financial obligations to these institutions. The inability to service its debt led to mounting pressure from the creditors, further straining the company's financial health. The financial instability also disrupted OEPIL's supply chain and affected its relationships with suppliers and customers. The stoppage of production in the first quarter of 2022 was a significant blow, as it led to loss of business opportunities and trust among its key clients, including major automobile manufacturers like Swaraj and Sonalika. The exodus of employees due to halted operations added to the company's challenges, as retaining skilled labor is crucial for the specialized manufacturing processes that OEPIL was known for. In parallel the company also struggled to meet various statutory and regulatory compliances, which further exacerbated its financial woes. These

compliance issues not only resulted in penalties and legal complications but also affected the company's credibility and operational efficiency.

Ultimately, the company's worsening financial situation and inability to meet its obligations led to the initiation of the Corporate Insolvency Resolution Process (CIRP) on April 26, 2022. The CIRP was a necessary step to address the financial distress and seek a structured resolution. This process involved the appointment of an Interim Resolution Professional (IRP) and later a Resolution Professional (RP), who worked towards formulating a viable resolution plan to revive OEPIL. Despite the severe challenges, the initiation of CIRP marked the beginning of a structured effort to restore the company's financial health and operational stability.

4. Initiation of CIRP

The CIRP application was filed by the PNB under Section 7 of the IBC on a default of ₹400 crore. Following the commencement of CIRP passed by the Adjudicating Authority (AA) vide order dated April 26, 2022, appointed Interim Resolution Professional (IRP). His immediate task was to take control of the company's operations, assess its financial situation, and invite claims from creditors. Despite his efforts, it became evident that the company required a more comprehensive resolution plan to address its financial distress effectively while ensuring that the company remains as a going concern.

5. Publication of Form A

In response to the Form A published by the IRP inviting the claims from the creditors, three secured financial creditors and over 150 operational creditors, predominantly employees and suppliers, submitted their claims in the resolution process for the Corporate Debtor (CD). It is pertinent to mention that certain government / regulatory agencies such as GST department, EPFO and Income Tax department also submitted their claims.

The active engagement of such a diverse group of creditors demonstrated their trust in the structured, transparent, and equitable resolution mechanism provided by the IBC, reinforcing its pivotal role in facilitating effective insolvency proceedings and ensuring maximum value recovery for all parties involved.

“ The active engagement of such a diverse group of creditors demonstrated their trust in the structured, transparent, and equitable resolution mechanism under the IBC. ”

6. Appointment of the Resolution Professional

In August 2022, the CoC, comprising representatives from PNB, Bank of India, and Bank of Maharashtra, voted to appoint Mr. Sumit Shukla as the RP. Mr. Shukla took over the charge from the IRP and began the process of formulating a viable resolution plan for OEPIL.

During the CIRP, the RP along with his team meticulously ensured that all necessary compliances and statutory requirements were adhered to, thereby providing critical continuity for the company. This included conducting comprehensive audits to verify and validate the company's financial records, timely filing of Income Tax Returns (ITR) to maintain fiscal responsibility and holding Annual General Meetings (AGM) to uphold corporate governance standards. Additionally, the RP ensured compliance with other statutory obligations such as regulatory filings and reporting requirements. These actions were not merely procedural; they were essential in stabilizing the company's operations and maintaining its legal and financial standing. By diligently managing these obligations, the RP instilled confidence among creditors, employees, and other stakeholders, reinforcing the company's commitment to transparency and accountability during a period of financial distress. This proactive approach not only safeguarded the company from potential legal repercussions but also laid a strong foundation for its eventual revival. The RP's efforts in ensuring compliance and continuity were pivotal in preserving the inherent value of the company and facilitating a smooth transition towards resolution and recovery.

7. Appointment of Registered Valuers

In terms of the provisions of the IBC, the IRP appointed the registered valuers to assess and submit the fair and liquidation value of the company which also provides a reference point to the CoC to make assessments of the



resolution plans so received by the RP/CoC. However, noting the on account of substantial variations in the valuations, the RP applied to the CoC to appoint third valuer for the Land & Building and Plant & machinery Asset class.

These valuers used various methodologies such as market comparisons, income-based approaches, and cost-based approaches to determine the fair market value of the assets. The accuracy and reliability of this valuation are critical as they directly influence the subsequent bidding and resolution plan approval processes. The Liquidation Value and Fair Value were respectively ₹993, 725, 491.50 and ₹1,537,975,367.

8. Invitation for Resolution Plans

The RP issued “Form G”, inviting Expressions of Interest (EOI) from potential resolution applicants. This stage is critical as it sets the stage for competitive bidding, which is essential for value maximization. The terms of the EoI, as decided by the CoC, were comprehensive, clearly outlined the eligibility criteria of the prospective resolution applicants (PRAs). In case of OEPL, CoC decided to publish “Form G” twice to ensure a wider reach and attract the most suitable bids so as to ensure that the company does not slip into the Liquidation due to non-participation by credible resolution applicants.

“ The RP received three resolution plans one each from International Tractors Ltd., Kirloskar Ferrous Industries Ltd., and RKG Fund and Alternative Investment Fund. ”

In response to the “Form G”, more than 10 PRAs submitted their EOIs to submit resolution plans. This high level of participation in the EOI process response to the “Form G” underscored the significant interest in the

company’s revival and highlights the robust confidence stakeholders have in the IBC regime. The RP received three resolution plans from International Tractors Limited, Kirloskar Ferrous Industries Limited (KFIL), and RKG Fund and Alternative Investment Fund.

9. Evaluation and Negotiations

The evaluation of the resolution plans was another critical phase where the true value of the company's assets is unlocked and therefore the CoC assessed and evaluated the bids as well as capabilities / track records of the resolution applicants based on multiple qualitative and quantitative parameters including the assessment of financial viability of the resolution plans, the bidder's track record, and their proposed revival strategy.

While evaluating outcomes of the CIRP i.e. revival or liquidation or sale as a going concern the CoC deeply reviewed the quality and valuation of the assets followed by the objective assessment of the company's tangible and intangible assets. In OEPIL's case, the CoC adopted the Electronic Challenge Mechanism, a widely used practice known for its transparency and efficiency. This faceless and unbiased approach ensured a fair evaluation process and instilled confidence in the bidders. In the case of OEPIL, the valuation process revealed the inherent value in the company's manufacturing capabilities, demand and market position. Despite the financial stress, the company's assets held significant potential, which needed to be strategically unlocked to attract viable resolution applicants.

The CoC meticulously evaluated the submitted resolution plans, considering various factors such as financial viability, the credibility of the applicants, and their ability to revive the company's operations. After thorough negotiations, the CoC unanimously approved the resolution plan submitted by KFIL with 100% vote share on August 11, 2023.

10. Approval by Adjudicating Authority

The final approval of the Resolution Plan by the AA is a significant milestone in the resolution process. The approval not only formalizes the selected bid but also ensures that the resolution plan complies with all regulatory requirements and is in the best interests of all stakeholders. In OEPIL's case, the AA approved

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the resolution plan on September 12, 2023. The AA's approval marked the culmination of a resolution process that successfully maximized the value of the company's assets. This marked a significant milestone in the revival process of OEPIL, providing a structured and legally sanctioned roadmap for the company's resurgence.



Table 1: Overview of claims and payouts to the claimants

Particulars	Amount claimed	Claim Admitted	Sum proposed under the Plan
Secured Financial Creditors	7,627,658,893.00	7,627,658,893.00	1,063,813,891.61
Operational Creditors - Employees	21,104,772.14	20,148,517.14	20,148,517.14
Operational Creditors - Government dues	119,897,887.00	119,897,887.00	3,013,289.00
Other Operational Creditors	392,931,326.08	297,559,650.02	18,507,065.46
Other debts and dues	712,353.00	-	-
Total payouts to Claimants (1+2+3+4)	8,162,305,231.22	8,065,264,947.16	1,105,482,763.21

11. Implementation and Monitoring

Subsequent to the approval of the Resolution Plan for OEPIL, a Monitoring Committee (MI) was constituted to ensure the effective implementation and supervision of the approved Resolution Plan. This committee comprised representatives from the secured financial creditors, the Successful Resolution Applicant (SRA) i.e., KFIL, and the erstwhile RP. The involvement of these key stakeholders was crucial in maintaining transparency and accountability throughout the implementation phase. The MI played an active role in overseeing the financial aspects, ensuring that payments and financial commitments were met as per the resolution plan. The SRA contributed its strategic vision and operational expertise to drive the revival and growth of OEPIL. Meanwhile, the erstwhile RP provided continuity and stability, leveraging their in-depth knowledge of the company's operational and financial status. This collaborative approach facilitated seamless coordination and addressed any challenges promptly, ensuring that the objectives of the Resolution Plan were met. The formation of the MI underscored the commitment to a structured and disciplined process, vital for the successful turnaround of OEPIL and safeguarding the interests of all stakeholders involved.

12. Key highlights of the Revival Process

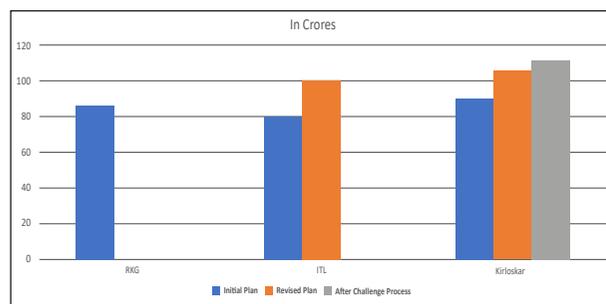
(a) Value Maximization

It is important to highlight here that negotiation phase is where the real potential for value maximization is realized. Through constructive negotiations, the CoC ensured revival of the company and maximized recovery for the creditors.

“ One of the most remarkable aspects of the revival process was the achievement of a 24% value maximization over the initial highest resolution bid. ”

One of the most remarkable aspects of the revival process was the achievement of a 24% value maximization over the initial highest resolution bid amounting to about ₹90 crores. This outcome underscored the effectiveness of the IBC framework in enhancing value for all stakeholders involved. This outcome was possible due to the CoC's strategic approach, which included leveraging the competitive environment created by the multiple bids and ensuring that the final resolution plan addressed the long-term sustainability of the company.

Graph 1: Value Discovery during Negotiations & Challenge Process



(b) Accelerated Payments to Creditors

Another notable aspect of the OEPIL revival was the prompt payment to creditors within a 45-day timeline. Timely payments are crucial as they ensure the stakeholders receive their dues without prolonged delays, which can further erode the value of the assets. The entire payment cycle to various claimants was completed within a 45-day timeline. This prompt action not only restored the confidence of the creditors but also exemplified the efficiency and time-bound nature of the resolution process under the IBC. By adhering to such a stringent and rapid schedule, the resolution process showcased its ability to swiftly address financial claims, thus preventing prolonged uncertainty and financial distress among the stakeholders. This timely payment not only reinforced the credibility of the IBC framework but also ensured that all claimants received their due settlements promptly. The efficiency demonstrated in managing the payment cycle instilled a renewed sense of trust and reliability in the insolvency resolution mechanism, proving that the IBC can effectively handle complex financial recoveries in a structured and expedient manner.

(c) Adoption of Best Practices

The challenge mechanism plays a crucial role in the IBC regime, particularly in the context of maximizing the value of a distressed company's assets. This mechanism, often referred to as the Electronic Challenge Mechanism, ensures a transparent, competitive, and time-bound process for selecting the best resolution plan from multiple bidders. By fostering a competitive bidding environment, the challenge mechanism drives resolution applicants to put forward their best financial offers and strategic plans for the revival of the insolvent entity. This not only enhances the value recovery for creditors

but also ensures that the most capable and committed bidder is selected to manage the distressed company's turnaround.

In the case of OEPIL, the adoption of the Electronic Challenge Mechanism by the CoC was instrumental in achieving a 24% value maximization over the initial highest resolution bid. The faceless and transparent nature of this mechanism minimized biases and allowed for an efficient evaluation of competing bids based on their financial viability and strategic merit. This approach has not only resulted in higher recoveries for the creditors but also ensured the selection of a resolution applicant, KFIL, who could effectively steer the company towards recovery and growth.

“The importance of the challenge mechanism extends beyond immediate financial gains. It reinforces principles of fairness and equity, which are foundational to the IBC.”

The importance of the challenge mechanism extends beyond immediate financial gains. It reinforces the principles of fairness and equity, which are foundational to the IBC. By ensuring a level playing field, it boosts the confidence of all stakeholders in the insolvency resolution process. Ultimately, the challenge mechanism exemplifies the IBC's commitment to transparency, efficiency, and value maximization, contributing to the overall stability and growth of the Indian economy.

(d) Employees and EPFO Payments

A noteworthy aspect of the Resolution Plan was the decision to make 100% payments towards the employees and the Employees' Provident Fund Organization (EPFO). Furthermore, the decision was a testament to the CoC's commitment to equity and fairness. This decision, despite requiring additional haircuts from the secured financial creditors, highlighted the importance of maintaining workforce morale and support. By prioritizing employee payments, the CoC underscored the significance of human capital in the revival process, which is often a key driver of long-term sustainability and growth. This practice also reflected the CoC's commitment to safeguarding employee

interests, even at the cost of additional haircuts for the secured financial creditors. Recognizing the significance of the workforce, this step reinforced the humane aspect of the IBC framework.

Graph 2: Key Milestones



(e) Successful Resolution Applicant

The success of the OEPIL resolution process also underscores the importance of having a capable and committed resolution applicant. KFIL, the SRA, is a listed entity on the stock exchange and a market leader in the industry. Their involvement added a layer of credibility and assurance to the revival process, ensuring long-term sustainability and growth for OEPIL. KFIL, the successful bidder, brought to the table not only financial resources but also industry expertise and a strategic vision for the company's future. As a listed entity and a market leader, KFIL's involvement added credibility to the resolution process and ensured that OEPIL was in capable hands for its revival and future growth.

(f) Leveraging the competition

The CoC demonstrated remarkable efficiency in leveraging the value proposition that OEPIL presented for both KFIL and ITL. Recognizing the strategic importance of OEPIL's manufacturing capabilities in the ferrous and non-ferrous casting sector, the CoC astutely identified the urgent need KFIL and ITL had for acquiring OEPIL's assets to bolster their market positions. By understanding the competitive advantage

that the acquisition of OEPIL would afford to these companies, the CoC was able to create a compelling and highly competitive bidding environment. This keen insight allowed the CoC to effectively capitalize on the situation, ensuring that the resolution plan not only addressed the financial rehabilitation of OEPIL but also maximized value for all stakeholders involved. The negotiation process was handled with strategic foresight, leveraging the keenness of KFIL and ITL to secure OEPIL's assets, which in turn drove up the bid values. The result was a 24% increase over the initial highest resolution bid, demonstrating the CoC's capability to seize opportunities and achieve optimal outcomes. This strategic manoeuvring underscored the CoC's role in not only facilitating a fair and transparent resolution process but also in enhancing the overall value recovery, thereby reinforcing the objectives of the IBC to maximize asset value in insolvency proceedings. Through their adept handling of the resolution process, the CoC ensured that the revival of OEPIL was not just about rescuing a distressed company, but also about strategically unlocking and maximizing its intrinsic value for the benefit of all stakeholders.

12. Key Takeaways

The success of the resolution process highlights the broader economic impact of effective insolvency resolution. The revival of a manufacturing unit has far-reaching implications for the local economy, including job preservation, sustained industrial activity, and enhanced economic output. The successful resolution also sends a positive signal to the market, reinforcing the credibility of the IBC framework and encouraging future investments.

In this case, the successful resolution of OEPIL under the IBC regime has had a profound impact on the broader economic landscape. The revival of this manufacturing unit not only preserved jobs and contributed to the local economy of Rajpura, Punjab, but also highlighted the transformative potential of the IBC framework. By ensuring the continuity of operations and maximizing value for all stakeholders, the IBC has demonstrated its pivotal role in fostering economic stability and growth in the nation.

Graph 3: Bird’s eye view: Revival of Oliver Engineering Pvt. Ltd. under the IBC



The revival of OEPIL underscores the crucial powers vested in the CoC to determine the future of a company undergoing the CIRP. In this instance, the CoC exercised its commercial wisdom in a fair and just manner, ensuring the continuation of the CD’s operations. Notably, the CoC's decision facilitated full payments to employees towards their dues, even though this required the secured financial creditors to accept additional haircuts. This approach not only highlighted the CoC's commitment to maintaining business continuity but also demonstrated their balanced consideration of equity, reflecting a thoughtful and inclusive decision-making process. The reasonable treatment of all stakeholders, particularly the employees, epitomized the CoC's dedication to upholding the principles of fairness and justice, which are central to the objectives of the IBC.

Graph 4: Important Dates/ Events

PARTICULARS	DATE
Filing of application in NCLT	2019 by PNB
Admission for CIRP & IRP appointment	26.04.2022
Appointment of RP	24.08.2022
Number of Meetings conducted by IRP & RP	IRP-4 and RP - 17
Invitation of Plans	20.09.2022
Receipt of Resolution Plans	20.10.2022
Number of negotiation meetings with the RAs	More than 10
Receipt of Revised financial proposal	17.03.2023
Swiss Challenge	10.04.2023
Receipt of modified resolution plan	20.04.2023
COC meeting where Plan was put for voting	02.05.2023
Approval of Plan by the COC	11.08.2023
Filing of application with NCLT	19.08.2023
Number of hearings in NCLT for Plan Approval	Four
Orders for approval of Resolution Plan	12.09.2023

13. Conclusion

The case of OEPIL serves as a testament to the efficacy of the IBC in reviving distressed businesses and contributing to the nation's growth process. The structured and transparent resolution process, coupled with the adoption of best practices and timely actions, ensured the successful turnaround of OEPIL. This case study underscores the critical role of the IBC in enhancing the ease of doing business in India and promoting economic resilience. As the IBC continues to evolve, its impact on the Indian economy is poised to grow, driving sustainable development and financial stability for years to come.

“The revival of an auto ancillary manufacturing facility brings a multitude of benefits that significantly enhance the economic and industrial landscape in the region.”

The revival of an auto ancillary manufacturing facility brings a multitude of benefits that significantly enhance the economic and industrial landscape in the region. Firstly, it ensures the restoration and creation of numerous jobs, fostering local employment and contributing to the socio-economic development of the community. A functioning manufacturing unit also revitalizes the local supply chain, stimulating business for suppliers and service providers, thereby bolstering the regional economy. Moreover, it re-establishes the company's role in the larger automotive ecosystem, ensuring the continuous supply of crucial components to automobile manufacturers. Furthermore, the revival supports technological advancements and innovation within the industry, as operational facilities are often at the forefront of adopting new manufacturing techniques and improving product quality. Financially, it aids in the recovery of investments made by creditors and stakeholders, promoting a healthy financial ecosystem. Lastly, the sustained operation of the facility reinforces market confidence, demonstrating resilience and the capability to overcome financial distress, which is essential for attracting future investments and fostering long-term growth. In essence, the successful revival of an auto ancillary manufacturing unit serves as a catalyst for industrial rejuvenation, economic stability, and sustainable development.