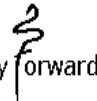


Restructuring & Insolvency Situations in India

Status Update



INTEGRATED CAPITAL SERVICES LIMITED

RAAS  way forward

The logo for "way forward" consists of the words "way forward" in a lowercase, sans-serif font. To the right of the text is a stylized graphic element that looks like a vertical line with a curved top and a small loop, resembling a stylized '2' or a path leading forward.

October 2017

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SECTION

1

Indian Restructuring Landscape



As of March 2016, gross NPAs for public & private sector banks in India was around INR 16 lac crores.

Top 3 banks with highest Gross NPAs- State Bank of India, Punjab National Bank and Bank of India

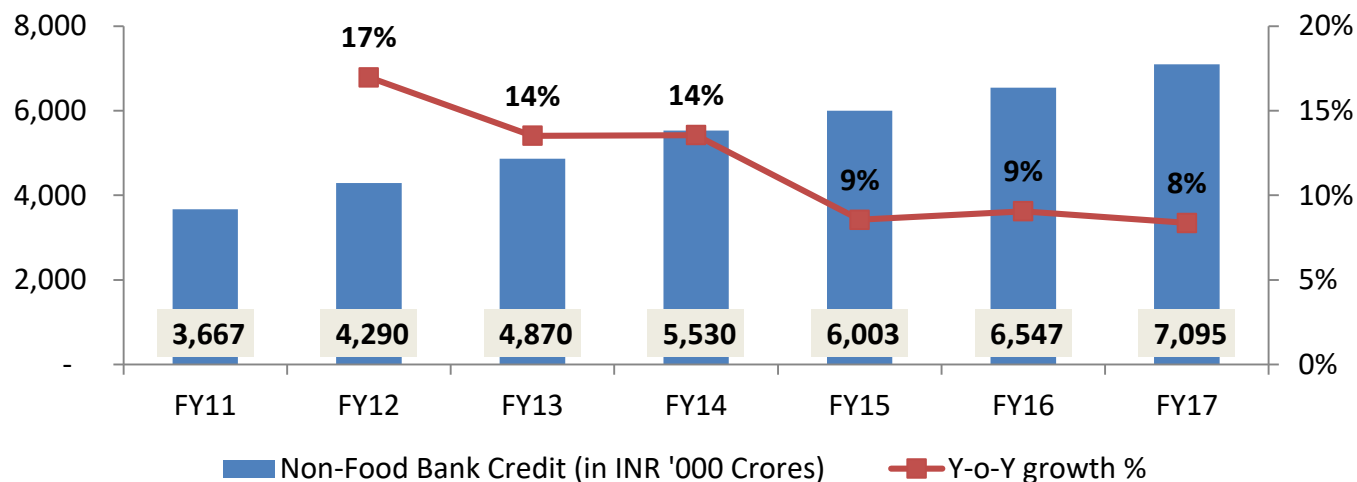
Base Metal, Cement, and Textiles sectors have the highest Stressed Asset percentages.

About 320 cases* have been registered under Corporate Insolvency Resolution Process by IBBI.

More than 1,000 Insolvency professionals have been registered under IBC.

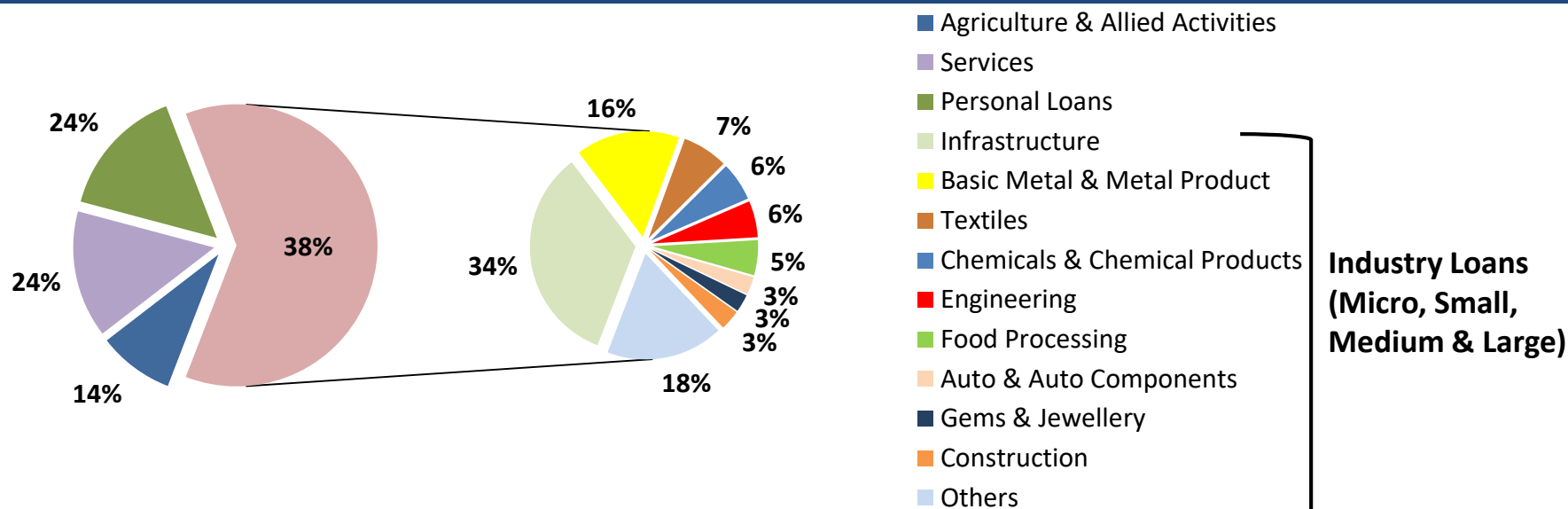
*As on September 29, 2017

Credit Growth in the Indian Economy



- Credit growth has slowed down over last 2-3 years due to high stressed assets
- Lending to rural India was severely impacted in the second half of FY17 due to note ban
- Infrastructure and Basic Metals sector account for ~50% of Bank Industry loans today

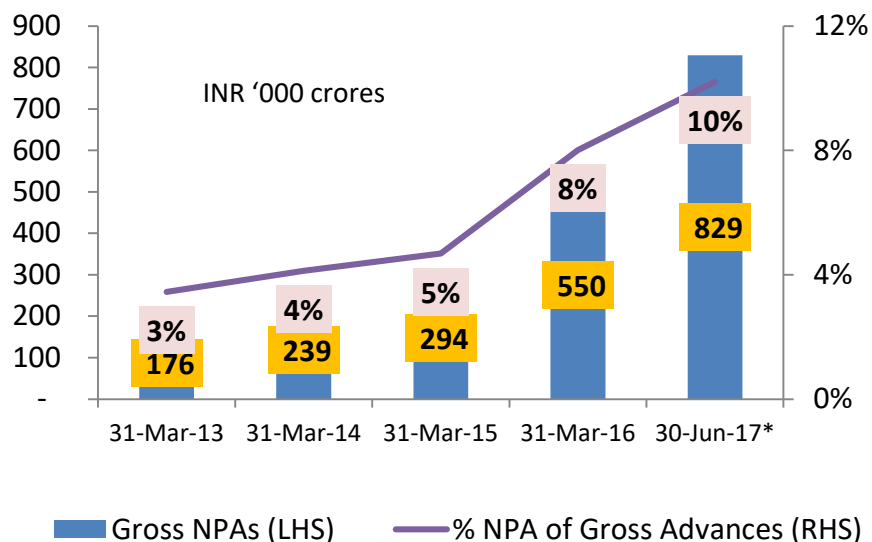
Industry wise Deployment of Non-Food Bank Credit – Aug 2017



**Industry Loans
(Micro, Small,
Medium & Large)**

NPAs in the Indian Banking Sector

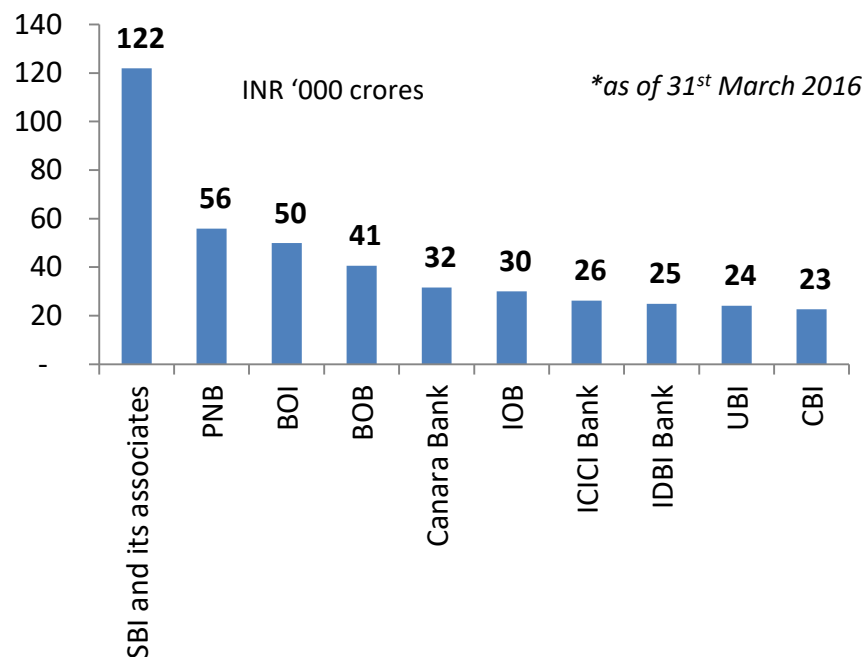
Gross NPAs of Domestic Banks[^]



*The data for June 2017 is as per Research Report by CARE Ratings

[^]Excluding Foreign Banks

Top 10 Banks having highest Gross NPAs



- Gross NPAs of the banking sector mounted to ~10% of total credit advanced in June 2017 from ~3% of total credit advanced in March 2013. This was largely due to
 - A. The investment related policy log-jams weakened the repayment capacities of corporates and coupled with the inadequate credit appraisal processes of banks, particularly PSBs, led to a disproportionate rise in the NPAs
 - B. “Clean up” exercise initiated by the then RBI Governor, Raghuram Rajan in the form of “Asset Quality Review” requiring full disclosure, reclassification of “restructured assets” and aggressive provisioning from the banks

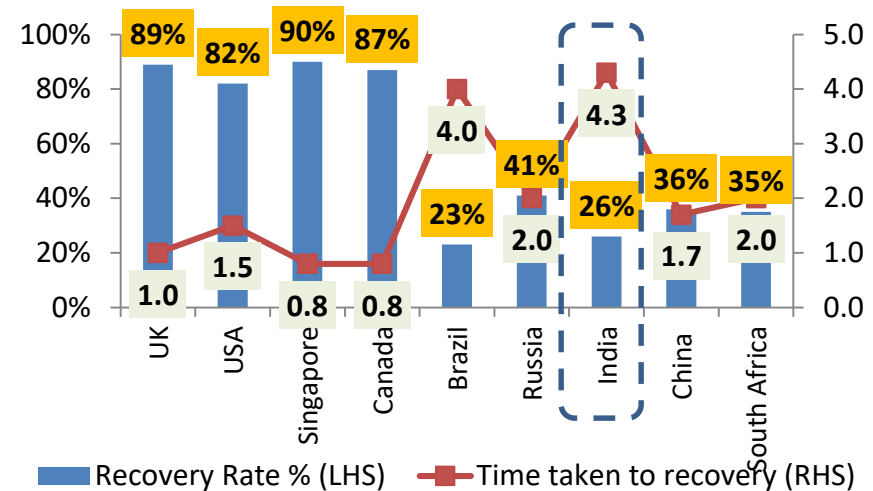
Legal framework before the IBC



- Companies Act, 2013 and 1956
- The recovery of debts due to banks and financial institutions Act, 1993
- SARFAESI Act, 2002
- The Sick Industrial Companies (Special Provisions) Act, 1985
- The Presidency Towns Insolvency Act, 1909
- The Provincial Insolvency Act, 1920
- CDR/SDR/S4A
- ARC

The lack of clarity on jurisdiction and lack of commercial understanding had allowed stakeholders to manipulate the situation and stall progress.

Insolvency Proceedings: India vs Other Countries



- In India, the average life of cases recommended for restructuring in 2002 was 7 years and the average life of cases recommended for winding up to the court was 6.5 years.
- Even as of 31 October 2015, only about 955 (out of 4,636) and 163 (out of 545) cases of court and voluntary winding up had been resolved within 5 years. A significant number of such cases had been pending for more than 20 years – 1,274 and 205, respectively.

Due to complex regulatory framework, the average time taken to resolve cases in India was much higher and therefore, there was an immediate need to overhaul the insolvency framework



The Insolvency and Bankruptcy Code, 2016 seeks to consolidate the existing framework by creating a single law for bankruptcy and insolvency.

Objectives of the Code

- Consolidate and amend laws relating to insolvency and bankruptcy
- Maximization of value
- Time-bound resolution
- Promote entrepreneurship and availability of credit
- Alteration of priority of payment of government dues
- Capitalize as Insolvency and Bankruptcy Board in India

Why was it needed?

1

Reduce the time taken to resolve insolvency.

2

Eliminate confusion caused by a complex judicial framework.

3

Develop investor confidence.

4

Address the NPA situation decisively

What has happened so far?

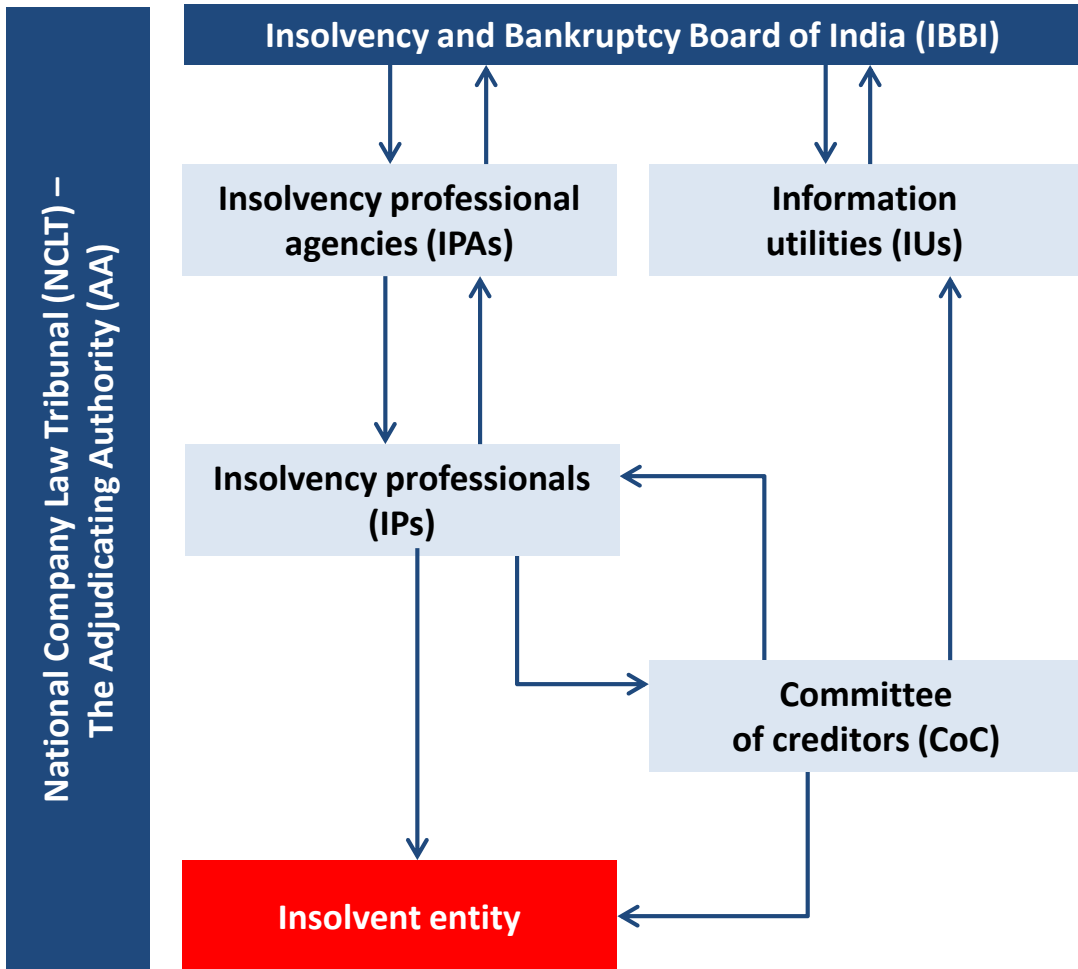
About 320 Corporate Debtors have been registered

More than 200 Banks, ARCs and other Creditors are registered



More than 1,000 Insolvency Professionals have been registered

400+ orders have been released by High Courts, Supreme Court, NCLTs and NCLATs



IBBI – apex body for promoting transparency & governance in the administration of the Code; will be involved in setting up the infrastructure and accrediting IPs and IUs.

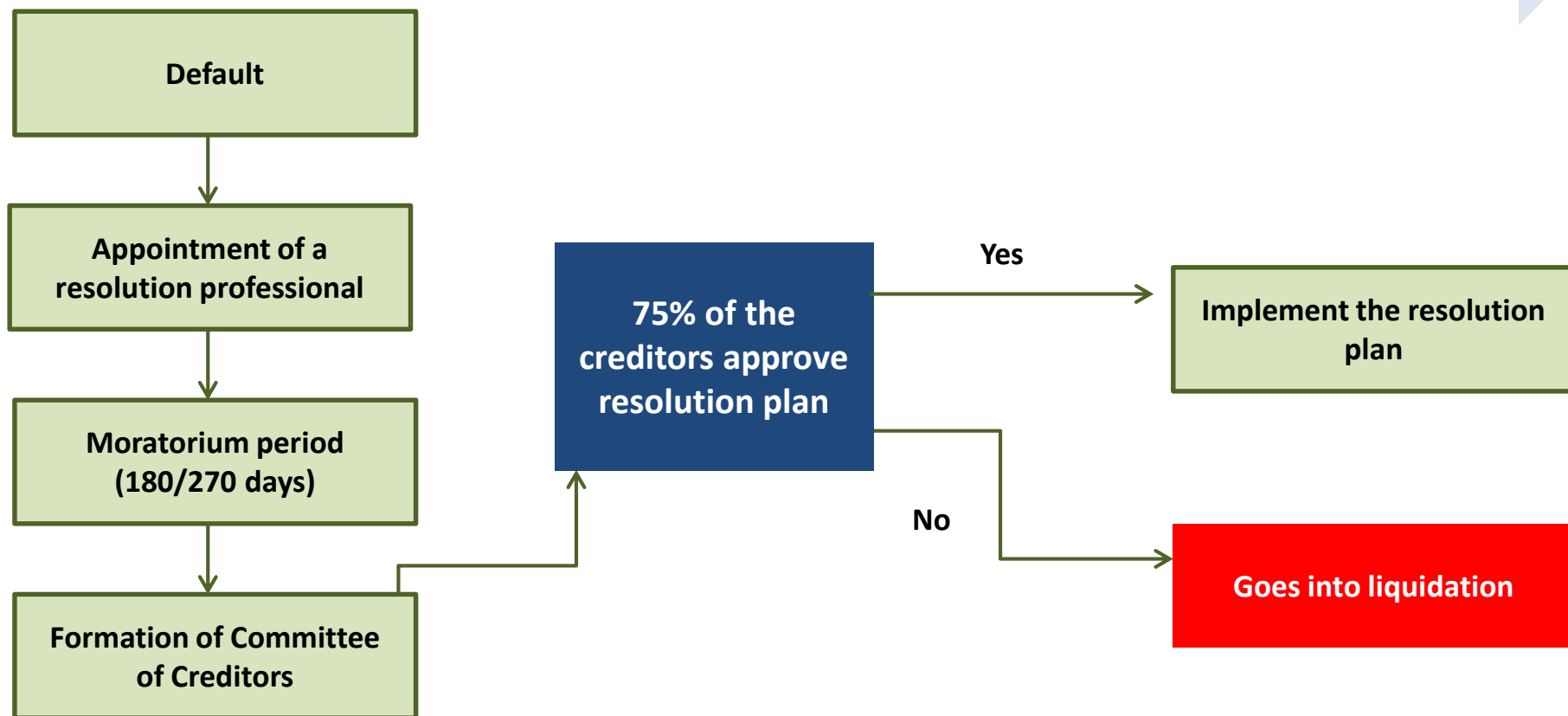
IUs - centralized repository of Financial and credit information of borrowers; would validate the information and claims of creditors vis-à-vis borrowers, as needed

IPAs - professional bodies registered by the Board to promote and regulate the insolvency profession; these bodies will enrol IPs

IPs - licensed professionals regulated by the IBBI; will conduct resolution process; to act as liquidator; appointed by CoC and will assume the powers of board of directors

Adjudicating Authority (AA) - would be the NCLT for corporate insolvency; to entertain or dispose any insolvency application, approve/reject resolution plans and decide in respect of claims or matters of law/ facts thereof.

CoC - consists of Financial creditors who will appoint and supervise the actions of IPs; need to approve the resolution plan



Why is there an opportunity?



“Cleaning up India’s stressed loans is the biggest priority of Prime Minister Narendra Modi’s government.”

Sanjeev Sanyal, Principal
Economic Advisor

“Insolvency and Bankruptcy Code will improve the ease of doing business, promote entrepreneurship, develop debt market and consequently, develop the economy.”

M S Sahoo, Chairperson -
IBBI

“Going to the IBC (Insolvency and Bankruptcy Code) would be the new normal where all resolution and reorganization will get done.”

Arundhati Bhattacharya,
Former chairwoman of SBI

“While the profitability of some banks may be impaired in the short-run, the system, once cleaned, will be able to support economic growth in a sustainable and profitable way.”

Raghuram Rajan, former RBI
governor

SECTION

2

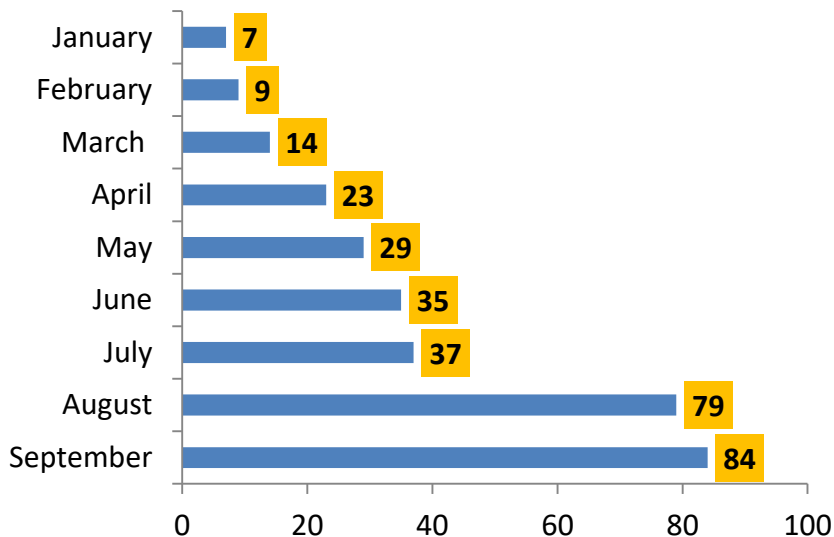
Status Update

Quantum of Unique Cases Filed*

As of 29th September 2017

317

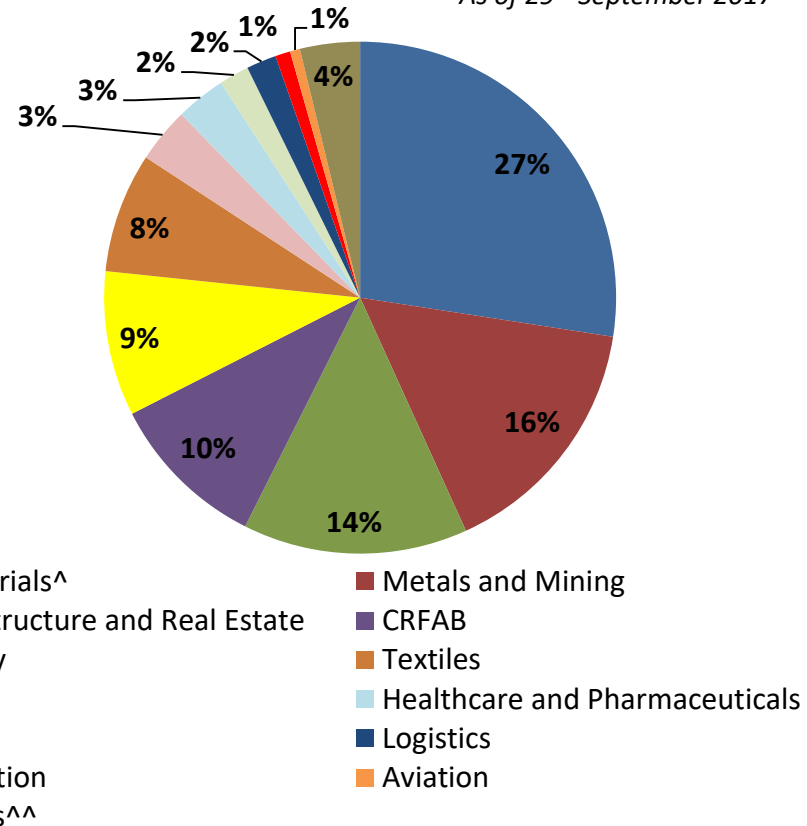
Cases filed with NCLT till date and the number is expected to increase as indicated by the trends below



*Multiple cases against a corporate debtor counted as one

Sector Wise Allocation (by number of cases filed)

As of 29th September 2017



[^]Industrials includes – Chemicals, Cement, Auto and Auto Parts, Machinery, Paper, Valves, Tiles, Mills, Electricals.

^{^^}Others includes – Security Services, Consulting Services, Facility Management, Printing Services etc.

Industrials, Metals & Mining and Infrastructure & Real Estate sectors account for 57% of the cases filed (by volume)

Key Phases- Resolution Process

Phases	Timeline of the proceedings	Activities to be undertaken
Phase 1 ↓	First 30 days from the date of filing	<ul style="list-style-type: none">▪ Declare moratorium▪ NCLT to appoint interim resolution professional.▪ Public announcement▪ Appoint 2 registered valuers to calculate liquidation value▪ Submission of Proof of claims
Phase 2 ↓	Day 31 to Day 150	<ul style="list-style-type: none">▪ Verification of claims by IRP▪ IRP to constitute CoC and file a report▪ Convene and hold 1st CoC meeting▪ Appointment of resolution professional▪ Preparation of complete IM▪ Submission of resolution plan
Phase 3 ↓	Day 151 to Day 180/270	<ul style="list-style-type: none">▪ CoC's approval of resolution plan▪ Approval of resolution plan by NCLT
Phase 4 (if required) ↓	Liquidation Proceedings	<p>Liquidation order will be passed if:</p> <ul style="list-style-type: none">▪ CIRP ends▪ Plan not submitted to NCLT▪ Plan not approved▪ Decided by CoC▪ Plan not properly implemented

Phase wise Analysis- Cases with NCLT*

Phase 1: First 30 days from the date of filing

4

B.J.N Hotels Limited

Hallmark Living Space Private Limited

Swan Aluminiums Private Limited

Kanak Resources Management Limited

Phase 2: Day 31 to Day 150

238

Educomp Solutions Ltd

Bhushan Power & Steel

Shriram EPC Limited

Essar Steels Limited

Orchid Pharma Limited

Falcon Tyres Limited

Phase 3: Day 151 to Day 180/270

71

Hindustan Dorr Oliver Limited

Kalyanpur Cements Ltd

Clutch Auto Limited

Era Infra Engineering Limited

Synergies-Doorey Automotive Limited

Unimark Remedies Limited



Resolution Plan approved by NCLT

Phase 4: Liquidation Proceedings (if required)

4

Bhupen Electronic Limited

VNR Infrastructures Limited

Nicco Corporation Limited

REI Agro

*as of 29th September 2017

Recent Developments in the last 3 months

October 2017

NICCO Corporation faces liquidation as lenders reject revival plan.

September 2017

Bhushan Power IRP seeking resolution plan from prospective investors.

September 2017

REI Agro has been ordered by NCLT to go into liquidation.

August 2017

Claims invited for Jaypee Infratech by NCLT.

August 2017

NCLT approved the Resolution Plan in the SDAL case, but with a 94% haircut*.

August 2017

NCLT asks 2 firms to wind up: VNR Infrastructures, Bhupen Electronic.

**For detailed case study of SDAL, refer to Annexure 4A*

SECTION

3

**Select Opportunities in the
Market**

Key Opportunities (1/4)



Name of Company	Industry	O/S Debt (INR mn)	Last available Revenue (INR mn)	FY	Market Cap*	Date of Completion of Restructuring	Status
Bhushan Steel Limited	Metals and Mining	462,632	150,273	FY17	13,149	22-Jan-2018	Last date of filing claims by creditors was 9 th August 2017
Lanco Infratech Limited	Infrastructure	435,018	73,437	FY17	2,645	3-Feb-2018	Last date of filing claims by creditors was 22 nd August 2017
Bhushan Power & Steel	Energy	356,850	76,998	FY16	NA	22-Jan-2018	Last date of filing claims by creditors was 9 th August 2017 And the last date to submit EOI bids was 6 th October 2017
Essar Steels Limited	Metals and Mining	312,110	156,497	FY16	NA	29-Jan-2018	Last date of filing claims by creditors was 16 th August 2017
M/s. Alok Industries Limited	Textiles	234,430	89,194	FY17	4,311	14-Jan-2018	Last date of filing claims by creditors was 1 st August 2017
M/s. Monnet Ispat & Energy Limited	Energy	103,333	13,751	FY17	6,063	13-Jan-2018	Last date of filing claims by creditors was 7 th August 2017 And the last date to submit EOI bids was 25 th September 2017

*Market Cap as of 16.10.2017

Key Opportunities (2/4)



Name of Company	Industry	O/S Debt (INR mn)	Last available Revenue (INR mn)	FY	Market Cap*	Date of Completion of Restructuring	Status
M/s. Era Infra Engineering Limited	Infrastructure	92,511	12,224	FY16	474	8-Oct-2017	Last date of filing claims by creditors was 1 st May 2017
M/s. ABG Shipyard Limited	Industrials - Shipbuilding	87,307	343	FY16	623	28-Jan-2018	Last date of filing claims by creditors was 16 th August 2017
Jaypee Infratech Ltd	Infrastructure	79,222	11,581	FY17	20,001	5-Feb-2018	Last date of filing claims by creditors was 24 th August 2017
M/s. Electrosteel Steels Limited	Metals and Mining	76,161	27,743	FY17	12,022	16-Jan-2018	Last date of filing claims by creditors was 4 th August 2017 And the last date to submit EOI bids was 30 th September 2017
M/s. Nagarjuna Oil Corporation Limited	Oil & Gas	52,523	-	FY16	NA	21-Jan-2018	Last date of filing claims by creditors was 10 th August 2017
M/s. Adhunik Metaliks Limited	Metals and Mining	44,551	12,211	FY17	514	29-Jan-2018	Last date of filing claims by creditors was 18 th August 2017 And the last date to submit EOI bids was 4 th October 2017

*Market Cap as of 16.10.2017

Key Opportunities (3/4)



Name of Company	Industry	O/S Debt (INR mn)	Last available Revenue (INR mn)	FY	Market Cap*	Date of Completion of Restructuring	Status
M/s. Amtek Auto Limited	Industrials-Automobiles	39,281	19,668	FY17	5,598	20-Jan-2018	Last date of filing claims by creditors was 10 th August 2017 And the last date to submit EOI bids was 11 th September 2017
M/s. Deccan Chronicle Holdings Limited	TME - Print Media	39,029	7,861	FY12	NA	14-Jan-2018	Last date of filing claims by creditors was 2 nd August 2017
M/s. Unity Infraprojects Limited	Infrastructure	37,345	3,248	FY16	597	17-Dec-2017	Last date of filing claims by creditors was 4 th July 2017
M/s. Jyoti Structures Ltd.	Infrastructure	33,873	9,034	FY17	1,134	31-Dec-2017	Last date of filing claims by creditors was 26 th July 2017 And the last date to submit EOI bids was 12 th September 2017
Binani Cement Limited	Industrials - Cements	33,056	22,842	FY16	NA	21-Jan-2018	Last date of filing claims by creditors was 8 ^h August 2017

*Market Cap as of 16.10.2017

Key Opportunities (4/4)



Name of Company	Industry	O/S Debt (INR mn)	Last available Revenue (INR mn)	FY	Market Cap*	Date of Completion of Restructuring	Status
M/s. Educomp Solutions Limited	Education	28,268	4,995	FY16	643	26-Nov-2017	Last date of filing claims by creditors was 16 th June 2017
Orchid Pharma Limited	Healthcare and Pharmaceuticals	27,563	7,965	FY17	1,552	13-Feb-2018	Last date of filing claims by creditors was 7 th September 2017
M/s. Gujarat NRE Coke Limited	Metals and Mining	26,697	5,412	FY17	2,343	3-Oct-2017	Last date of filing claims by creditors was 21 st April 2017

*Market Cap as of 16.10.2017

SECTION

4

Annexures

4A

**Synergies Dooray Automotives
Limited (SDAL)**

Synergies Dooray Automotives Limited (SDAL) - First case where NCLT has approved Insolvency Resolution Plan

2003-05

- CDR package approved but restructuring doesn't take place.
- HSBC recalls loan (O/S INR 96 mn) with future interest @ 20% p.a. till payment/settlement of dues .
- Case Initiated under BIFR, but formulation of the scheme pending.

2006

HSBC assigns its dues against SDAL to J. P. Morgan Chase Bank.

2007

Declared a sick company under SICA. IDBI Bank appointed as Operating Agency (OA)

2010

IOB, IDBI dues settled. JP Morgan assigns its dues to Alchemist Asset Reconstruction Co. Ltd

2011

ARCIL, EXIM Bank and JP Morgan Bank were the company's three secure creditors having principal dues of INR 663mn, INR 183.6mn and INR 95.2mn respectively.

2014

EXIM Bank assigns and transfers its loans to Edelweiss ARC

2016

SCL assigns its debt to SDAL to Millennium Finance

Jan - 2017

SDAL application accepted under IBC .

Jun - 2017

Resolution approved by 90% vote by CoC (Edel ARC abstained from voting)

Aug - 2017

Resolution plan approved

While ICICI Bank and EXIM sold their loans to ARCs with reasonable haircuts, SOE banks ended up selling their loans to a group company of SDAL at a haircut of ~80-85%

Date	Bank	Assignee	Amount Outstanding (INR mn)	Amount received (INR mn)	% Received
Mar 08	IDBI	Synergies Casting	896	168	19%
Mar 07	ICICI	ARCIL	663	499	75%
Aug 08	Andhra Bank	Synergies Casting	126	19	15%
Aug 08	IOB	Synergies Casting	108	21	20%
Jan 14	EXIM	Edel ARC	521	244	47%
Aug 11	ARCIL	Synergies Casting	499	222	45%
Total Recoveries by Banks			2,314	951	41%

Over a period, claims ballooned to ~Rs 9.7bn on account of accumulated interest and penal charges

S.NO.	Financial Creditor	Amount of Claim admitted by NCLT – Jan 2017 (INR mn)	% Share in Committee of Creditors	% Share in Voting
1.	Alchemist ARC	1,221	13%	14%
2.	Edel ARC	869	9%	10%
3.	Millennium Financial	6,739	69%	76%
4.	Synergies Casting	893	9%	-
Total		9,722	100%	100%

Approved resolution plan

Particulars	Brief
Financial Restructuring	Restructuring of debt by way of settlement in terms of directions of BIFR and payment of restructured dues over a period of 3 years
Operational Restructuring	Amalgamation of SCL with SDAL
Capital Restructuring	Allotment of shares of the merged entity to SCL shareholders and payment of cash towards fractional shares
Payment to operational Creditors/ Statutory Dues	Dues to operational creditors be restructured and payment to such operational creditors/statutory dues to be made in a staggered manner after completion of payment to FC
Infusion of fresh funds	By promoters if required

NCLT approved the following payouts as part of the resolution with payments to be made over a period of 3 years

Entity	Amount (INR mn)
Insolvency Resolution Cost	5
Payment to EARC	49
Payment to AARC	69
Payment to MFL	379
Total	502

Thank You

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