

Insolvency & Bankruptcy in India – M&A Opportunities

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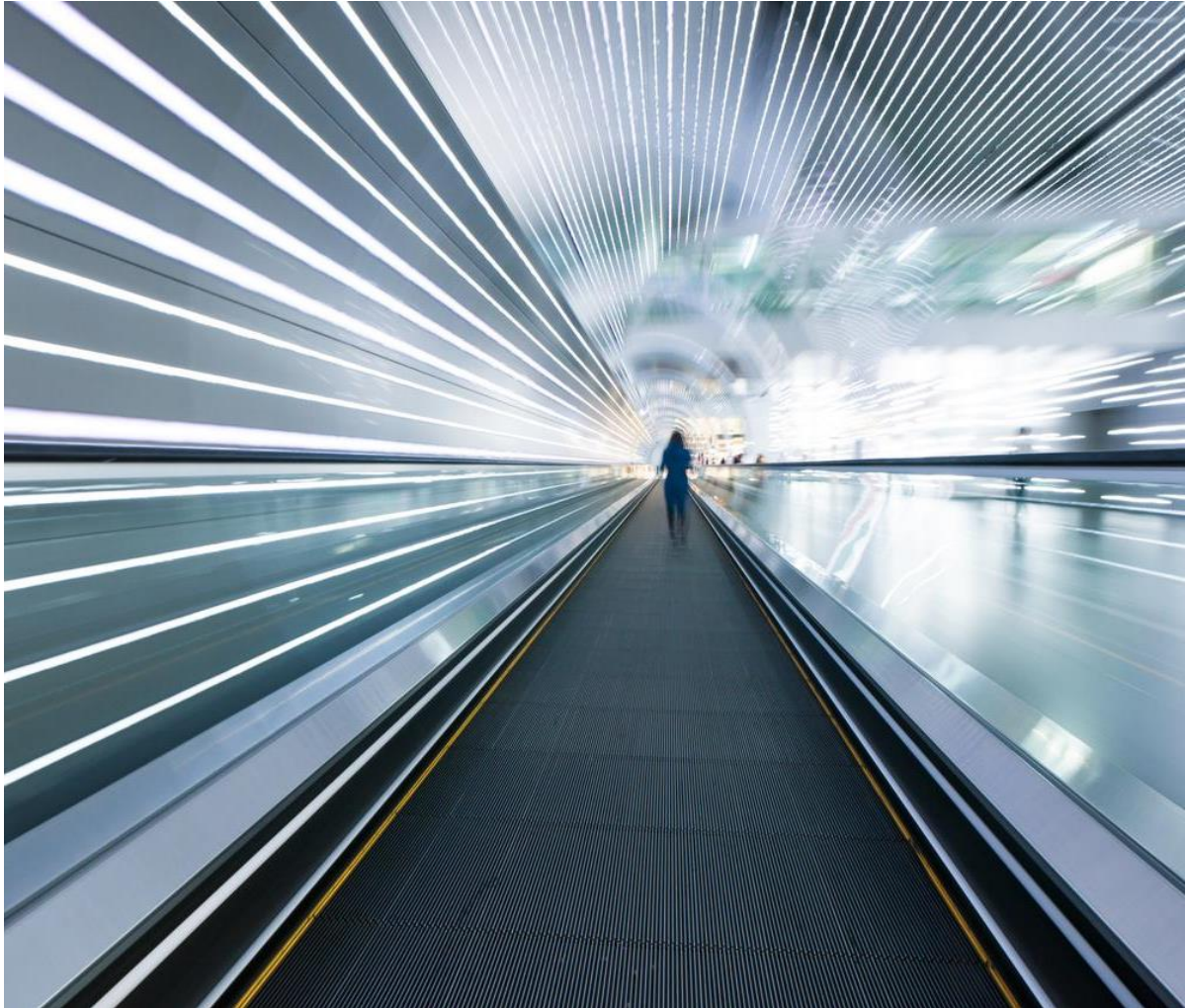
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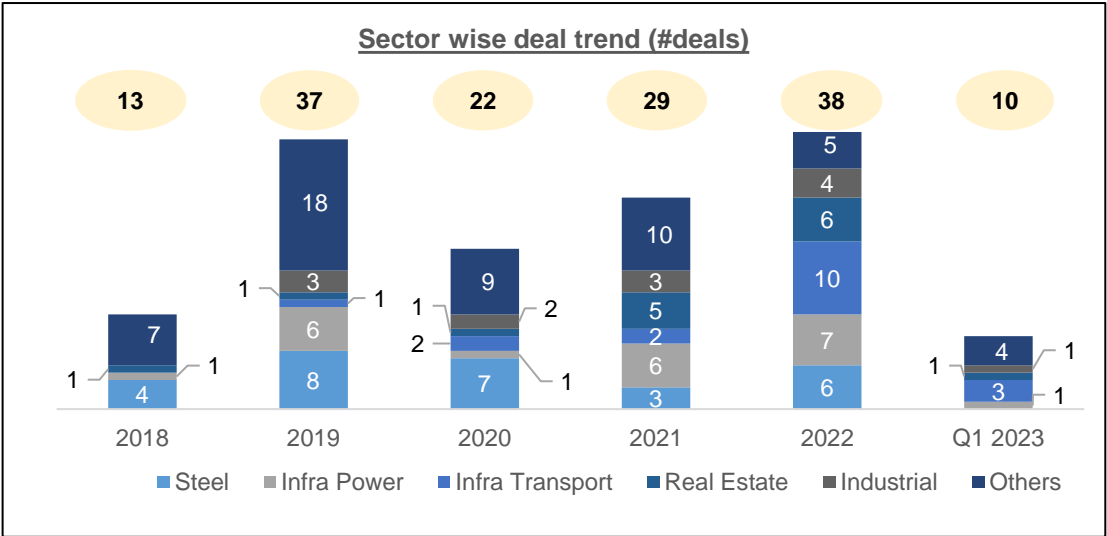
I. Distressed M&A in India so far...



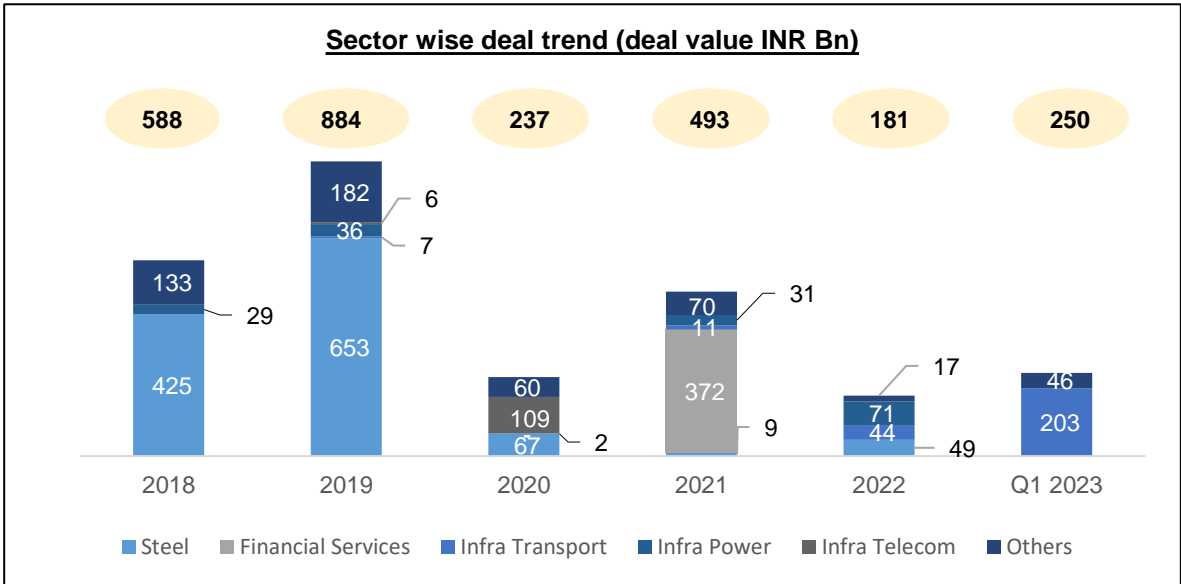
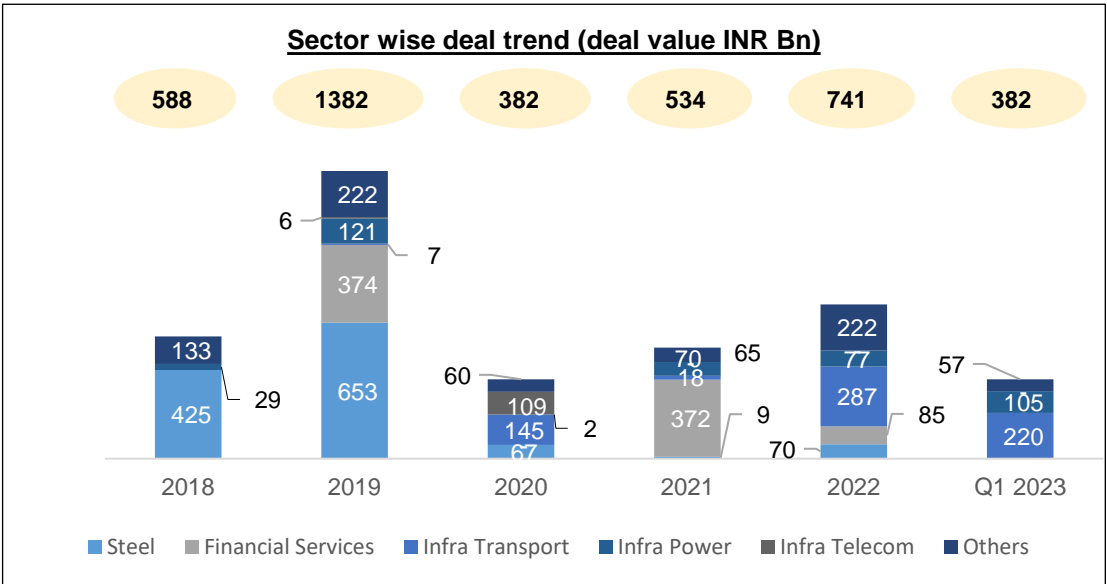
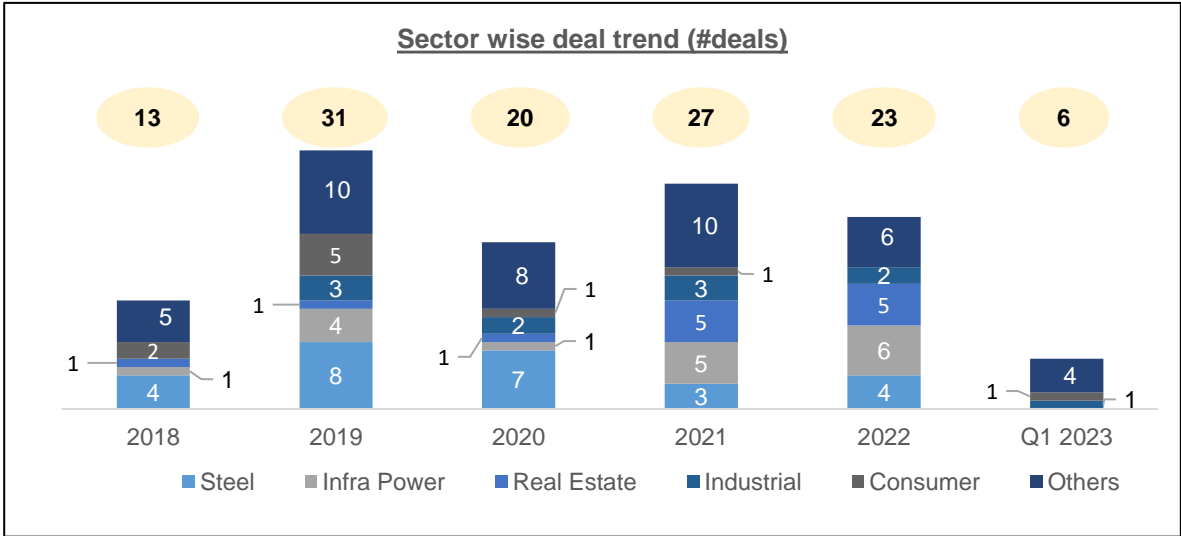
- Has Insolvency & Bankruptcy Code, 2016 (**IBC**) worked as a successful route for Mergers & Acquisitions (**M&A**) in India?
- Statistics of closed IBC/ M&A deals
 - Indian and overseas investors
 - recovery rate
 - write offs
- Banking perspective
- Corporate perspective
- Success stories under IBC
 - Dewan Housing Finance Corporation Ltd.
 - Bhushan Steel Ltd.

INR 4,000 Bn worth of distressed asset M&A deals in last 5 years

Distress deals (incl. outside CIRP)



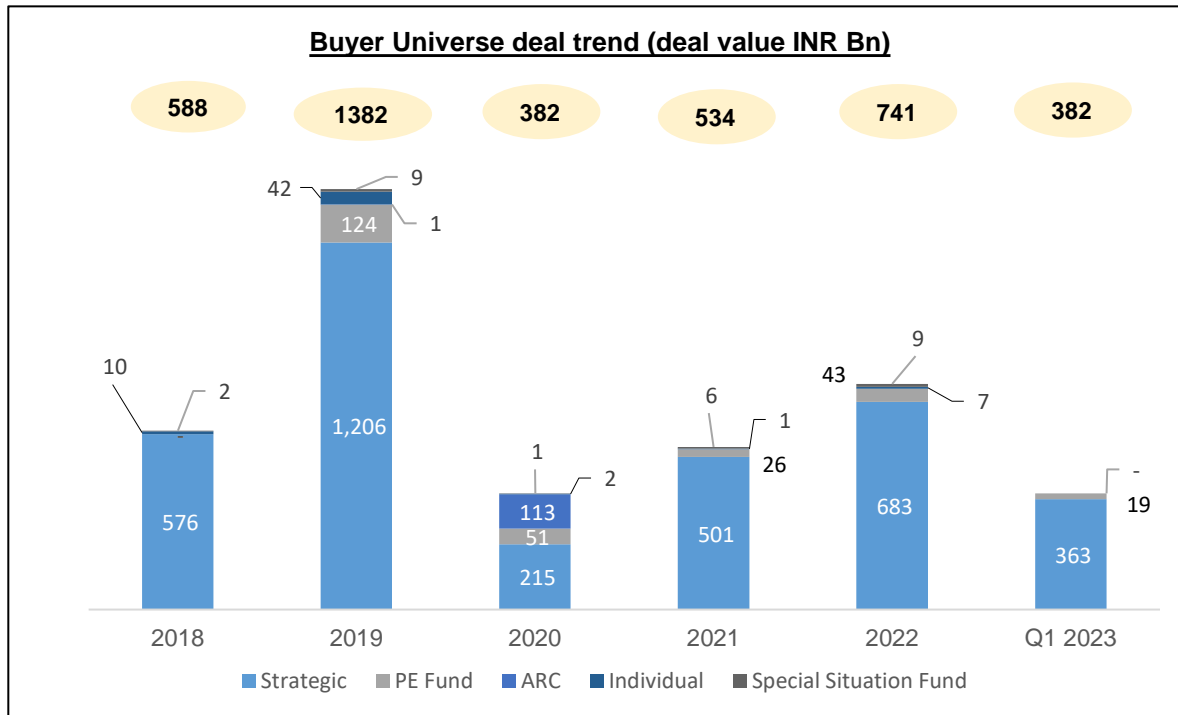
Distress deals (only CIRP)



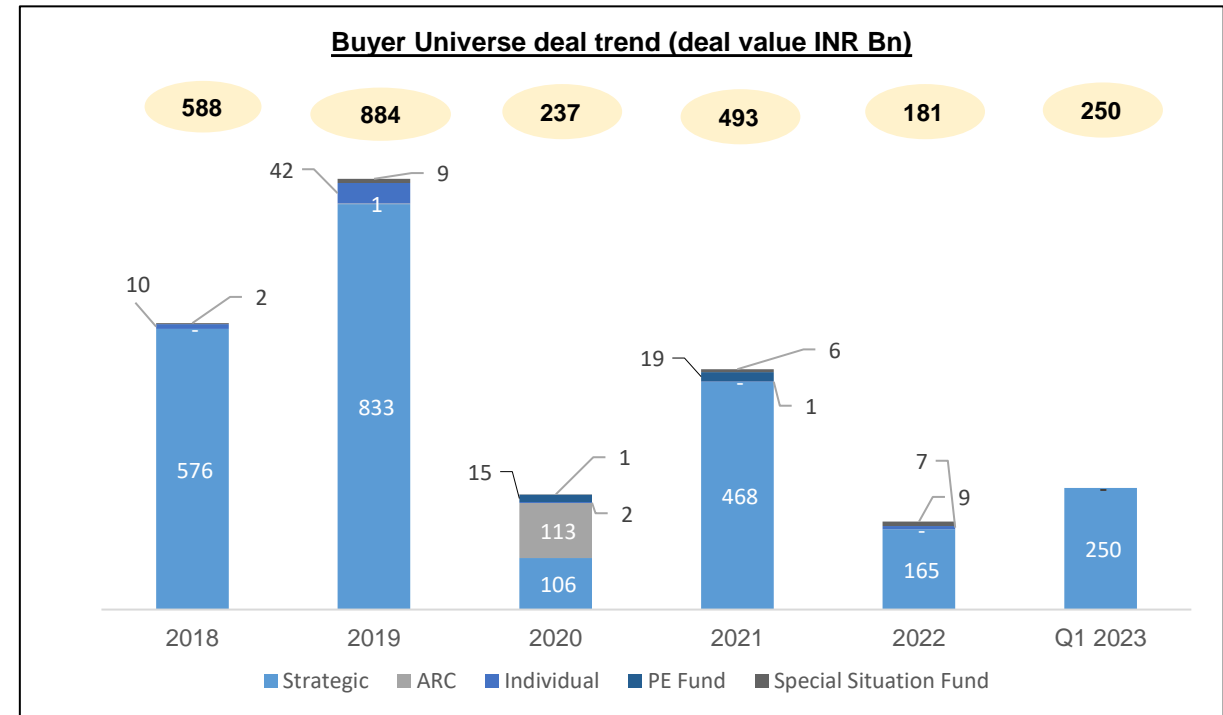
Source: IBBI and Mergermarket; Note: CIRP deals with minimum deal value of INR 1 Bn are considered for analysis

Strategic buyers dominate with 91% of deal value in CIRP and ~88% of distressed asset deal values overall

Buyer universe (incl. outside CIRP)



Buyer universe (only CIRP)



Top ten CIRP deals account for ~70% of overall deal value

Target Company	Announced	Sector	Type of Buyer	Deal value (INR Bn)
Essar Steel India Limited	Mar'19	Steel	Strategic	422
DHFL	Jun'21	Financial Services	Strategic	372
Bhushan Steel Limited	May'18	Steel	Strategic	368
Jaypee Infratech Limited	Mar'23	Infra Transport	Strategic	203
Bhushan Power & Steel Limited	Sep'19	Steel	Strategic	199
Binani Cements Limited	Nov'18	Cement	Strategic	67
Electrosteel Steels Limited	Apr'18	Steel	Strategic	53
Alok Industries Limited	Mar'19	Textiles	Strategic	51
Reliance Infratel Limited	Dec'20	Infra Telecom	ARC	43
Ruchi Soya Industries Limited	Jul-19	Consumer	Strategic	42
Total (top 10)				1,820
Total (all CIRP deals in 5 years)				2,633

II. Key issues within the CIRP framework

Corporate Insolvency Resolution Process (CIRP)

1

CIRP:

- How does the CIRP work?
- How is an M&A process structured under the CIRP?

2

Due Diligence peculiarities:

- interplay between resolution applicant, committee of creditors and resolution professional
- timelines and other
- key transactional aspects

3

Feasibility of a single window clearance system for corporate debtor post plan approval. Practical experience of:

- seeking regulatory approvals
- clean slate principle working in practice
- seeking extinguishment of past claims and dues from government, central & state tax departments post CIRP completion
- need for sensitization of government departments for handling IBC situations

III. Key issues within the Indian court system

Judiciary

1

Delays due to court litigations and overall impact on timelines under IBC - Can the National Company Law Tribunal do more to limit challenges to the process?

2

Conflicting judicial precedents on key matters which deviate from established practice.

IV. Amendments to CIRP framework recommended?



- Extension of pre-packaged insolvency mechanism to all corporates (not just micro, small & medium enterprises)
- What can we learn from other jurisdictions – Europe?
 - (In-court) insolvency proceedings
 - Pre-insolvency Restructuring frameworks

V. International Experience – Germany & Denmark

What has worked for insolvencies of distressed companies in other countries in the acquisition of distressed companies?

- Examples under German law
 - Insolvency Plan
 - Pre-insolvency Plan (StaRUG – “the German Scheme”)
 - Asset Deal out of insolvency
- Examples under Danish law
 - Administrator can “cherry-pick” which contracts to assume (contracting party cannot object)
 - Fast-track business sale scheme by administrator (without creditor vote), including forced transfer of assumed contracts
 - Creditor voting classes

What are the key reforms and learning experience for India?

- Pre-insolvency frameworks implemented in the course of 2020 based on the European Directive on pre-insolvency restructuring
- Current draft EU directive aiming at harmonizing the European insolvency regimes

Your Panel



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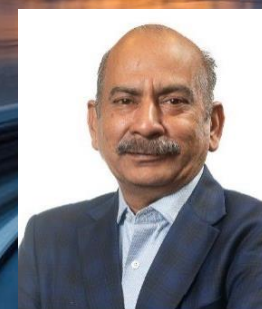
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