

Case Study

A British Steel Trading Company

Service(s) offered: **To operate as project management consultant by providing support, expert advice on the domestic laws to global restructuring officer, his team in India and group's senior**

Sector/Industry: **Manufacturing**



Supporting British Steel Trading Company for the sale of Indian Assets as a part of global re-structuring plan

Our client is one of the world's largest independent steel trading company offering a range of value-added services spanning every step in the steel supply chain. It initiated a restructuring exercise as falling steel prices had damaged the profitability of the business and its ability to service debt obligations in time.

As part of this global restructuring, the Indian assets of the client, that consist of large-scale iron ore resources and plants, were proposed to be sold to a third party. The Indian sub-group is the main asset of the group and is pivotal to the success of the global restructuring.

Our client expected support on two major aspects of the entire sale process of the Indian assets;

- Structuring of operational reporting performance of all the Indian entities
- Transaction support during the sale process

Solution

1. Supporting day-to-day operations during the restructuring

- Designing and maintenance of 13-week cash flow forecasts on a weekly basis and monthly working capital reports assessing the working capital situation of all Indian Entities.

Case Highlights

Our client approached us to support them as the domestic advisory team for providing support, expert advice and local knowledge to the Global Chief Restructuring Officer, his team in India and the group's senior management.

The assignment was highly complex- requiring adaptability to cultural challenges, a hostile environment resulting from contrasting needs of different groups of stakeholders.

Throughout the 4+ years duration of the engagement, the team had to adhere to tight deadlines imposed by lenders and interested buyers/investors.

- Designing and preparation of a dynamic operational business model for its only manufacturing entity (Revenue more than c.INR 11,000 mn) in the entire group, in line with global reporting norms and changing the operational requirements based on market condition.
- Developing a cash monitoring system in consultation with senior management of the Indian entities and preparing a board pack for reporting to lender nominee director.

- Preparing consolidated financials statement for India group on quarterly basis and reporting on the operational performance to global lenders.
- Maintaining and monitoring complex intercompany transactions and preparing monthly reconciliation statement for more than 10 accounts between all / among the Indian entities and offshore group entities (Transaction value ranging c. INR 7,000 mn)
- Ongoing accounting and MIS support for lenders' reporting purposes.

2. Transaction Support

a. Financial Analysis, Due Diligence & Negotiations

- Hand-holding the sale process in coordination with leading investment bankers and legal consultants - responding to bidders' queries, data room management and management meetings
 - Commercial inputs on term sheets and related loan documentation (total borrowings c. INR 7,600 mn)
 - Defending assumptions in long term business plans and cash forecasts from significant global lender push-backs, I-bankers and buyer
 - Assistance in preparation of information memorandum for the Indian group entities.
 - Preparation of waterfall analysis
 - Sensitivity analysis for cash flows of Indian trading and manufacturing subsidiaries (revenues c. INR 11,000 mn upwards)
 - Vendor Due Diligence of Indian trading subsidiary with revenues upwards of c. INR 5,000 mn
 - Assistance in deriving at the valuation for sale of all the Indian assets.
 - Assisting COO and group chairman on the meetings with the buyers
- ### b. Legal, Regulatory and Tax Support
- FEMA inputs on settlement mechanisms (invocation of guarantees, standby letters of credit, etc.) for offshore company backed loans
 - Tax advisory on the transaction structure on the need basis

- Support on the collating the documents for getting the RBI approvals for novation of the foreign intercompany trade advances and repatriation of funds outside India.
- Preparation of liquidation models for its trading concern in India and refinance workings on a need basis
- Providing timely inputs on various domestic tax, international tax, transfer pricing, company law and FEMA aspects
- Acting as interim CFO for its only manufacturing company in the group for co-representing the company along with group chairman against the buyers consultant for the purpose of due diligence (asset base of c. INR 20,000 mn)

Impact

- Devised and implemented cash controls to unlock funding of c.\$13.5 mn from global lenders
- Suggested tax efficient modes of inward/ outward repatriation to holding company under the waterfall analysis
- Identifying the opportunity of not disturbing the use of brought forward tax depreciation of c.INR 7,500 mn which was forming part of CP's to SPA
- Managing and collating information from various top level management officials from Indian entities and offshore companies
- Extended co-operation to group COO & Chairman, senior management official in India for four plus years, on all the sale opportunities and debt re-structuring proposals

For more information on this case study, please write to us at:

ThinkNext@nexdigm.com

You can also visit our website to know how our services resulted in tangible business benefits:

www.nexdigm.com