Case Study

A leading global electronics repair and service provider

Service(s) offered: **Project Management, Due Diligence**

Sector/Industry: **Information Technology**

Project Management support for winding-down India Operations

The Client

Headquartered in the US, the Group is a leading global electronics repair and service provider to many of the world's largest tech, med-tech, and telecom companies worldwide. The Group currently has 10+ units and 25+ partner networks across the globe.

The Indian Subsidiary (the Company) provided aftermarket lifecycle care services (repairs, maintenance, refurbishing, etc.) for electronic and telecommunication equipment, warehousing, and logistics of telecom and network equipment. The Company employed 1000+ direct and contracted employees with 25+ units in India.

Context

The Group was globally acquired by a major US based Private Equity firm including its India operations. As the major chunk of the business carried out in India was a non-core and non-profitable business, the Private Equity firm decided to wind-down the Indian operations. Nexdigm was approached to support in managing the wind-down of the Indian operations and enable a smooth downsizing of operations prior to regulatory liquidation while providing full visibility to the global team.

Case Highlights

- Comprehensive Project Management support across various functions for winding-down of operations
- Assisted people ramp-down from 1000+ employees (direct and contracted) to approximately 20 employees within nine months
- Assisted in forming a receivables recovery strategy to successfully realize over 80% receivables in excess of USD 1 million
- Created a periodic cash flow dashboard representing the actual cash position of the company
- Managed complicated sell-side Due Diligence support for a part of the business

Our Approach

The Nexdigm approach was based on the four pillars of project management - Time, Cost, Quality, and Risk. The objective of the assignment was to assess the existing situation and build a roadmap of critical activities for winding-down operations. A dedicated project team was deployed onsite during the initial phase of the project.

Owing to the time sensitivity of the proposed winding-down, the team skillfully managed the Project during COVID-19 lockdowns in India while adhering to the guidelines and also gained an understanding of the business, critical project-related information, and access to the client's ERP system during this period.

Project Management Support

Nexdigm provided support across several aspects of the business, from the diagnostic check of current operations to monitoring the execution of the winding-down before handing over the process to the client. The project was riddled with several challenges such as an adverse cash position resulting in operational sustainability issues, lack of operational transparency, ambiguity on reliance of information/data, unsettled/unresolved disputes, and the resignation of a key Director among others. Our team navigated through these challenges while striking a balance between ensuring operational support from the local team and global reporting. The critical support areas for this project have been captured below:

Liquidation Analysis

It was critical for the global team to understand the current position of the Indian operations with full transparency. Our team took over the initial analysis formed by the global team and developed a detailed analysis of the 'as is' business position of the Indian operations after thoroughly vetting every aspect of the Balance Sheet, which included interacting with internal stakeholders across multiple functions. This liquidation analysis re-assessment was conducted on a monthly basis covering two scenarios (Low and High Recovery) to help the global team understand the extent of exposure in pursuing the closure of Indian operations.

Cash Flow Position

Due to the unfavorable payment cycle and unresolved disputes with customers, the cash reserves of the Company were severely affected. Our team identified and prioritized settling major issues in the cash flow to ease the Company's cash position. A daily status check-in call with business leads was conducted to get an update on the Accounts Receivable (one of the most critical aspects to maintain a positive cash balance albeit the news of liquidation) and discuss strategy for priority recovery.

A customized cash flow dashboard was prepared to understand the actual cash position of India operations and the eventual position at the time of winding-down. The Nexdigm team worked in tandem with the client's finance team to report the cash flow position on a weekly basis. This report facilitated the Group's estimation of cash reserves and mobilization of resources for critical areas to ensure a robust cash flow position.

Reconciling Indian & Global Accounts

Due to the disjointed system of Indian and global operations, there was a legacy of unsettled business transactions between Group companies for years, leading to misalignment between the Indian and global books of accounts. Our team worked closely with the client's Indian and global team, as well as teams from Group companies, to identify variances, obtain the root cause of such gaps and bridge them, and align the final values between the Indian and global accounts. This exercise helped the Group reconcile the books and showcased all gaps for future references.

Employee Retrenchment Plan

The Company had business operations across 25+ locations in India and 1000+ people (direct and contracted). Our team worked closely with the HR Director and top management to validate the employee ramp-down plan. This involved calculating attrition costs, highlighting regulatory risks and implications, and educating the management for informed decision-making. A monthly report on assessed costs with the actual cost of attrition and the future cost of attrition was provided to the management. The nature of the task was highly confidential, requiring diligent handling of employees across various levels. Within nine months, the workforce of 1000+ was brought down to approximately 20 employees.

Vendor Support for Business Transfer

During the wind-down, the management evaluated monetizing a part of its business by hiving-off its business arrangement with customers to an interested buyer in a similar line of business. Our team worked closely with the Company to assimilate specific information of the business segments in consideration, substantiating the value of the carved-out businesses while ensuring minimal disclosure of company-level information.

Data availability limitations were bridged through meaningful presentation of the segments' performance, assets, and key contracts. Our team aimed to maximize deal success probability by leading the entire Due Diligence discussions with interested buyers and their consultants while addressing concerns within a strict timeframe.

FEMA Compliances

The Company had entered into several transactions with its Foreign Group Entities on import/export of goods and services, resulting in outstanding Forex receivables/payables. Our team examined sample Forex invoices and the nature of the different types of transactions and provided a detailed memo on Exchange Control Regulations stating the write-off and set-off of inter-company receivables/payables which would require prior approval of the Reserve Bank of India (RBI). A comprehensive analysis was conducted at a later stage on Forex transactions, aging of payables and receivables, and the availability of supporting invoices to assess which transactions would require RBI approval. This analysis helped the Group companies settle open positions with India operations based on the respective Exchange Control Regulations.

Registrations Surrender Management

The Company had 60+ registrations (business, construction, payroll, and other registrations) for conducting business operations in India. It was critical to align the surrender of these registrations in tandem with the ramp-down plan. Our team prepared and controlled a customized spreadsheet model to keep a track of the registrations to be surrendered. This required monitoring, engaging with several stakeholders across the sites, reporting the status to the company's management, and highlighting any red flags or issues that would jeopardize the ramp-down plan. Periodic follow-ups were conducted with relevant stakeholders to keep track of the estimated surrender timeline. During the support period, no surrender-related hurdles hampered the ramp-down. 17 critical registrations were surrendered, and 12 surrender applications were completed at the time of handover.

Other Project Management functions

- Financial Clean-up: Our team engaged with the client's finance team to reconcile the ERP systems and write-off the old outstanding balances post obtaining a sign-off from the global management team. It was a critical activity to align the local books with global books and clear the books from long-standing dues, which aided the client in handling the audit of financial statements in the subsequent year.
- Compliance Calendar: The team reported tax and HR compliances on a monthly basis, which involved verification of filings and acknowledgments, and showcased areas of concern to the management with appropriate suggestions for rectification.
- On-going Tax Assessments: Open tax assessments were reviewed to provide a high-level exposure report to the management for visibility of the impact on the Company's overall tax position.

Impact

The Nexdigm team provided a transparent, unbiased, and thorough view of the business position to the management team, which helped them understand the risks, exposure, current business positions, etc. to prepare a comprehensive action plan and supported in executing the same to aid the winding-down process.

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

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

www.nexdigm.com