

## Case Study

# A captive software development company

Service(s) offered: **Winding down of operations**

Sector/Industry: **IT/ITeS**



## Winding down of the operations of a Company

### The Client

Headquartered in Singapore and owned by one of the largest global E-Commerce Companies, ABC Group is engaged in E-Commerce business in Singapore along with six other countries.

Its Indian Subsidiary (ABC Private Limited or the Company) was incorporated in Bangalore in 2014 to provide software development services to its holding Company in Singapore. The Company also employed more than 200 employees on a permanent and contractual basis.

### Context

The Group invested a significant amount of share capital in the Company along with the investments in fixed assets and other operative assets. Based on a strategic decision at the global level, it was decided to wind down the operations and subsequently, liquidate the Indian Subsidiary by way of voluntary liquidation. The decision to exit from India entailed activities like realization of the assets, separation of employees and discharging liabilities in India, terminating contracts/agreements. After the announcement of the closure decision by the local management in India, the finance team was the first to exit from the Company (considering an absence of growth perspective and uncertainties of employment), even before the business operations were discontinued and winding down was initiated. The Company had employed various consultants for different functions.

### Case Highlights

- Completed the handover activities within the given time frame amid the challenging on COVID-19 lockdowns.
- Helped the HO team to put together areas that needed to be closed before the liquidation of the Indian entity, anticipated bottlenecks, and prepared a road map and strategy for addressing critical aspects.
- Assisted the HO team in implementation of the wind-down action plan, including but not limited to disposal of assets, accounts & finance & compliance function, employee separation, vendors management, open GST and income tax issues, the realization of their assets.
- Project manages the entire affairs of the Indian Company until the initiation of liquidation

The absence of a finance team created a vacuum and there was a need for a team that could hold other teams and consultants together to ensure the proper closure of the legal entity.

Nexdigm was approached to take over the finance functions for the period when the Company was operational and assist the Company with the winding down of the operations.

## Approach

Considering the nature of the project and activities involved, this project was divided into three phases, (i) handover of the finance work (basic requirements from the client) and educate the handover (HO) team on other areas which are critical for closure of operation (pre-empted by Nexdigm basis its experience), (ii) prepared a road map for the entire project after fact-finding and presenting to HO team and (iii) implementation of winding down road map post discontinuance of the operations of the Company.

A dedicated team was and led the project involving multiple stakeholders coupled with practical challenges due to the pandemic.

## Time bound process

As the finance team was already on notice, the handover was to be done within a limited time-frame. Furthermore, post the first on-site kick-off meeting with the client, nationwide lockdown was announced, and all the handover activities were to be done remotely. The team ensured adherence to the timelines by closely coordinating with various stakeholders while working remotely.

## Handover

Nexdigm took the challenging leap of handling the handover of the finance team's tasks and activities, remotely. Also, since the Company was closing down, it was crucial to understand the historical issues, their status, availability of the documents and their handover etc.

For the handover, Nexdigm worked closely with the local teams and management. Any missing documents and other issues were timely highlighted to the HO, including Income tax and GST litigation, assessments, and refunds, employee separation, the vacation of office and disposal of assets, etc.

Nexdigm also reached out to other service providers, consultants, bankers, for a smooth transition in light of the outgoing finance team.

## I. Finance Manager Function

Nexdigm assumed the role of a finance and compliance function for the Company till the wind-down was complete. As a finance function, we worked with the local HR team, payroll vendor for the salary processing, its payments, reimbursement of expenses and statutory payments. During the last operational months, we settled all the employee advances, claims, travel claims along with the F&F payments (as completed on employees' last day).

The HO required a very detailed monthly MIS with a very stringent timeline that Nexdigm was able to provide every single month.

We came across historical issues in relation to the pending GST refund applications due to lack of the key documents from the Authorized Dealer (AD) bank. Nexdigm took necessary actions to retrieve these documents and filed the GST refund applications.

Apart from the routine finance support, Nexdigm also advised the Company on the repatriation of the excess fund, tax implications, and estimation of the required funds in India before the initiation of the voluntary liquidation.

Furthermore, Nexdigm successfully traced the missing FEMA documents that were required for the repatriation of the surplus funds in the Company.

## II. Winding down of the operations

The activity of the winding down of the operations had to be done in parallel to the financial support, as many of the winding down tasks were to be completed before the employees left. A detailed checklist for different areas was circulated among the employees to gather the required information and documents.

## Closure/resolution of open items

Nexdigm's team opted for a proactive approach, reviewed the old information/documents, analyzed the issues and advised the client for the resolution of the same. Closing all open issues which were unresolved for past 1 to 2 years.

### Fixed Asset Register (FAR) verification

Though the Company had a detailed FAR, the physical asset verification was pending, which Nexdigm undertook and, reconciled the same with FAR, along with identifying, and reporting the differences. This exercise helped the HO team in disposal of the assets.

Nexdigm also advised on GST implications on the sale of assets, invoicing, and all other support required for the disposal of the assets.

### Closure of open contracts

After review of all contracts of the Company, Nexdigm interacted with all the vendors to terminate contracts, sending due notices as per the terms of the contracts to all the vendors and settled their accounts.

### Vacating the office premises

Nexdigm managed the activity of vacating the premises, which included indexing and shifting of the accounting and physical record, ensuring disposal of fixed assets, terminating all the connection taken, shifting of registered address and address on registrations, etc.



Nexdigm team has been very responsive to all our requests and their work has always meet our expectations although we started the project in a rush and then the pandemic hits. Nexdigm Team's proactive approach helped us to anticipate the bottlenecks and initiate the actions in advance. We wind down our operations ahead of time and initiated liquidation on very few open items.

Nexdigm's ability to provide requisite support under one roof helped us in efficient and effective decision making.

Nexdigm is a solution provider in the true sense. We are very glad to work with them.



### **Finance Controller for Asia Region**

### Impact

Nexdigm ensured that the wind-down of business operations and other related activities of the Company were completed smoothly, in a timely manner. All the critical issues were discussed with the HO and appropriate recommendations/suggestions were also provided to ensure correct decision making.

Nexdigm's comprehensive approach ensured complete coordination, timely updates to stakeholders, and safeguarding the interest of the Company in the absence of the local management team. Nexdigm was the single point of contact for the HO for all their, finance, and administration requirements.

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](http://www.nexdigm.com)**