CORPORATE RESTRUCTURING

SUMMARY
2ND AUGUST, 2021

How one can harness opportunities during difficult times is how one could round up the webinar conducted by Himanshu Srivastava, Partner, Business Advisory Services, ASA & Associates LLP on the topic of Restructuring.

Due to the pandemic, corporates especially those in cross border jurisdictions, facing never experienced challenges. It is an unprecedented crises and unprecedented opportunity restructure businesses. Disruption in supply chains, workforce, business plans, due to the pandemic, inability to travel and meet, health hazards has changed the overall strategic theme. The management of corporates are loaded with responsibility to take right decisions to navigate through the changed business ecosystem.

The emerging scenarios may lead to fundamental change in business model, core areas, change in product and production plans. Operational management and transacting business while working from home, is posing a big challenge. The situation is much severe where the teams and actual facilities are situated in different parts of the country or spread across several countries. The pandemic has introduced a concept of a 'need-to-operate' model which takes care of operations based on customers' demand and logistics. However, as much as this is a crisis, there is also an opportunity, to focus on realigning corporate priorities, to restructure organizational goals.

Key considerations for corporate restructuring involve financial impact, strategic impact (in terms of branding, goodwill etc) and costs measured in terms of reduction in operating costs. The choice of methods of corporate restructuring, depends on the management assessment of the goals and analysis of needs. Restructuring starts with defining the goals in measurable terms and then evaluating the options, fine tuning based on unique situations. Efficient utilization of capital is pre-requisite for shareholders' wealth maximization. Specific measures such as reduction of capital, buyback, bonus and rights issue can be evaluated to achieve mission objectives. Merger, Demerger, insolvency, amalgamation, takeover can totally change the organizational character.

The operational challenges, dealt through contract manufacturing and harnessing technology and technical assistance takes priority over expansion through owned manufacturing facilities. Many companies have reopened factories but with limited manpower availability and lower levels of production driven by the current COVID19-related restrictions in place. The merger and acquisitions or joint venture are now more realistic in India.

It could be a good time to acquire stressed assets and stressed corporates. Restructuring by way of voluntary liquidation can be useful in specific scenarios. The processes under the insolvency and bankruptcy code namely corporate insolvency resolution process and pre-packaged insolvency resolution processes are being increasingly discussed to achieve effective synergies.

The restructuring exercise encompasses impact analysis, procedural due diligence, data protection, dispute resolutions, secretarial processes, corporate laws and cross border regulations, underlined by financial transparency. With foreign companies involved, transactions should be evaluated in terms of foreign exchange laws, income tax laws and corporate laws.

The session was wrapped up with the professional aspects of restructuring exercise and how to lead the process and transitory phase. Some corporates would survive the chaos and some would thrive and emerge stronger out of the chaos, the restructuring would be the key differentiator.