

## **AnitaStar – A tale of hope and despair**

As she stood in front of the tall building that read her name, ‘AnitaStar Pistons Private Limited’, a trademark synonymous with perfection in the automobile parts manufacturing business, Anita’s eyes welled up, her mouth quivered, and her heart felt that poignant pain of loss. It was her first day as an employee at the company that was her late father’s child, born out of a dream to make it big in the world of business. Anita reminisced the story of how the company had got its name, a tale that never got old regardless of the number of times it had been told over the past twenty-two years. Anita’s father, Mr. Mukesh Tripathi, a kind man with a humble background and a spine of steel had got his first big order around the time his daughter was born.

*“Our princess is our lucky charm!”*, he exclaimed to his wife, Mrs. Naina Tripathi. *“We shall name her Anita, and our company will henceforth be called AnitaStar!”*

Mr. Tripathi watered and nourished his company with love, sweat and hard work. Anita would spend her days at the factory post school, walking around hand-in-hand with her father as he educated her on the intricacies of the business, the art of managing the workforce and the importance of resilience. Her father had been preparing her to take over AnitaStar since she was a little girl.

As she walked through the revolving doors of AnitaStar, determined to prove her mettle at her new job, Anita could not help but think of that late winter of 2020 when her father was battling for his life in the ICU. Covid-19 had infected her and her entire family and after much effort, beds were arranged for her parents at the nearby hospital. Anita and her mother recovered but as fate would have it, Anita lost her father to the disease. The pandemic had become the unseen

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enemy which had changed the trajectory of Anita's life forever, leaving her grappling with loss and grief.

When the pandemic hit, the world economy was greatly affected. Businesses struggled to stay afloat. At a time when countries were under a lockdown and meeting the basic needs became a challenge, buying cars was a luxury that no one needed. As a ripple effect, the automobile sector took a hard hit and AnitaStar, a Micro, Small and Medium Enterprise (MSME) suffered huge losses.

*“I cannot let my staff suffer. They have been loyal to our company for years”*, said Mr. Tripathi to his wife as he got off the phone with the accounts manager, asking him to pay all the employees half their salary from the company corpus, despite the fact that the operations of the factory were shut, and the company was suffering losses. *“It is only a matter of some time, everything will be alright”*, he added rhetorically, in an attempt to calm his own nerves in the garb of assuaging his wife's fears. Anita remembered her seventeen-year-old self, listening in on her parents' conversation from the kitchen, trusting that her father could fix anything in the world.

However, as days turned into endless months, Anita started sensing the stress in her father's demeanour. His shoulders drooped and worry lines made home on his forehead. Shutting shop was not an option for Mr. Tripathi.

*“I had to lay off half my staff, the company cannot sustain at the rate it is facing losses”*, said Mr. Tripathi to his wife, as Anita sat on the couch beside him, preparing for her online classes. Mr. Tripathi was not one to hide hard truths from his daughter. Anita recalled what he said to

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her on that Tuesday morning, a normal school day with online classes — *“Since you are to run our company in the future, you should know that having a business has its unexpected roadblocks. We can either give up and lament the loss or persevere in the face of hardship.”*

*“I will not give up till I have music left in me”*, is what her father had told Anita and her mother.

Mr. Tripathi stayed true to his words till his last breath. He exhausted all of his savings to keep the company running, hoping that the tough times will pass. But on that late winter of 2020, not only did Anita lose her father to Covid-19, but his brainchild AnitaStar also fell to ruins — her entire world came crumbling down.

After her father’s death, Anita’s mother went into depression. The family barely had enough to make ends meet at home, let alone keep AnitaStar running. The managers at the company, individuals who Mr. Tripathi trusted with his life, tried to salvage the situation, however, to no avail. More than a year and a half had passed since the inception of the pandemic and eventually debts started piling up and salaries remained unpaid.

Anita was studying to become an engineer to fulfil her father’s dream. She had just returned from college when the doorbell rang. It was Mr. Mahesh Singh, the operations head of AnitaStar, who was visiting to speak with Anita’s mother about the state of affairs of the company. In her state of emotional decline, Anita’s mother had lost touch with what was happening to her husband’s company. It was only when Mr. Mahesh told her the dreadful news that she was jerked back into reality. The creditors of AnitaStar had initiated insolvency proceedings against the company, a process of which Mrs. Tripathi knew nothing about. The creditors were now to take control of AnitaStar, and the management was in the hands of

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someone called an interim resolution professional or resolution professional. Everything seemed to spiral around her so quickly that she could not quite wrap her head around it.

After detailed discussions with Mr. Mahesh, and regaining her composure, Anita's mother rang up their family lawyer, Mr. Arjun Verma, who had been providing them assistance since her husband had passed away. She understood the concept of corporate insolvency resolution process from him and her heart ached at the thought of her husband's hard work going into the hands of another.

That night, Mrs. Tripathi sat her daughter down and explained to her what was happening to her beloved father's AnitaStar. She opened the diary in which she had been taking notes while speaking to Mr. Arjun. *“My child, there is a law called the Insolvency and Bankruptcy Code, 2016 (IBC) which deals with the concept of corporate insolvency resolution process, among other things, for companies facing financial stress. Mr. Arjun mentioned that this law relates to the reorganisation and insolvency resolution of corporate persons, like our company, in a time bound manner, for the value maximisation of assets. Now the management of AnitaStar has been taken over by a court appointed officer called a resolution professional who will look into the affairs of our company, manage its operations, and conduct its resolution process. Additionally, there is a committee of creditors (CoC) comprising people who will be in control of our company henceforth till the ownership changes hands.”*

Amidst the hustle bustle of the office, Anita recalled asking her mother, *“But losing AnitaStar is like losing father, Ma! Is there nothing we can do to keep the company in the family?”*

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Mrs. Tripathi elucidated, to the best of her understanding, what their family lawyer had told her. *“So, I have understood this — in the next hundred and eighty days this resolution professional will work towards running our company as a going concern. To break it down for you, they will try to revive our company without letting it shut down. You see, as per Mr. Arjun the aim of this whole process is to promote entrepreneurship and balance the interests of all the stakeholders like our employees whose houses run because they have a job at our company.”*

*“Dad always looked after the interests of his employees, didn't he? He treated them like family”,* said Anita, intervening her mother. *“He supported his staff while his own coffers ran dry. If they can keep their jobs at the cost of us losing control of AnitaStar's management, maybe something good will come out of the situation after all.”*

Anita remembers seeing the glimmer of a tear at the corner of her mother's eyes. With a hint of pride in her smile, she caressed her daughter's hair. *“You are talking just like your father, dear. He would have been proud of you”,* said her mother. Pushing back the urge to cry, she continued to state what Mr. Arjun had explained — *“the next step is that there are going to be prospective resolution applicants or PRAs who may submit their respective plans for paying off the debts of the company and taking control of the same. People will essentially bid to become the new owners of our AnitaStar.”*

*“Can we not submit a plan to take over our own company?”*, is what Anita had asked her mother, hoping that her mother would figure out a way to do it.

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*“I asked Mr. Arjun the same question, my child. Normally, since we are the promoter family, we would be barred by law to submit a resolution plan. However, our situation here is a special one because AnitaStar is registered as an MSME and the promoters of MSMEs are eligible to submit resolution plans. Let me speak to an insolvency expert and see what we can do about it”,* said Anita’s mother, determined to not let go of her husband’s hard work without a fight.

And thus started the arduous process of talking to experts to come up with a plan to get the company back. Mrs. Tripathi, who had rarely looked into the affairs of the company, along with Anita, would attend every meeting of the CoC, sit with lawyers to chalk out a proposal for repayment, and talk to banks for taking loans. Anita had always looked up to her father for his calmness and determination but seeing her mother run from pillar to post to keep her husband’s legacy alive, she had a newfound respect for her mother’s tenacity.

In the months that followed, Mrs. Tripathi lapsed in paying instalments for the personal loan taken by her husband and, resultantly, their house was also taken over by the banks. Mrs. Tripathi, along with Anita, moved in with her parents, who stood by her as she chartered unknown waters. Anita learned more about the world of business in those few months than she had in her life thus far.

It became evident that Mrs. Tripathi, without proper financial backing, did not have sufficient net worth to meet the eligibility criteria as laid down in Form-G, inviting expressions of interest from PRAs. Therefore, she decided to look into the possibility of forming a consortium with her husband’s business acquaintances. After extensive discussions, a consortium, comprising Mrs. Tripathi and two other members, was formed, the eligibility criterion of minimum net worth was met, and the consortium became part of the final list of PRAs. Subsequently, the

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resolution professional issued a request for resolution plans to the PRAs forming part of the final list, who then had a month's time to submit their resolution plans.

Mrs. Tripathi gave a sigh of relief. However, the relief was only momentary. There was no time to rest now, as the deadline to submit the best possible resolution plan was not very far.

After conducting due diligence and sitting through multiple rounds of discussions, the consortium submitted a resolution plan on the last day of the deadline. Out of all the resolution plans that were submitted, the plan submitted by the consortium was the highest (H1) proposal received by the resolution professional.

Thereafter, the CoC was presented with all the resolutions plans in a meeting in accordance with section 25(2)(i) of the IBC. After perusing through all the proposals that were presented, the CoC decided to have the challenge mechanism, by way of closed bidding, with an objective of value maximisation. During the challenge mechanism all the resolution applicants, including the consortium comprising Mrs. Tripathi, improved their proposals and submitted the final revised resolution plans to the resolution professional in a closed envelope, along with password-protected soft copies.

Upon receipt of the final revised resolution plans, the proposals were opened before the CoC in the presence of the respective resolution applicants, wherein it was observed that all the resolution applicants had substantially improved their offers. It was, however, found that the revised offer submitted by Mrs. Tripathi's consortium stood as the third highest (H3) proposal instead of the earlier H1 proposal.

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Anita remembers how the days that followed were filled with anticipation and hope. Both mother and daughter could hardly eat and sleep and constantly prayed for the approval of the resolution plan submitted by the consortium.

Once all the resolution plans were scrutinised by the resolution professional, all the compliant plans, including the plan submitted by the consortium, were presented before the CoC as per section 30(3) of the IBC. The CoC, after conducting its due diligence and extensively discussing each plan, unanimously voted for the H1 resolution applicant of the revised resolution plans. Thereafter, an application for approval of the CoC approved resolution plan was submitted by the resolution professional before the National Company Law Tribunal.

*“We lost! We lost after everything!”*, said Mrs. Tripathi while bawling her eyes out. In that moment Anita had felt helpless. Her father’s AnitaStar was no longer theirs! The pain she felt in her heart made her numb, incapable of even shedding a tear. *“I’m sorry, Papa. I could not help in saving your dream”*, thought Anita to herself. *“I promise to take care of Ma”*, she added.

In the years that followed, Anita studied hard and finished her degree in mechanical engineering at the top of her class. She cracked interviews at some of the best firms in the country, but her heart was set on joining the company that was once her father’s pride. The day she got an offer from AnitaStar Pistons Private Limited, Anita called up her mother with teary eyes and said, *“We did it, Ma. It was not an easy journey, but we finally did it! I will make dad proud.”*

Now, as she finished her induction and walked to her designated seat, Anita found bouquets on her desk, a token of love for her and respect for her late father from the employees who retained their jobs when the company underwent restructuring. She was greeted with friendly faces and



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talking to them made her realise that even though the ownership of the company had changed hands, its values were still the same.

Anita thought to herself, *“I may not be running this company in the role that you always wanted me to, but I will make you proud by implementing all that you taught me in these corridors, Papa. This place still has your spirit. You will be by my side at every step of my journey.”*