

MODEL EVALUATION MATRIX

Legal Background

Pursuant to Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2018, effective from 6th February, 2018 the concept of evaluation matrix and fair value was introduced.

As per the amendment, the Resolution Professional shall issue an invitation, including the evaluation matrix, to the prospective resolution applicants. He may modify the invitation as well as the evaluation matrix. However, the prospective resolution applicant shall get at least 30 days from the issue of invitation or modification thereof, whichever is later, to submit resolution plans. Similarly, he will get at least 15 days from the issue of evaluation matrix or modification thereof, whichever is later, to submit resolution plans. An abridged invitation shall be available on the web site, if any, of the corporate debtor, and on the web site, if any, designated by the IBBI for the purpose.

Definitions

Regulation 2 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2018 defines the following terms as follows:

- **"Evaluation Matrix"** means such parameters to be applied and the manner of applying such parameters, as approved by the committee, for consideration of resolution plans for its approval. [**Clause (ha)**]
- **"Fair Value"** means the estimated realizable value of the assets of the corporate debtor, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller at an arm's length transaction, after proper marketing and where the parties had acted knowledgeably, prudently and without compulsion. [**Clause (hb)**].
- **"Liquidation Value"** means the estimated realizable value of the assets of the corporate debtor, if the corporate debtor were to be liquidated on the insolvency commencement date. [**Clause (k)**].



Model Evaluation Matrix

An Evaluation Matrix lays down various criterias for the purpose of analyzing and verifying a resolution plan, as to whether it is good to be considered for approval by the Committee of Creditors ('CoC'). Such matrix should also contain the manner of application of the defined parameters. A specimen evaluation matrix is as given below:

NOTICE

To Whomsoever It May Concern

Name of Corporate Debtor

Under Corporate Insolvency Resolution Process (NCLT Bench)

Petition Number

Evaluation Matrix for Resolution Applicants

[Brief background of the Corporate Debtor and intimation with regard to initiation of corporate insolvency resolution process of Corporate Debtor.]

Resolution Professional in consonance with the Committee of Creditors (CoC) has invited the application of prospective Resolution Applicant vide requisite Form G (Under sub-regulation (5) of Regulation 36A of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2018).

Form G was uploaded on the website of the Company [*website of the company and date of uploading Form G on website of the Company*] and the same was also published in the following newspapers dated _____:

- 1. Name of newspaper*
- 2. Name of newspaper*

The instant Evaluation Matrix is in connection with the said invitation of proposed Resolution Applicant in Form-G and for their necessary evaluation and comparison.



The prospective Resolution Applicants are requested to contact the Resolution Professional at [E-Mail] for obtaining the copy of Non-Disclosure Agreement (NDA). Information Memorandum and other documents shall be shared with the prospective Resolution Applicants once the signed NDA is in place.

This Evaluation Criteria is applicable for all prospective Resolution Applicants who have submitted non-binding investment offers and other prospective Resolution Applicants, who fulfil the Eligibility Criteria.

[Registration Number, Name, Address and E-Mail of Resolution Professional]



MODEL EVALUATION MATRIX

S. No	Parameter(s)	Weightage	Score Range/Matrix	Maximum Score	Calculation of Parameter
(A)	QUALITATIVE PARAMETERS				
1	Experience of resolution applicant in the sector in which Corporate Debtor is operating.	80%	0-10	8	Score will be awarded on the basis of performance of resolution applicant in the immediate past 5 financial years on the basis of operating experience, financial metrics, market metrics and customer metrics.
2	Acquisitions made by Resolution Applicant in the immediate past 5 financial years.	50%	0-10	5	Score will be awarded on the basis of success of resolution applicant in making acquisitions, in taking merger & acquisitions, acquiring and turning of distressed assets etc. In case of multiple acquisitions, the best case is to be considered for scoring. Past success to be judged on the basis of EBITDA improvement (both absolute and % EBITDA margin) of



					acquired company post acquisition.
3	<p>Financial strength of resolution applicant/group (group net worth, revenue, EBIDTA)</p> <p>For Strategic Investors</p> <ul style="list-style-type: none"> • Debt to EBITDA Ratio • Sales Turnover <p>For Financial Investors</p> <ul style="list-style-type: none"> • Fund Size (from which Investment is proposed) • Assets under the management of resolution applicant <p>For Special Purpose Vehicle (SPV)</p> <ul style="list-style-type: none"> • Financial strength of Group or Holding Company which has management control of SPV is to be considered. <p>For consortium senior partners to be considered.</p>	70%	0-10	7	<p>For Strategic Investors</p> <p>Debt to EDITDA Ratio Ratio of Net Debt to EBITDA, as per audited financial statements of immediately preceding financial year.</p> <p>Sales Turnover Total Sales Turnover, as per audited financial statements of immediately preceding financial year.</p> <hr/> <p>For Financial Investors</p> <p>Fund Size Total investment proposed (including upfront cash and capital infusion) / Fund size (from which investment is proposed, as per the last audited financial statements).</p> <p>Asset under Management - As per the last audited financial statement.</p>



					Measured as a % of maximum value amongst resolution applicants.
4	Reasonableness of financial projections and likelihood of honouring proposed commitments covering future business plan, capacity enhancement, forward/backward integration, modernization/upgradation and ability of resolution applicant to keep corporate debtor as a going concern.	30%	0-10	3	<p>Confidence level on plan & projections, based on, but not limited to:</p> <p>a) Assets Operations: Asset's best achievable operational metrics, subject to asset's current condition and constraints, and planned improvements in asset (deviations in plan above the predicted best achievable operational metrics should be explicitly justified)</p> <p>b) Expansion: Plan of expansion of the asset, including capex deployment plan, timeline, and approvals (estimates referenced against industry best standards).</p> <p>c) Market Share: Market share projected for each product line as against the current share (significant increase in market share</p>



					to be explicitly justified). d) Synergies with resolution applicant (e.g. use of captive mine, sales to existing customer base, etc.). e) Financing plan (e.g. environmental compliance, investment capex, etc.)
5	Risk Assessment and Mitigation Plans Risk may include sanctity of raw material sourcing contracts, compliances of corporate debtor, action plan for existing employees / union, plan to protect interests of other stakeholders viz. Statutory authorities, operational creditors etc.	30%	0-10	3	Confidence level on plan All risks mentioned by resolution applicants to be aggregated to form a complete list Feasibility of mitigation plan to be considered across each risk.
6	Availability of additional collateral security and personal/corporate guarantee and value thereof	40%	0-10	4	Additional collateral security, corporate guarantee or personal guarantee of resolution applicant, will indicate the financial credibility of resolution applicant which in turn will ensure ease to the lenders of corporate debtor.



7	<p>External Credit Rating of the Resolution Applicant India: CARE, ICRA, CRISIL, Fitch/India Ratings International: S&P, Moody's, Fitch If resolution applicant is an SPV, then group / holding company which has management control of SPV to be considered.</p>	30%	0-10	3	<p>If multiple ratings are to be submitted, then highest rating is considered. If international rating submitted, then credit rating adjusted higher or lower as per difference in sovereign credit rating of country and India to be considered. The credit rating report should have been issued within the last 2 preceding financial years from the date of submission of the resolution plan for the external credit rating to be valid for evaluation purposes.</p> <p>(Refer Annexure 1)</p>
8	<p>Regulatory Compliances of Resolution Applicant If resolution applicant is an SPV, then group / holding company which has management control of SPV to be considered.</p>	20%	0-10	2	<p>Status of compliances of Resolution Applicant on the basis of audited financial statement of resolution applicant of the preceding financial year and on the basis of data available in public domain like MCA Portal, SEBI Portal, RBI Portal etc.</p>



9	<p>Track record of debt repayment of Resolution Applicant</p> <p>India: CIBIL, CRILIC International: Transunion</p> <p>If resolution applicant is an SPV, then group / holding company which has management control of SPV to be considered.</p>	20%	0-10	2	<p>To ascertain the credit worthiness of Resolution Applicant it is important to study their debt repayment capacity and defaults in repayment (if any) made by them.</p> <p>(Refer Annexure 2)</p>
10	<p>Technological Advancement (if any) introduced by Resolution Applicant</p>	20%	0-10	2	<p>Score will be based on if resolution applicant will be bringing any technological advancement to carry out operations of corporate debtor or replacing obsolete technology framework of corporate debtor or introducing innovative yet cost effective technology to ensure smooth working of corporate debtor's operations/business.</p>
11	<p>Future Prospects</p>	10%	0-10	1	<p>A review of financial statements and industry trends helps in analyzing the future prospects of a company. A SWOT analysis is</p>



						a commonly used tool for evaluating businesses. When the CoC votes to approve a resolution plan, it must not only consider the monetary value of the fund infusion offered by a resolution applicant, but also keep in mind a multitude of other factors to decide as to which resolution plan is best for the "future prospects" of the enterprise in question. This approach best serves the creation of a "rescue culture" in the legal system.
	Total score of qualitative parameters	100%			100	
	Total weight of qualitative parameters (A)	40%			40	
(B)	QUANTITATIVE PARAMETERS					
1	Upfront cash recovery as per Resolution Plan a) Resolution plan involving upfront cash should be backed by Letter of	150%	>=35% of the Resolution Debt Amount	10	15	Measured as percentage of the total claims admitted by IRP/RP (as the case may be).



<p>Commitment from a bank/cheque.</p> <p>b) At the time of acceptance of the Letter of Intent, the resolution applicant is to provide the higher of either the performance guarantee or Letter of Commitment / cheque for the upfront cash.</p> <p>c) Upfront cash will be encashed at the time of signing a definitive agreement with the lenders.</p> <p>d) If upfront cash infusion is by way of equity, the source should be laid out in the plan.</p> <ul style="list-style-type: none"> • <i>Preference to be given to the resolution applicant who is willing to fund employees pay and pay outstanding and applicable statutory dues of the corporate debtor.</i> 		>=30% < 35% of the Resolution Debt Amount	8		
		>=20% < 30% of the Resolution Debt Amount	6		
		>=10% < 20% of the Resolution Debt Amount	4		
		>=5% < 10% of the Resolution Debt Amount	2		
		< 5% of the Resolution Debt Amount	1		



			No cash recovery	0		
2	<p>Net Present Value (NPV) of continuing portion of debt inclusive (both interest and principal). Cash Flows to include upfront cash payment.</p> <p>Tiered Discount Rate to be used:</p> <ul style="list-style-type: none"> • <= 5 years: 8% • >5, <=10 years: 10% • >10, <=15 years : 15% • >15 years :30% 	70%	>=70% of the Resolution Debt Amount >=65% < 70% of the Resolution Debt Amount >=60% < 65% of the Resolution Debt Amount >=50% < 60% of the Resolution Debt Amount >=40% < 50% of the Resolution Debt Amount >=30% < 40% of the Resolution Debt Amount >=20% < 30% of the Resolution Debt Amount	10 9 8 6 4 3 2	7	Measured as percentage of the total claims admitted by IRP/RP (as the case may be).



3	Discounted Value of Cash Flows from lender's equity and equity-like instruments	70%	Amount		7	Measured as a percentage of maximum value amongst all resolution plans. Cash flow from equity is assumed to be all in FY21 (which is then discounted). Cash flow from equity is calculated as per the following formula: % equity stake proposed for lenders * [(Projected FY21 EBITDA as per resolution plan * Multiple) - Outstanding debt in FY21 - Minority interest (if any) + Cash & cash equivalents] Proposed multiple is: EV/EBITDA = 7
			100% (maximum amongst all resolution)	10		
			90%	9		
			80%	8		
			70%	7		
			60%	6		
			50%	5		
			40%	4		
			30%	3		
			20%	2		
			10%	1		
0% (no equity or like instruments given to lenders)	0					
4	Term of resolution plan (number of years after approval of resolution plan by NCLT)	50%	0-10	5	Resolution Applicant offering minimum number of years after approval of resolution plan by Adjudicating Authority will get highest	



						score and for other bidders the score will reduce by 20% against every year difference with highest bidder.							
5	<p>Fresh Equity Infusion for improving operations, only if the lenders are continuing.</p> <p>Measured as % of the total financial creditor claims admitted by RP. In case not applicable to a resolution plan, the overall scores to be normalized without the parameter.</p>	50%	<table border="1"> <tr> <td>>30% of the Resolution Debt Amount</td> <td>10</td> </tr> <tr> <td>>=20% < 30% of the Resolution Debt Amount</td> <td>8</td> </tr> <tr> <td>>=10% < 15% of the Resolution Debt Amount</td> <td>6</td> </tr> <tr> <td>>=5% < 10% of the Resolution Debt Amount</td> <td>4</td> </tr> </table>	>30% of the Resolution Debt Amount	10	>=20% < 30% of the Resolution Debt Amount	8	>=10% < 15% of the Resolution Debt Amount	6	>=5% < 10% of the Resolution Debt Amount	4	5	<p>Assessment shall be made on the basis of actual cash proposed to be infused by the Resolution Applicant along with the disclosure of source of funding in the Corporate Debtor in the form of Equity or Quasi-Equity within first 6 months from the date of signing of the Definitive Agreements plus discounted cash flows for infusion beyond 6 months, but up to 3 years, at a discount rate of 8% p.a. If the infusion is beyond 3 years, it will not be considered for scoring purposes.</p> <p>"Equity" shall mean investment by way of shares.</p> <p>"Quasi Equity" shall mean</p>
>30% of the Resolution Debt Amount	10												
>=20% < 30% of the Resolution Debt Amount	8												
>=10% < 15% of the Resolution Debt Amount	6												
>=5% < 10% of the Resolution Debt Amount	4												



			>=1% < 5% of the Resolutio n Debt Amount	2		fund infusion other than by way of shares subject to following criterias: a) Sub-ordinate to the secured loans. b) Non-interest bearing. c) No redemption without the consent of secured financial creditors.
			No Infusion	0		
6	Fresh Equity Infusion for financial creditors.	50%	>=10% of the Resolutio n Debt Amount	10	5	This shall be computed based upon the amount of equity infused and factoring to the extent of shareholding proposed to be offered to financial creditors.
			>=8% < 10% of the Resolutio n Debt Amount	8		
			>=6% < 8% of the Resolutio n Debt Amount	6		
			>=4% < 6% of the Resolutio n Debt Amount	4		
			>=1% < 4% of the Resolutio	2		



			n Debt Amount			
			No Infusion	0		
7	Arrangements with regard to sale or transfer of all or part of assets of the corporate debtor.	40%	0-10		4	Assessment shall be based on arrangements made by Resolution Applicant to sell unencumbered assets of the corporate debtor other than in the ordinary course of the business if such sale is yielding better realisation of value under the facts and circumstances of the case.
8	Corporate Restructuring of corporate debtor by way of Merger or Acquisition of corporate debtor with one or other person.	40%	0-10		4	Assessment shall be based on restructuring plan (if any) for corporate debtor proposed by Resolution Applicant by way of merger or amalgamation/demerger/debt restructuring etc.
9	Arrangement with the creditors of corporate debtor	40%	0-10		4	Arrangement with creditors with regard to: <ul style="list-style-type: none"> a) Reduction of interest rate levied on the loan. b) Reduction with regard to the net amount payable by corporate debtor to the creditor. c) Extension of maturity date of a loan advanced



					to the corporate debtor. d) Curing or waving of any breach of the terms of any debt due from corporate debtor. e) Satisfaction or modification of any security interest.
10	Change in portfolio of goods or services produced or rendered by the corporate debtor.	40%	0-10	4	Assessment shall be based on plans proposed by Resolution Applicant with regard to horizontal or vertical expansion of product line or services rendered by corporate debtor thereby creating more market and customer base for corporate debtor.
	Total score of quantitative parameters	100%		100	
	Total weight of quantitative parameters (B)	60%		60	
	Total score of resolution applicant (A+B)				



NOTES

- 1) Bid evaluation matrix is required for making comparison between bids received during resolution process. It is not meant for taking a decision on acceptance or rejection of the offer.
- 2) The bid evaluation matrix would only be used in case resolution plans are received from more than one resolution applicants.
- 3) Resolution debt for the evaluation purposes shall mean the total admitted claims in the Company as on Form G uploaded, (*amount of total admitted debt in Rupees*) which may undergo change based on admission/rejection of claims.
- 4) Upfront Cash shall mean the cash payable by the Resolution Applicant to the Committee of Creditors on the transfer date as per the Resolution Plan.

[Registration Number, Name, Address and E-Mail of Resolution Professional]



Annexure 1

Agency	SCORE				
	0	2.5	5	7.5	10
CARE	D, C, B, BB	BBB	A	AA	AAA
ICRA	D, C, B, BB	BBB	A	AA	AAA
CRISIL	D, C, B, BB	BBB	A	AA	AAA
India rating	D, C, B-, B, B+, BB-, BB, BB+	BBB+ to BBB-	A+ to A-	AA+ to AA-	AAA
S&P	D, C, B, BB	BBB	A	AA	AAA
Moody's	D, C, B, BA	Baa	A	AA	AAA
Fitch	D, C, B, BB	BBB	A	AA	AAA

Annexure 2

Agency	SCORE				
	0	2.5	5	7.5	10
CIBIL	< 700	>= 700, < 750	>= 750, < 800	>= 800, < 850	>= 850
Transunion	< 700	>= 700, < 750	>= 750, < 800	>= 800, < 850	>= 850

