



MEDIATION FINAL ROUND – CONFIDENTIAL INFORMATION FOR HELLOKITTY ENGINEERING

This latest notice has come, if not as a shock, certainly as an unhappy development. You were fully aware that the Railways had been pushing to finish the project soon, but you did not think that cancellation of your contract and re-tendering would be a real possibility. You have already sunk INR 60 crore into this project, and you need to make sure the contract does not stand cancelled. That would be utterly disastrous.

Your company has been in financial trouble. The only thing that could save it is this project getting completed in time, but you don't have the funds to complete it. If the project does not get completed, you will lose the INR 60 crore and go into bankruptcy. You don't want this – any resolution applicant who acquires the company could dispose of you on a whim, and running this company is all you have, especially as you get older. You want to keep be able to keep operating this project, and ideally you want a voice in future decisions to do with the company as well.

You are going to try to push LootMaro to pony up some money to loan to the JV to spend on the project. You are hoping that you can cajole them into loaning the money out of sheer mutual interest – while obviously as part of the original agreement you had to handle all of this, at this point, you cannot afford to spend one rupee over the next six months, and if the money does not get arranged, both of you will suffer. You are even willing to guarantee that the JV will repay the money they loan it before it will repay the money you have already loaned. This should be enough to repay their concerns about security.

If they play hardball and push for more, you can also give them a slightly larger share in profits, but only slightly. Margins are fine, and you have after all done most of the work. They were originally entitled to 10% - with this additional contribution on their end, you can go as high as 15%. Anything beyond that is economically unviable for you, you need to keep your head above water.

Labour costs amount to INR 6 lakh a month. There exists a year's worth of unpaid wages, and on top of that this month's wages also come due in two months. This makes thirteen months in total. Labour is on the verge of striking – if they do not get paid this week, they will almost certainly go on strike and shut down the construction site. They have demanded full payment, at once. You think you can get them to hold off on a strike by paying at least six months, and are sure you can get them to hold off by paying at least ten months – all as long as you can get the remainder arranged within the month. But you really don't want them to wait that long also – paying them is your responsibility, and their families have gone hungry too long. After this, construction will take five more months, and you can't afford that either.

Pending capital expenses worth INR 1.4 crore need to be paid within the week, otherwise construction will stop, since you are running short on cement and sand and need to repay your vendors to be able to acquire more. If you can't repay this amount during the week, there will be at least a week's stoppage, which you do not want, but as long as you are able to repay the amount the subsequent week, it won't be longer than a week. An additional 3 crore will be required by that week anyway for the purchase of material. Over the next five months, which is how long the project is projected to take, around INR. 4.5 crore worth of capital expenditure is projected to be needed each month.