

# 4TH RGNUL NATIONAL NEGOTIATION COMPETITION, 2025

7th-9th February, 2025

# GENERAL INFORMATION

## Semi-Final Round

Sink or Swim:

Debt, Drama and Dysfunction

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#### Sink or Swim: Debt, Drama and Dysfunction

##### **BRIEF ON THE PARTIES**

###### **Ironland Infracon Pvt. Ltd.**

Ironland Infracon Pvt. Ltd., incorporated in Ironland, is a leading project management company (*corporate debtor*) specializing in large-scale infrastructure projects, including highways, bridges, and commercial buildings. The company forms a part of the Dua Group and Mr. Sudhir Dua is its promoter.

Ironland Infracon Pvt. Ltd. entered into an agreement with the National Highway Authority of Ironland for the construction of the Thopki Wing of the Eastern Freight Corridor. However, due to certain shortages in the supply of raw materials from its suppliers, Ironland Infracon Pvt. Ltd. was unable to complete Phase 3 of the 4-phased project within the stipulated timeline under the agreement. The National Authority of Ironland thus encashed the Performance Bank Guarantee issued by Ironland Infracon Pvt. Ltd., reserving its right to claim outstanding damages and threatening Ironland Infracon Pvt. Ltd. to terminate the agreement in case of further delays. The Parties to the agreement are currently in arbitration to settle their dispute.

Ironland Infracon Pvt. Ltd. had entered into multiple contracts to procure raw materials for this project, including a key supply agreement for machinery and maintenance services with Reliant Pvt. Ltd., a major supplier and long-standing business partner.

###### **Reliant Pvt. Ltd.**

Reliant Pvt. Ltd. is a well-established supplier (*operational creditor*) of construction machinery and equipment rentals. Ironland Infracon Pvt. Ltd. is Reliant Pvt. Ltd. 's largest customer. In 2020, Ironland Infracon Pvt. Ltd.'s operations slowed significantly, pushing the company to the brink of insolvency. To support Ironland Infracon Pvt. Ltd.'s recovery, Reliant Pvt. Ltd. acquired an 8% equity stake in the company, leveraging their existing business relationship.

##### **BACKGROUND OF FACTS**

Since acquiring this stake, Reliant Pvt. Ltd. and Ironland Infracon Pvt. Ltd.'s management have struggled to align on key strategic decisions. Despite their past business ties, the two companies have frequently been at odds, clashing over major corporate matters. Reliant Pvt. Ltd.'s second-

largest customer, **LK Ltd.**, is a direct competitor of Ironland Infracon Pvt. Ltd. and a relatively new player with ambitions of capturing a significant share of the market in Ironland. LK Ltd. is a subsidiary of the **Rammon Group**, which is controlled by the Rammon Family. During Ironland Infracon Pvt. Ltd.'s earlier insolvency crisis, LK Ltd. had expressed interest in Acquiring a substantial stake in Ironland Infracon Pvt. Ltd.'s subsidiary, Hard Hat Heroes Ltd. with a view to form a joint venture. Hard Hat Heroes Ltd. is a subsidiary of XYZ Pvt. Ltd. that specializes in providing skilled labor, safety solutions, and workforce management services for large-scale infrastructure and construction projects. But this offer was declined by Ironland Infracon Pvt. Ltd.'s management.

Since then, LK Ltd. has continued to seek opportunities to align with Ironland Infracon Pvt. Ltd. to gain a 20% share in Ironland's construction industry. It is well-known in business circles that the Rammon Family has strained relations with the Dua Family (the promoters of Ironland Infracon Pvt. Ltd.) due to a long-standing property dispute in Dhola, the ancestral home of both families. But, despite having strained relations, by aligning with Ironland Infracon Pvt. Ltd., LK Ltd. would be given the leverage and access to ongoing and future government projects.

A separate concern arises from a powerful lobby of shareholders within Ironland Infracon Pvt. Ltd., referred to as the "PQ Group." This bloc has consistently opposed key decisions made by Ironland Infracon Pvt. Ltd.'s management and has recently cultivated ties with the Rammon Family due to their involvement with the Rammon Group in other business sectors, such as energy and shipping. The budding relationship between the PQ Group and the Rammon Family could result in a coalition of interests that undermines the stability of Ironland Infracon Pvt. Ltd.'s management, making it vulnerable to external influence, especially from competitors like LK Ltd.

Mr. Dua's sister, Ms. Latika Dua runs another company, **C-Got Ltd.**, which manufactures shipping equipment, which is mostly used for overseas consumption. It is a profit-making company, and is a part of the Dua Group. C-Got Ltd. shares close ties with Ironland Infracon Pvt. Ltd. out of business and family relations. However, C-Got also has a subsidiary company, **D-Got Pvt. Ltd.**, which is incorporated in Switzerland, has been facing financial difficulties, and has not reported profits for many years. When Mr. Dua inquired about this subsidiary company, Ms. Latika Dua dismissed him, stating that plans were in development to address the company's challenges.

## **THE DISPUTE AND THE CALL FOR NEGOTIATION**

Due to a delay in Reliant Pvt. Ltd.'s delivery of steel, which was exacerbated by a coal shortage in 2024 affecting the entire supply chain, Ironland Infracon Pvt. Ltd. experienced significant setbacks

in the timely completion of its infrastructure projects with the National Highway Authority of Ironland. The delay in receiving critical materials hampered Ironland Infracon Pvt. Ltd.'s ability to meet its contractual deadlines, causing substantial project delays. Consequently, the government, which was financing the project, withheld payments until the project milestones were met. As a direct result of these **delays**, Ironland Infracon Pvt. Ltd. incurred **substantial financial losses**, as the company had to bear increased operational costs without receiving the expected payments. This strained Ironland Infracon Pvt. Ltd.'s already stressed cash flow, pushing the company into further financial distress. Already facing mounting debts, Ironland Infracon Pvt. Ltd. found itself on the brink of insolvency, unable to cover its liabilities or sustain operations.

Compounding this situation, Reliant Pvt. Ltd., despite its delayed delivery, is now demanding payment for the steel it supplied to Ironland Infracon Pvt. Ltd. Additionally, Reliant Pvt. Ltd. has raised serious allegations of corporate fraud within Ironland Infracon Pvt. Ltd., claiming that the steel it provided was diverted by one of Ironland Infracon Pvt. Ltd.'s directors to a third-party entity, D-Got Ltd., which is closely tied to the Dua family. Allegations have surfaced regarding the improper diversion of this steel by one of Ironland Infracon Pvt. Ltd.'s directors. The alleged siphoning involves funds being transferred overseas, in which the bank statements and accounts are linked with D-Got Ltd. or other shell entities, suggesting a coordinated effort to misappropriate the steel supply and launder the proceeds. The accusations are bolstered by claims from an employee of Reliant Pvt. Ltd., who alleges to have overheard a phone conversation between Ms. Latika Dua and a person named Rohan, in which they purportedly discussed the embezzled funds.

Following internal discussions, Ironland Infracon Pvt. Ltd. officials have received information from confidential sources indicating that Reliant Pvt. Ltd. is preparing to initiate Corporate Insolvency Resolution Process (CIRP) proceedings under the Insolvency and Bankruptcy Code, 2016 (IBC), if Ironland Infracon Pvt. Ltd. fails to settle its outstanding debts in a timely manner. The sources suggest that Reliant Pvt. Ltd., as an operational creditor, has already started gathering the necessary documentation and evidence to establish its claim, including the unpaid dues for steel supplied to Ironland Infracon Pvt. Ltd. Given these developments and the severe financial stakes for both companies, Ironland Infracon Pvt. Ltd. has invited Reliant Pvt. Ltd. for a call for negotiation under the terms of their commercial agreement.