



MEDIATION FINAL ROUND – CONFIDENTIAL INFORMATION FOR LOOTMARO CONSTRUCTIONS

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. Monetarily, you haven't sunk much into this project, since so far HelloKitty's been handling it – however, this risk of cancellation is completely unacceptable. You earn a significant amount of money by securing railway tenders – some where you do the work, some where you partner up and just take a cut for providing the qualifications for the tender. You would go out of business if blacklisted.

You have been considering acquiring HelloKitty for a while. You know it has been doing very poorly financially, and in your opinion if you were running it would be possible for you to turn it into a profitable enterprise. However, you only really want to loan money to the JV and start funding operations if you can acquire HelloKitty lock, stock, and barrel – 100%. A fair market price, taking into accounts all their debts, would be approximately INR 50 crore, and you're willing to pay a 10% premium above that.

In the absence of taking HelloKitty over, you will only pump money into the JV as an absolute last resort, and only as much as is absolutely necessary to make sure the contract does not get cancelled. You'd ideally like a slightly larger share than 10% in case you are that involved, then, though you understand with margins being low it may not be easy. In that worst case eventuality, you want to make sure that the money you loan to the JV gets repaid before HelloKitty's money does.

At any rate, you possess the financial resources to loan the JV as much as INR 30 crore. Of this, you can make available approximately INR 2 crore within a week, another INR 5 crore within two weeks, and the remaining within a month. However, the money is not the only consideration.

To begin with, any takeover is complicated by the fact that you want HelloKitty's CEO and owner to stay on as CEO. He needs to continue to run the site. It is absolutely necessary, without his involvement and supervision, the project cannot be completed. He is less pivotal moving forward, for other future projects, though you are still content to retain him.

Secondly, you don't want to be dealing with either the labour or the material suppliers. You're okay paying off past debts in both cases, but your problem with future payments is that if at all there is any delay in payment, you will effectively end up having to deal with them directly, be involved with them on a day-to-day basis. You don't want that. So you're undecided as to how to proceed.