



**Ahmedabad
University**

CASE STUDY – FINANCE

CS-21-003

Internal Reconstruction Scheme: A solution to accumulated losses

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Acknowledgement

The author is thankful to the Center for Learning Futures (CLeF), Ahmedabad University for their support and suggestions to improve the coherence and learnings from the case.

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Abstract :

Smart Ltd., an IT service company, was established in 2005. Within a span of 10 years the company was popular owing to innovative and quality services and began booking huge profits. However, after 2017, due to cheap availability of services from other markets and severe competition in the local market, the company began incurring losses. The company nevertheless could count a few loyal customers who had faith in the quality of its services. The marketing team had great ideas and the engineers had a plan to modify the existing services at a lower cost by incorporating new features of the competitor's services. The trouble however was in sourcing the funds to implement the new plan. The company was not able to raise capital in the form of debt or equity due to accumulation of huge losses leading to an erosion of its net worth. The payment of dues to existing creditors was another worrisome aspect. The management now seemed to face the end of the road. The management asked Richard, the Head of Finance, and his junior, Charlie, to come up with a restructuring scheme that could save the company.

Keywords: finance, funding, restructuring.