



CASE STUDY

**INVENTORY VALUATION,
RETIREMENT OF FOREIGN DEBTS**

BACKGROUND OF THE CASE

Our client is the Indian subsidiary of a very well-known Italian company having 26 global subsidiaries. The company operates in the domain of machinery for producing ceramic tiles. In India, they have their presence very close to the ceramic hub in the Western State of Gujarat. The company in 2016-17 wrested control from the Indian Directors by finalising their exit. Octagona India was asked to evaluate and explain the position of the company especially in relation to the inventory situation and mounting foreign debt.

HOW DID OCTAGONA INDIA HELP?

- As soon as Octagona India took over the project, it was very clear that there was no handover of data from the outgoing management of the company. Even external consultants and auditors did not cooperate in terms of transferring valuable information about the company.
- Despite this, Octagona's team put together all information piece by piece and year by year.
- Special attention was paid to the inventory of the company including its fair valuation. We asked the accounts department to maintain records related to custom duties, freight, clearing charges etc shipment wise so that the direct cost could be allocated on each item of the shipment in accordance with the accounting standards in India.
- Octagona also studied the foreign import transactions of the company and realised that the company had not paid its overseas suppliers for many years which is in contravention to the Foreign Exchange laws of India.
- A plan was made to infuse fresh capital into the company solely for the purpose of repayment of foreign outstanding. Along with accounts department of the client, we searched and collected all the documents required for payment of import invoices. We advised the client to pay the outstanding import invoices within the RBI guidelines. For invoices which are older than 3 years, we advised the client to take special approval from RBI and pay the same within the time provided by RBI in special approval.

FINAL OUTCOME

Over a period of time, Octagona India was able to assist the client in organizing its inventory, ensuring a fair intercompany agreement as well as repayment of all outstanding invoices of the foreign supplier(s) and thereby keep the company out of any compliance or regulatory problems in India.

**ADDRESS**

411, DLF Tower B, Jasola District Centre,
New Delhi - 110076, India

EMAIL

a.kumar@octagona.com

WEBSITE

www.octagona.co

SKYPE

a.kumar@octagona.com

TELEPHONE

(+91) 11 4152 5077

Widen your Horizons