



Casebook Issue 56:
Insolvency Tale of Best
Textiles Limited

**INSOLVENCY PROFESSIONAL AGENCY
OF INSTITUTE OF COST ACCOUNTANTS OF INDIA**

A large, torn piece of brown paper is shown against a white background. The paper is torn at the top and bottom edges, and one corner is folded over. The text 'INSOLVENCY UNCOVERED' is written in large, bold, black capital letters across the white background.

**INSOLVENCY
UNCOVERED**

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About Best Textiles Limited¹

Best Textiles Limited is a non-government company, incorporated on 05 August, 1996. It's a private unlisted company and is classified as company limited by shares.

Company authorized capital stands at Rs 1,50,000,000 and has a paid-up capital which is Rs 98,487,070.

The company deals in multiple sectors that include Textiles, Retail and Commodities. It has presence in the business of Raw Cotton, Comber Noil, Cotton Yarn, Polyester Filament, Fabrics, Towels, Blankets & Home Furnishings.

The Company's registered with Registrar of Companies-Delhi and its registered address is B-85, Okhla Industrial Area Phase - II New Delhi-110020. The Directors are, namely:

- i. Shri Sanjeev Dhawan;
- ii. Shri Ashok Rawat;
- iii. Shri Rajvir Singh Kushwaha.

Major Creditor/Banker

Oriental Bank was the major claimant in this case.

CIRP OF BEST TEXTILES LIMITED

The company initiated CIRP under section 9 of the Insolvency and Bankruptcy Code, 2016

In this case, Best Textiles Limited (“the Debtor”) approached SBS Transpole Logistics Pvt. Ltd. (“the Operational Creditor”) to avail their service of transportation of goods within the country, as well as to different ports for export. The parties executed an agreement under which various invoices were raised from June 2011 to March 2015. Out of the total amount, only a sum of Rs. 26,61,813/- registered in the invoices raised between March 24th, 2014 to July 02nd, 2014 by the Operational Creditor was contested as outstanding liability.

The Debtor disputed the claim and challenged the petition on the ground of Section 8, section 9(3)(c) of the Code.

From the perusal of the petition and supporting documents the NCLT (“the AA”) opined that the Debtor has committed default and rejected the Debtor’s submission that the Debt does not exist and the petition suffers from any illegality .

Order of moratorium and appointment of IRP²

Vide order dated 03.04.2018 the AA declared moratorium against the Debtor under section 14 of the Code.

The AA appointed Shri Sandip Goel as the IRP of the Debtor.

Constitution of CoC and appointment of RP³

The IRP informed the AA that in compliance of Code the CoC was constituted and Oriental Bank of Commerce the only Financial Creditor. Also, vide resolution dated 01.05.2018, the CoC resolved to appoint Shri Manoj Kumar Anand as the RP.

The name of the said RP was approved by the AA vide order dated 18.05.2018.

Public Announcement and the Resolution Plan⁴

The RP informed the Court that one plan was received in response of Expression of Interest. The same was under consideration before the CoC.

Application under section 12(2) of the Code⁵

In furtherance of resolution passed in the 4th CoC meeting held on 28.08.2018 it was decided to file for 90 days extension of the CIRP.


The said application was allowed and prayer of extension was granted.


Liquidation of Corporate Debtor and appointment of Liquidator⁶


The CoC rejected the Resolution Application and vide resolution dated 27.11.2018, it was decided that the RP should proceed to file the application under section 33 of the Code praying to liquidate the assets of the Corporate Debtor.


The Liquidation was allowed by the AA vide order dated 18.02.2019 and the RP was named as the Liquidator.


Timeline

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- 05.08.1996
 - Best Textile Limited was incorporated

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- 03.04.2018
 - NCLT declared moratorium against Best Textiles Limited
 - IRP was appointed

- 
- 01.05.2018
 - CoC appointed another IP as RP
 - 18.05.2018
 - The AA approved the name of the RP

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- 28.08.2018
 - CoC resolved to file for 90 days extension
 - 05.09.2018
 - AA granted extension of CIRP

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- 27.11.2018
 - CoC resolved to liquidate the Debtor
 - 18.02.2019
 - AA approved the liquidation

Bibliography

1. <https://www.mca.gov.in/mcafoportal/companyLLPMasterData.do>
2. [https://ibbi.gov.in/webadmin/pdf/order/2018/Apr/3rd%20Apr%202018%20in%20the%20matter%20of%20Best%20Textiles%20Ltd.%20\(IB\)-17%20\(ND\)-2018_2018-04-18%2010:12:52.pdf](https://ibbi.gov.in/webadmin/pdf/order/2018/Apr/3rd%20Apr%202018%20in%20the%20matter%20of%20Best%20Textiles%20Ltd.%20(IB)-17%20(ND)-2018_2018-04-18%2010:12:52.pdf)
3. https://nclt.gov.in/sites/default/files/Interim-order-pdf/SBS%20Transpole%20Pvt.%20Ltd.%20Vs.%20Best%20Textiles%20Ltd._1.pdf
4. https://nclt.gov.in/sites/default/files/Interim-order-pdf/SBS%20Transpole%20Pvt.%20Ltd.%20Vs.%20Best%20Textiles%20Ltd._4.pdf
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6. [https://ibbi.gov.in/webadmin/pdf/order/2019/Mar/18th%20%20Feb%202019%20in%20the%20matter%20of%20Best%20Textiles%20Ltd.%20\(IB\)-17\(ND\)-2018_2019-03-11%2014:09:44.pdf](https://ibbi.gov.in/webadmin/pdf/order/2019/Mar/18th%20%20Feb%202019%20in%20the%20matter%20of%20Best%20Textiles%20Ltd.%20(IB)-17(ND)-2018_2019-03-11%2014:09:44.pdf)