



INSOLVENCY PROFESSIONAL AGENCY  
OF INSTITUTE OF COST ACCOUNTANTS OF INDIA

## Casebook Issue

17:

Corporate Insolvency  
Resolution Process of  
Uttam Strips Limited

**INSOLVENCY  
UNCOVERED**

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### **About Uttam Strips Limited (“USL”)<sup>1& 2</sup>**

Established in 2008, Uttam Strips Limited (USL) is the well-known steel company with an existing steel production capacity of 2, 30,000 MTPA comprising mainly of Cold Rolled Steel plant and Precision Pipe plant. Uttam Strips Limited is geographically well located with its plant at Industrial Revolutionary City - BHIWADI (Rajasthan), 50 Kms away from Indira Gandhi International Airport, Delhi on DELHI-JAIPUR highway towards Jaipur. Being situated nearby limits of Delhi NCR where most of the OEM and their ancillaries and components manufacturer located, USL is able to provide its quality products at very competitive price point.

It has its registered office at 39, Okhla Industrial Area, Phase-III, New Delhi- 110020. Its Authorised Capital is Rs. 35 crores and Paid up Capital is Rs 10.30 crores.

### **Major Financial Creditors/Bankers**

Financial creditors were Oriental Bank of Commerce, State Bank of India, Punjab and Sind Bank, Bank of Maharashtra etc.

The Corporate Debtor (“CD”) is involved in the manufacturing of steel and steel products. The probable reason for the insolvency of the CD was that during the period 2008 to 2012 the CD went for strategic expansion and the installed capacity increased from 75,000 MTPA to 2, 50,000 MTPA and ventured into production of home furnishing products for the export market but the CD was unable to recover the receivables which led to defaults with lenders.

## **CIRP of Uttam Strips Limited**

### **Power2SME Pvt. Ltd. files application in National Company Law Tribunal (“NCLT”)**<sup>3</sup>

The Petitioner Power2SME Pvt. Ltd. is an operational creditor. An application under section 9 of the Insolvency and Bankruptcy Code, 2016 (“**Code**”) read with Rule 5 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rule, 2016 had been filed for initiating the insolvency resolution process against Uttam Strips Limited. USL herein the Corporate Debtor (CD) owed a sum of Rs. 17.61crores to Power2SME Pvt. Ltd. The Petitioner proposed the name of Mr. Navneet Kumar Jain to act as Interim Resolution Professional (“**IRP**”). NCLT after hearing both the parties admitted the Corporate Insolvency Resolution Process (“**CIRP**”) of USL.

### **NCLT confirms appointment of Resolution Professional (“RP”)**<sup>4</sup>:

The IRP vide first Committee of Creditors (“**COC**”) meeting proposed the name of Mr. Sanjay Gupta as the Resolution Professional. NCLT confirmed the appointment.

### **Objection raised by the Operational Creditor regarding the appointment of RP**<sup>5</sup>

NCLT vide its order dated June 6, 2018 stated that it is squarely within the domain of the COC to decide who would continue as the RP. Thus rejecting the objection raised by the operational creditor, NCLT disposed off the petition.

### **RP files application for extension of period of CIRP**<sup>6</sup>

RP mentioned that the Resolution Applications are under consideration. COC in its meeting dated 24.08.18, resolved for extension for another 90 days. NCLT allowed the application and granted extension by 90 days.

**GAIL India Limited with others files application to NCLT regarding rejection of their claims<sup>7</sup>**

Application filed by GAIL India Ltd., Gandhi Spring and Icon Powder IMC were rejected by the RP because of the claims filed belatedly. After hearing, NCLT allowed inclusion of the claims. Claims were being considered by the RP.

Employees also filed application for the inclusion of their claim in the resolution. RP clarified that the resolution plan submitted for approval has taken care of this aspect and shall pay the entire CIRP cost.

**RP files application for approval of Resolution Plan in the NCLT<sup>8</sup>**

COC in its 12<sup>th</sup> Meeting held on 26.12.18 approved the resolution plan submitted by Jyoti Strips Ltd. (“RA”) with 100% votes in favour of the resolution plan. RA is an established name with presence in Ludhiana, Jaipur, Faridabad, Delhi and Raipur, engaged in trading, cutting and slitting of flat steel products.

Resolution Plan submitted by RA reflects both operational and financial restructuring.

Salient features of operational restructuring by RA:

- Raw Material Sourcing: As RA is involved in trading activities in the same business with ready access to adequate raw material sources which will help the CD to procure material at competitive prices. The RA will leverage its expertise in procurement, network and scale and also endeavor to obtain better pricing terms for key raw materials.
- Operations and Maintenance: RA will be leveraging its technical and operational experience coupled with new technical experts in the industry to help ramp up the operations of the CD.
- Expected Sales Volume: RA proposes to ramp up the sales volume within a reasonable time of completing the acquisition.

- Future Sale Agreements: Along with existing sales arrangements of the CD, RA would review the sales arrangements as and when required.
- RA plans to achieve saleable steel capacity of 90,000 TPA of CRCA.

Salient features financial proposal by RA:


- First, the actual CIRP Cost to be paid.
- Secondly, Liquidation value payable to workmen for 24 months preceding the CIRP commencement date or 20% of the admitted claims towards employee and workmen, whichever is higher.
- Third, upto 1% of the admitted claims to the operational creditors will be paid before the closing date.
- Fourth, payment to financial creditors pro rata to their respective portion of their financial claims will be made on closing date.
- Fifth, for starting and further improving the operation of the CD, Rs. 5 crores to be infused by way of equity.

NCLT approved the Resolution Plan to be implemented.


### **Concluding Notes**


After approval of Resolution Plan, on 28.08.19 USL was taken over by RS Jyoti Strips Private Limited and implementation of resolution plan is complete. Appeal against the approval of Resolution Plan is pending in NCLAT for disposal. Application under section 43, 45 and 46 is pending for adjudication. Thus, no final decision has come on avoidance transactions.


## CIRP Timeline


- 
- 09.04.18
  - NCLT admitted the application for commencement of CIRP.

- 
- 28.05.18
  - NCLT appointed Mr. Sanjay Gupta as Resolution Professional.

- 
- 06.06.18
  - NCLT rejected the objection of operational creditor against the appointment of RP.

- 
- 25.09.18
  - Extension of 90 days allowed.

- 
- 24.05.19
  - NCLT ordered for consideration of claims rejected by RP.

- 
- 06.06.19
  - NCLT approves the Resolution Plan.

## **Bibliography**

<sup>1</sup><https://www.uttamstrips.com/about-uttam-strips.html>

<sup>2</sup><http://www.mca.gov.in/mcafoportal/companyLLPMasterData.do>

<sup>3</sup><https://nclt.gov.in/sites/default/files/Interim-order-pdf/Power2SME%20Pvt.%20Ltd.%20Vs.%20Uttam%20Strips%20Ltd. 2.pdf>

<sup>4</sup><https://nclt.gov.in/sites/default/files/Interim-order-pdf/Power2SME%20Pvt.%20Ltd.%20Vs.%20Uttam%20Strips%20Ltd. 5.pdf>

<sup>5</sup><https://nclt.gov.in/sites/default/files/Interim-order-pdf/Power2SME%20Pvt.%20Ltd.%20Vs.%20Uttam%20Strips%20Ltd. 8.pdf>

<sup>6</sup><https://nclt.gov.in/sites/default/files/Interim-order-pdf/Power2SME%20Pvt.%20Ltd.%20Vs.%20Uttam%20Strips%20Ltd. 13.pdf>

<sup>7</sup><https://nclt.gov.in/sites/default/files/Interim-order-pdf/power2Sme.pdf>

<sup>8</sup><https://nclt.gov.in/sites/default/files/Interim-order-pdf/Power2SME%20Pvt.%20Ltd.%20Vs.%20Uttam%20Strips%20Ltd. 23.pdf>