



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

**Casebook Issue
18:**

**Corporate Insolvency
Resolution Process of
Sitarganj Fibers
Limited**

**INSOLVENCY
UNCOVERED**

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About M/s Sitarganj Fibers Limited1

M/s Sitarganj Fibers Limited is a Public Limited Company incorporated on 26 March 2012. It is classified as Non-government company and is registered at Registrar of Companies, Kanpur. Its authorized share capital is Rs. 15.00 crores and its paid up capital is Rs. 10.11 crores. It is involved in Manufacture of other textiles.

Directors of M/s Sitarganj Fibers Limited are Mr. Tapan Singhania, Mr. Vipin Kumar and Mr. Prashant Sethi.

M/s Sitarganj Fibers Limited's Corporate Identification Number is (CIN) U17291UP2012PLC049535 and its registered address is C-69, Sector-58 Noida- 201 307 NOIDA Gautam Buddha Nagar UP 201307 IN.

Major Financial Creditors/Bankers2

The only financial creditor was Punjab National Bank with a credit exposure of Rs. 67.73 crores.

CIRP of M/s Sitarganj Fibers Limited3

CIRP initiation under Section 7 of I&B Code, 2016

While section 7 and 9 of I&B Code, allows creditors of the defaulting corporate debtor to file and initiate CIRP before the Adjudicating Authority, Section 10 allows a corporate applicant thereof to file an application for initiation of CIRP. The Admission of CIRP of M/s Sitarganj Fibers Limited was under section 7 of IBC, 2016.

Admission and Initiation of CIRP of M/s Sitarganj Fibers Limited

Corporate Insolvency Resolution Process (CIRP) was initiated and was presented for hearing before the Adjudicating Authority, NCLT of Allahabad Bench. The matter was presented by Dr. Ram Kumar Mishra and Adv. Mr. Amit Kumar Prasad to represent Punjab National Bank and no one was represented for M/s Sitarganj Fibers Limited.

Application was filed by PNB as the Financial Creditor and the same was admitted for CIRP under Section 7 of the Insolvency & Bankruptcy Code, 2016 read with Rule 4 of Insolvency & Bankruptcy (Application to AA) Rules, 2016 seeking initiation of CIRP against M/s Sitarganj Fibers Limited on 09th April, 2019. Along with it, the moratorium under Section 13 & 14 of I&B Code, 2016 was also declared.

Appointment of Mr. Sumit Shukla as the IRP

On 09th April, 2019, vide order number CP (IB)390/ALD/2018 Mr. Sumit Shukla was appointed as the Interim Resolution Professional (IRP). The name of Mr. Shukla was proposed by the financial creditor. The IRP Mr. Shukla was directed to do all the necessary actions in terms of announcements, publications and declarations in consonance to the Code.

The 1st CoC meeting was organized and there by the consent of the CoC Mr. Sumit Shukla was approved and appointed as the Resolution Professional for the Corporate Debtor, in accordance to section 22 of IBC.

Subsequently, Mr. Shukla was appointed as the Resolution Professional (RP) for the Corporate Debtor after the first meeting of the CoC in accordance to Section 22 of IBC.

Expression of Interest in response to Form G

The Resolution Professional had published the Form G in Hindustan Times and Business Standard in English and Hindi in Delhi and NCR Region.

Three (3) e-mails were received in response to Form G. They expressed their desire for Expression of Interest (EOI). But surprisingly the Resolution Professional received only one Resolution Plan on 23rd August, 2019 from the Prospective Resolution Applicant (PRA) Mr. Babulal Patwari.

Revision of the Resolution Plan

The Resolution Plan submitted by the PRA Mr. Babulal Patwari was placed before the CoC in their 4th meeting on 4th September, 2019. Mr. Patwari was also invited to discuss the feasibility of the plan.

On further discussion the Financial Creditor Punjab National Bank asked Mr. Patwari to do some revisions in his plan to make it more realistic and viable, to which he agreed.

On 14th September, 2019 Mr. Patwari, the Prospective Resolution Applicant submitted his revised Resolution Plan vide e-mail. The plan was discussed and approved with 100% voting shares in the 5th CoC meeting on 4th December, 2019.

Submission of 10% of Proposed Resolution Cost

On approval of the Resolution Plan, the Resolution Professional issued a Letter of Intent (LOI) to the successful Resolution Applicant Mr. Babulal Patwari.

Mr. Patwari gave a confirmation on the LOI, Addendum to the Revised Resolution Plan and a bank draft of Rs. 1.32 crores to Punjab National Bank which was 10% of the proposed resolution cost.

The CoC and the suspended directors were marked an e-mail which had the minutes of the 5th CoC meeting and the revised Resolution Plan. The Resolution Professional filed application u/s 31(1) of the Code for seeking approval of the Resolution Plan.

All the necessary compliances in terms of Section 29A, 30(2), Regulation 38 & 39(2) of CIRP was done.

Payment Terms

The Resolution Plan was for an amount of Rs.13.10 crores out of which Rs.4.10 crores was to be paid within 30 days of approval of the plan by the AA. The balance amount of Rs. 9.10 crores was to be paid in two (2) installments i.e. Rs.4.55 crores within two months and Rs. 4.55 crores within 4 months from the date of approval of Resolution Plan. It was also mentioned that the funds shall be sourced through personal net worth of the Resolution Applicant.

Mr. Sumit Shukla, the Resolution Professional was appointed as the Monitoring Agency to ensure the implementation of the Resolution Plan for which a monthly remuneration of Rs.1.50 lacs was also ordered by the AA.


Highlights of the Resolution Plan


The said Resolution Plan includes inter –alia:


- The unpaid CIRP costs will be paid in priority over payments to any other creditors on effective date.
- The claims of the operational creditors amounting to Rs. 13.10crores to be paid
- Out of which Rs. 4.10 crores paid within 30 days of approval of plan by the AA.
- The remaining balance amount of Rs. 9.10 crores paid in two installments i.e, Rs. 4.55 crores within 2 months and Rs. 4.55 crores within 4 months from the date of approval.


RP to act as Monitoring Agency to monitor and supervise the Resolution plan and remuneration of Rs. 1, 50,000 plus taxes.


CIRP Timeline


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- 26th March, 2012
 - Date of incorporation of M/s Sitarganj Fibers Limited.*


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- 09th April, 2019
 - CIRP of M/s Sitarganj Fibers Limited admitted*
 - Appointment of Mr. Sumit Shukla as IRP*

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- 24th June, 2019
 - Public Annoucments*

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- 9th October, 2018
 - 2nd CoC meeting conducted*
 - Appointment of other professionals*

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- 23rd Aug, 2019
 - 1 Resolution plan received.*

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- 03rd Jan, 2020
 - Resolution Plan approved*
 - 05th CoC Meeting held*

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- 07th Dec, 2019
 - Letter of Intent*

Bibliography

¹<https://www.zaubacorp.com/company/SITARGANJ-FIBERS-LIMITED/U17291UP2012PLC049535>

²[https://nclt.gov.in/order-](https://nclt.gov.in/order-judgements?field_bench_target_id=5371&field_search_date_value_1%5Bmin%5D%5Bdate%5D=&field_search_date_value_1%5Bmax%5D%5Bdate%5D=&title=&field_search_date_value%5Bvalue%5D%5Byear%5D=&field_name_of_petitioner_value=&field_name_of_respondent_value=sitarganj&field_search_date_value%5Bvalue%5D%5Byear%5D=&advocate_name=&field_search_date_value%5Bvalue%5D%5Byear%5D=)

[judgements?field_bench_target_id=5371&field_search_date_value_1%5Bmin%5D%5Bdate%5D=&field_search_date_value_1%5Bmax%5D%5Bdate%5D=&title=&field_search_date_value%5Bvalue%5D%5Byear%5D=&field_name_of_petitioner_value=&field_name_of_respondent_value=sitarganj&field_search_date_value%5Bvalue%5D%5Byear%5D=&advocate_name=&field_search_date_value%5Bvalue%5D%5Byear%5D=](https://nclt.gov.in/order-judgements?field_bench_target_id=5371&field_search_date_value_1%5Bmin%5D%5Bdate%5D=&field_search_date_value_1%5Bmax%5D%5Bdate%5D=&title=&field_search_date_value%5Bvalue%5D%5Byear%5D=&field_name_of_petitioner_value=&field_name_of_respondent_value=sitarganj&field_search_date_value%5Bvalue%5D%5Byear%5D=&advocate_name=&field_search_date_value%5Bvalue%5D%5Byear%5D=)

³<https://www.ibbi.gov.in/orders/nclt?title=Sitarganj&date=&nclt=>