



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

## **Casebook Issue**

**21:**

**Corporate Insolvency  
Resolution Process of  
Wegilant Net Solutions  
Private Limited**



**INSOLVENCY  
UNCOVERED**

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### **About Wegilant Net Solutions Private Limited<sup>1</sup>**

Wegilant Net Solutions Private Limited is a Non-government company, incorporated on 21<sup>st</sup> November 2011. It's a private unlisted company and is classified as 'company limited by shares'. Company's authorized capital stands at Rs 16.0 lakhs and it's paid-up capital is Rs 14.33 lakhs. Wegilant Net Solutions Private Limited is majorly in Services business for last 9 years. Board members & directors are Mr. Indranil Deb, Gaurav Sharma, Mr. Rohendra Singh and Mr. Toshendra Kumar Sharma.

Wegilant operates in the mobile application security space catering to enterprises. It builds automated products which address the core problem of security in mobile applications with a core focus of offering formidable solutions. Their flagship product, Appvigil, is a SaaS (cloud) based automated mobile app vulnerability scanner that enables enterprises to find security loopholes in their apps and fix them, fast & accurate. 1000+ developers use Appvigil globally.

Company is registered in Kanpur (Uttar Pradesh). Registered Office address of Wegilant Net Solutions Private Limited is B-5/2, C Block, Sector 31, Noida, UP-201301.

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

The Financial creditor for Corporate Debtor ("CD") were M/S Quick Heal Technology Limited. The operational Creditor of the Company was Rohendra Singh.

## **CIRP of Wegilant Net Solutions Private Limited**

### **Rohendra Singh files an application for initiating CIRP under section 9 of the Insolvency and Bankruptcy Code, 2016 <sup>2</sup>**

A Petition under was filed under Section 9 of the Insolvency & Bankruptcy Code, 2016 ("IBC") read with Regulation 6 of the Insolvency and Bankruptcy Board of India (Application to Adjudicating Authority ) Regulation, 2016 ("CIRP Regulation"), by an Operational Creditor, namely, Mr. Rohendra Singh, who was an employee and operational creditor (hereinafter referred as 'the Creditor') against a Corporate Debtor, namely, Wegilant Solutions Private Limited (hereinafter referred as 'the Debtor'), due to default in making payment of its admitted due to the tune of Rs. 9.40 lakhs towards payment of salary and other allowances of the Operational Creditor.

The learned Counsel appearing for Corporate Debtor in response to query being raised by the tribunal submitted an affidavit on behalf of the company and furnished details about its assets and liabilities. A perusal of the affidavit shows that the company at present is having outstanding dues of its employee including the operational creditor for a sum of Rs. 24 lakhs and above.

As the name of IRP is not proposed by operational creditor the public announcement of declaration of moratorium of the corporate debtor under section 13 to 15 of the IBC, 2016 was deferred till IRP was appointed by this Court.

### **Appointment of IRP & Public Announcement**

On 01st September, 2017 the Insolvency and Bankruptcy Board of India recommended the name of Mr. Dinesh Kumar Sharma as IRP in the present case. The IRP needs to take action for Public announcement of declaration of moratorium of the corporate debtor under Section 13 & 15 of the IBC, 2016



### **Order of Moratorium<sup>3</sup>**

Though the orders for Moratorium was passed on 28th July, 2017, yet it stood deferred until the IRP took charge after being appointed and it shall remain effective till the completion of the corporate insolvency resolution process or until this Bench approves the resolution plan under sub section (1) of section 31 of IBC or passes an order for liquidation of corporate debtor under section 33 of IBC, as the case may be.

### **Decision by CoC in its first Meeting**

In the first meeting of the CoC which was convened on 05th October, 2017, the agenda for Resolution Plan was discussed, CoC recommended for Liquidation of Corporate Debtor Company, because there seems no possibility for arrangement of funds under CIRP. Corporate Debtor Company was not in operation and closed. The Appointment of Mr. Dinesh Kumar Sharma, from IRP to RP has been agreed to and resolved by the CoC.

RP was advised to convene a fresh meeting of the CoC to make further efforts to explore possibility of revival of the Company and to make resolution Plan for the Company and solution for making payment of the dues.

### **NCLT passes the Liquidation Order <sup>4</sup>**

RP under section 33 (2) of IBC, 2016, filed application for liquidation of the Corporate Debtor. As M/s. Quick Heal Technology Limited is the only financial creditor/single member committee of creditor he communicated through letter that he does not want to formulate a resolution plan for the Corporate Debtor Company. Thereafter, the RP made recommendation for liquidation of the Corporate Debtor Company. NCLT on 21st December, 2017 ordered for Liquidation of the CD, appointing Mr. Dinesh Kumar Sharma, RP as the Liquidator under section 34(1) of the Code. The Liquidator is ordered to issue Public Announcement within 5 days

from 21st December, 2017 declaring that the Corporate Debtor Company is under Liquidation.

**Application by Liquidator seeking exemption from Valuation of Assets<sup>5</sup>**

Mr. Dinesh Kumar Sharma, Liquidator filed an application seeking exemption from the valuation of assets as the value to be realised from the tangible assets was not sufficient enough to cover even fees of 02 registered valuers. To maximize the sale proceeds of assets of Corporate Debtor the liquidator sought exemption from valuation by two valuers.

Regulation 35 of the Insolvency and Bankruptcy Code (liquidation process) Regulation, 2016 provides a method of valuation of assets intended to be sold. The Regulation does not give the discretion to exempt from the valuation by registered valuers. The request made by the Liquidator is against the Liquidation Process Regulation, 2016 and thus the application filed by the liquidator for exemption was rejected.

**Petition Filed under section 54 (1) of the IBC, 2016<sup>6</sup>**

The Petition was filed under section 54 of Insolvency and Bankruptcy Code, 2016 by the liquidator for dissolution of M/s. Wegilant Net Solutions Private Limited as the assets of the Corporate Debtor have been completely liquidated.

## **Concluding Notes**

All the assets were liquidated and the entire Sale proceeds of Rs. 2 lakhs , was deposited in liquidation account maintained with Vijaya Bank , Siwaya (UP) Branch.

The assets were sold by public auction inviting bids through public announcement dated 21<sup>st</sup> May 2019 and online auction was conducted on 12th June 2019 wherein highest offer came at Rs. 2 Lakh.

Software sold was not updated after April 2016 thus it became outdated on account of technology up gradation and software is not running in the market , the value of patents and techniques were also adversely affected on account of closure of operations, no cash streams coming in on account of these intangible assets of the company.

The sale proceeds of Rs. 2 Lakhs did not even cover the CIRP and liquidation process cost, excluding fees of liquidator therefore under section 53 of IBC code, there is nothing to distribute among the stakeholders of the company.

The learned counsel for the liquidator has annexed the following documents with the application for dissolution of the corporate debtor:

- Affidavit dated 14th July, 2019 stating Mr. Dinesh Kumar Sharma as liquidator and no asset is left with corporate debtor, all the assets have been sold off and to be dissolved and the application was moved in interest of all stakeholders for the dissolution under section 54 (2) of the IBC, 2016.
- Final report in respect of liquidation process for Wegilant Net solutions under Regulation 45 of IBBI (Liquidation Process) Regulations, 2016 dated 14th July, 2019.
- Sale Report of assets dated 10th July 2019; sale Certificate dated 26th June 2019.




- The Audit certificate dated 06th July 2019 from M/s AKGS & associates and quarterly progress report from June 2019 dated 10th July,2019


Total CIRP cost with Liquidation process were Rs. 1.65 lakhs excluding the fees of the Liquidator which was Rs.0.83 lacs which in total amounts to Rs. 2.48 lacs approximately towards the same proceeds of the assets. Therefore, as per section 43 of the IBC, 2016 no amount could be made available for distribution to any other stakeholder.

Based on the application filed by the liquidator, this corporate Debtor Company was dissolved with direction to the liquidator to comply with by intimating the ROC about the dissolution of the company and any other compliance if any required as contemplated under the liquidation Regulations.





## Timeline


- 
- 28.07.2017
  - NCLT admitted application for CIRP.


- 
- 28.07.2017
  - Order of Moratorium

- 
- 08.09.2017
  - Appointment of IRP & Public Announcement

- 
- 21.12.2017
  - Liquidation Order passed by NCLT

- 
- 20.04.2018
  - Application by Liquidator seeking exemption from Valuation of Assets

- 
- 19.09.2019
  - Petition Filed under section 54 (1) of the IBC, 2016

- 
- 19.09.2019
  - Dissolution of the Company and Intimation to ROC.
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## **Bibliography**

<sup>1</sup><http://www.mca.gov.in/mcafoportal/companyLLPMasterData.do>

<https://www.linkedin.com/company/wegilant-Net-solution>

<sup>2</sup>[https://ibbi.gov.in/webadmin/pdf/order/2017/Jun/28thJuly2017 in the matter of Wegilant Net Solutions Pvt Ltd CP IB 60 ALD 2017.pdf](https://ibbi.gov.in/webadmin/pdf/order/2017/Jun/28thJuly2017%20in%20the%20matter%20of%20Wegilant%20Net%20Solutions%20Pvt%20Ltd%20CP%20IB%2060%20ALD%202017.pdf)

<sup>3</sup>[https://ibbi.gov.in/webadmin/pdf/order/2017/Jun/28thJuly2017 in the matter of Wegilant Net Solutions Pvt Ltd CP IB 60 ALD 2017.pdf](https://ibbi.gov.in/webadmin/pdf/order/2017/Jun/28thJuly2017%20in%20the%20matter%20of%20Wegilant%20Net%20Solutions%20Pvt%20Ltd%20CP%20IB%2060%20ALD%202017.pdf)

<sup>4</sup>[https://ibbi.gov.in/webadmin/pdf/order/2018/Jan/21st%20Dec%202017%20in%20the%20matter%20of%20Wegilant%20Net%20Solutions%20Private%20Ltd.%20CP%20No.%2060-ALD-17%20\(Liquidation%20Order\) 2018-01-03%2012:58:07.pdf](https://ibbi.gov.in/webadmin/pdf/order/2018/Jan/21st%20Dec%202017%20in%20the%20matter%20of%20Wegilant%20Net%20Solutions%20Private%20Ltd.%20CP%20No.%2060-ALD-17%20(Liquidation%20Order)%202018-01-03%2012:58:07.pdf)

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<sup>7</sup><https://nclt.gov.in/sites/default/files/final-orders-pdf/company%20petition%20ib%20no%2060%20ald%202019.pdf>