



INSOLVENCY PROFESSIONAL AGENCY
OF INSTITUTE OF COST ACCOUNTANTS OF INDIA

Casebook

*Harig
Crankshafts
Limited*

**INSOLVENCY
UNCOVERED**

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About Harig Crankshafts Limited ¹

Harig Crankshafts Limited is a public company incorporated on 16 April 1983. It is classified as a non-government company and is registered at the Registrar of Companies, Kanpur.

Harig Crankshafts Limited's Corporate Identification Number is (CIN) L35999UP1983PLC026603, and its authorized share capital is Rs. 500,000,000, and its paid-up capital is Rs. 39,35,53,568.

The latest Annual General Meeting (AGM) was held on 30 September 2009, and as per records from the Ministry of Corporate Affairs (MCA), its balance sheet was last filed on 31 March 2009.

Major Creditor/Banker

As per the MCA website, the charges pertaining to Harig Crankshafts Limited were registered by the following two charge holders:

- 1) ASREC (India) Limited
- 2) Harig India Private Limited (related party)

About the Project- Harig Crankshafts (Corporate Debtor)

The Company was engaged in manufacturing automotive parts: Crank Shafts, Miata Crank Pulley, Engine Crankshaft, and Engine Crank. Its product range included crankshafts for cars, light commercial vehicles, trucks and earth-moving equipment.

As a part of diversification, the company had entered the field of Forging Valve Bodies and Flanges of all sizes, thus reducing its dependence on the Automotive Industry.

However, as per the information gathered by the Resolution Professional, the Operations of the company have been closed since 2011 due to a capital crunch in the company.

Sl.no.	Name of the Promoters
01	Mr. Deshbir Singh
02	Mr. Sushil Chandra Tripathi
03	Mr. Sushil Kumar Srivastava
04	Mr. Anil Kumar Sharma
05	Mrs. Manju Deshbir Singh

Sl.no.	Name of the Directors
01	Mr. Gopalrao Gangadharrao Patwardhan
02	Mr. Himmat Singh
03	Mr. Sushil Nanda

CIRP of Harig Crankshafts Limited

ASREC (India) Limited filed an application for initiating CIRP under section 7 of the Insolvency and Bankruptcy Code, 2016²

1. The Corporate Debtor had availed various credit facilities from Bank of India, and to secure these credit facilities, an equitable mortgage of immovable property was created of the company situated at its registered office. However, after availing the credit facilities, the Corporate Debtor failed to comply to the terms and conditions of the loan agreements and thus, the accounts of the Corporate Debtor were classified by the Bank of India as NPA on 1st September 2008 by Bank of India.

2. As per the books of accounts of Bank of India, a sum of Rs.44,37,85,234.93, including interest up to 10th March 2011, was due and payable by the corporate debtor.

In 2011, Bank of India filed an Original Application ("OA") against the Corporate Debtor and guarantors under section 19 (1) of recovery of Debts and Bankruptcy Act, 1993, before DRT Lucknow for recovering the said amount.

3. During the pendency of this OA, a purported private treaty/agreement under the SARFAESI Act was entered into by the bank with M/s Paras Builders and Promoters for an amount of Rs. 34.50 crores, but the same could not be materialised and was terminated on 30th August, 2014.

During the pendency of the above-mentioned OA, the present application under section 7 was filed. The Corporate Debtor gave an OTS offer of Rs.27.73 crore to the Applicant vide letter dated 08.08.2019, but the

Corporate Debtor couldn't honor the same and therefore the default continued. Subsequently, the OA before DRT, Lucknow was allowed on 06.09.2021 and a recovery certificate worth Rs.44,37,85,234.93 along with interest (interest accrued during and after the proceedings) was issued,

The debt of Corporate Debtor was assigned by Bank of India to M/s ASREC (India) Ltd., an asset reconstruction Company, vide assignment agreement registered on 18.05.2022, for an amount of Rs.26.25 crore.

Further, M/s ASREC (India) Ltd substituted the Bank of India in section 7 application filed before Hon'ble National Company Law Tribunal ("NCLT"), Allahabad Bench, Prayagraj under the Code.

As regards the amount of Default, it is averred by the Financial Creditor in the Part-IV of its Application that the total claim amount stands at Rs.32,88,97,430.60/-including interest. It is added that Rs.32,87,03,553.13/- is due against the Term Loan account bearing No. AT6OSL5162310008 and Rs. 1,93,877.47/- is due.

It is further added by the Financial Creditor that the account of the Corporate Debtor was classified as NPA on 29.06.2018, which is the Date of Default in the present case.

Order of moratorium and appointment of IRP²

Upon Adjudication of the matter, the Hon'ble Adjudicating Authority, i.e., National Company Law Tribunal, Allahabad Bench, Prayagraj, admitted the Company Petition i.e., C.P. No. (IB). 81/ALD/2019 on 31.03.2023, filed by the Financial Creditor M/s ASREC (India) Ltd, initiating Corporate Insolvency Resolution Process ("CIRP") under Insolvency & Bankruptcy Code, 2016.

The Adjudicating Authority appointed- Mr. Saurabh Chawla as an Interim Resolution Professional (IRP) vide its said order dated 31.03.2023.

Public Announcement³

Public announcement was made by the IRP appointed above on date 03/04/2023, in accordance with the provisions given under Regulation 6 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 in Form A, inviting the financial/operational creditors of Harig Crankshafts Limited to submit a proof of their claims on or before 14/04/2023 to the interim resolution professional in accordance with the provisions of Regulations 7, 8 and 9 and 9A of IBC 2016.

Publication of Form G

FORM G was published on 30.05.2023 by the RP under Regulation 36A (1) of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, inviting Expressions of Interest in two newspapers, namely Business Standard and Rashtriya Sahara, in English and Hindi, respectively.

The last date of receipt of EOI was 14.06.2023, Total 8 Expressions of Interest were received by the RP.

Sr. No	Name of Prospective Resolution Applicant	Eligibility
1.	Palika Towns LLP	Eligible
2.	Consortium: Greatvalue Capital Trust & Manoj Agarwal	Eligible
3.	CRL Rubber	Eligible

4.	PR Industries Pvt. Ltd.	Eligible
5.	Consortium: Chinar Steel Segment Centre Private Limited, Sunrise Industries & Crown Steels	Eligible
6.	Consortium- SG Machine Industries Pvt. Ltd. & Mr. Rohan Gupta	Eligible
7.	ADI Impex Infra Services	Ineligible
8.	SPSS Infrastructure Pvt. Ltd.	Ineligible

After examining the EOI of PRA's, the RP, as per Regulation 36A (11) of CIRP Regulations, issued the Provisional list of eligible PRAs to the PRAs and also circulated the same to the CoC.

Further, in terms of sub-regulation 11 of regulation 36A of CIRP Regulations, 2016, the Applicant provided time to the PRAs till 29.06.2023 to make objections, if any, regarding inclusion or exclusion of a prospective resolution applicant in the provisional list, with supporting documents. In furtherance of the above, the objections were received from both the PRAs, namely ADI Impex Infra Services and SPSS Infrastructure Pvt. Ltd with respect to ineligibility.

It is submitted that both the PRA's further submitted the supporting documents to substantiate their eligibility. In view thereof, the Applicant after due diligence issued the final list of prospective resolution applicants on 09.07.2023., which is reproduced hereinbelow for ready reference:

Sr. No	Name of Prospective Resolution Applicant	Eligibility
1.	Palika Towns LLP	Eligible
2.	Consortium: Greatvalue Capital Trust & Manoj Agarwal	Eligible

3.	CRL Rubber	Eligible
4.	PR Industries Pvt. Ltd.	Eligible
5.	Consortium: Chinar Steel Segment Centre Private Limited, Sunrise Industries & Crown Steels	Eligible
6.	Consortium- SG Machine Industries Pvt. Ltd. & Mr. Rohan Gupta	Eligible
7.	ADI Impex Infra Services	Eligible
8.	SPSS Infrastructure Pvt. Ltd.	Eligible

4. That the RP informed the members of CoC that he has received four (4) Resolution Plans from the following PRA's, while the other four eligible PRA's did not submit their plans:

Sr. No	Name of Prospective Resolution Applicant
1.	ADI Impex Infra Services
2.	Consortium: Chinar Steel Segment Centre Private Limited, Sunrise Industries & Crown Steels
3.	Palika Towns LLP
4.	PR Industries Pvt. Ltd.

The RP convened the 10th meeting of the CoC on 11.09.2023, wherein the Applicant apprised the members that RP and his team had gone through all the resolution plans thoroughly and had prepared a list of indicative curing required to resolve plans viable and compliant as per provisions of the Code, which will be discussed with the respective RAs. Further, RP proposed that Swiss Challenge Mechanism may be adopted in terms of

Regulation 39(1A) (b) of the CIRP Regulations, 2016 read with Clause 10 (i) of the Request for Resolution Plan to which the sole CoC member concurred with views of the Applicant and discussed on the process to be followed under Swiss Challenge Mechanism

Following Regulation 39(1A) (b) of the CIRP Regulations, 2016 read with Clause 10 (i) of the Request for Resolution Plan, a process information document was finalized in furtherance of the same.

Accordingly, Palika Towns LLP was declared as the H1 Resolution Applicant and it was decided that the Process information document will be shared with all the PRAs.

Pursuant to the above, RP also requested the PRAs to provide the final counteroffer by 15th September 2023. It was further submitted that on 14.09.2023, an email has been received from one PRA namely PR Industries Private Limited, to extend the date of submission of Counteroffer as the promoters of the PR Industries Private Limited are presently out of India.

In view thereof, RP informed all the PRAs namely i.e., "Consortium of Chinar Steel Segment Centre Private Limited Sunrise Industries & Crown Steels", "PR Industries Private Limited" and "ADI Impex Infra Services" about the Swiss Challenge Mechanism which was adopted by the CoC as the challenge process for maximization of value of the Corporate Debtor and the last date for submission of final offer along with authorization was extended till 19.09.2023 and last date for submission of final Resolution Plan has been extended till 21.09.2023. The RP also informed Palika Towns LLP that the last date for submission of final offer along with authorization has been extended till 19.09.2023 and the last date for submission of final Resolution Plan was extended till 21.09.2023.

That the RP convened the 11th CoC meeting on 20.09.2023, wherein, the RP apprised the sole CoC member that only one counteroffer has been received on 20.09.2023 from PR Industries Pvt. Ltd.

Thereafter, the RP in the 11th CoC meeting convened on 20.09.2023 re-encapsulated the process being followed under the Swiss challenge mechanism and requested all the PRA's to submit the revised resolution plan by 21.09.2023. Thereafter, Authorised Representative of PR Industries Pvt. Ltd. requested the CoC to extend the timeline for submission of the revised resolution plan by 1 more day. In view thereof, CoC extended the last date for submission of the resolution plan to 22.09.2023. In furtherance of the same, the RP informed Palika Towns LLP that one counter offer has been received and further apprised that they may submit the final resolution plan till 22.09.2023 in accordance with the process document.

The RP convened the 12th CoC meeting of CoC on 25.09.2023, wherein RP apprised that the counteroffer received against the offer made by H1 PRA was discussed in the previous meeting and the same was shared with the H1 PRA as an opportunity to improve its offer. Accordingly, the revised offer was received by 20.09.2023 and the same was duly shared with the CoC. The Applicant further re-encapsulated that the timeline for submission of final revised resolution plan was extended till 22.09.2023 which was duly received within the stipulated timeline and the same was shared with the CoC for their kind consideration.

Thereafter, 13th CoC meeting was convened on 06.10.2023 wherein the RP apprised the CoC members that clarifications, as sought on the final revised resolution plan from representatives of the PRA's i.e., Palika Towns LLP

and PR Industries Pvt. Ltd., were duly received on 27.09.2023 by way of an addendum and the same was shared with the CoC for their consideration.

The RP thereafter apprised the CoC members that he and his team have duly analyzed all the Resolution Plans vis-à-vis legal compliances and has found that the resolution plans submitted by Palika Towns LLP and PR Industries Pvt. Ltd. to be compliant with provisions of Code and CIRP Regulations and provisions of RFRP while resolution plan submitted by Chinar Steel Segment Centre Private Limited, Sunrise Industries & Crown Steels in consortium & the resolution plan submitted by ADI Impex Infra Services are non-compliant basis non submission of affidavits under section 29A and undertaking as provided in Regulation 39 of CIRP regulations.

In view of the same, the RP apprised that he shall be placing Resolution Plans submitted by Palika Towns LLP and PR Industries Pvt. Ltd. before the CoC under Section 30(3) of the Insolvency and Bankruptcy Code, 2016. Thereafter, the discussion on feasibility and viability of both the Resolutions plans took place.

The RP then submitted the plans submitted by Palika Towns LLP and PR Industries Pvt. Ltd. under Section 30(3) for approval of CoC along with compliance certificate(s). Upon receipt of Performance Security from Successful Resolution Applicant namely Palika Towns LLP, the application for approval of Resolution Plan was approved by Hon'ble NCLT vide order dated 17.04.2024.

COC Constitution

The CoC was constituted by the IRP/RP namely Mr. Saurabh Chawla as per the relevant provisions of IBC, 2016 with ASREC (India) Limited being the sole (unrelated) Financial Creditor.

Another Financial Creditor namely Harig India Private Limited was found to be related Financial Creditor. Hence, was not a part of the COC.

COC Meetings

Total 14 meetings of CoC were held in the matter of Harig Crankshafts Limited

The **first meeting** of the Committee of Creditors (CoC) was held on April 27, 2023, during which the Interim Resolution Professional (IRP) briefed members on the claims received and the CoC's constitution under the relevant provisions of the Insolvency and Bankruptcy Code (IBC), 2016. He emphasised the need for effective operations of the Corporate Debtor and highlighted the appointment of various professionals to assist in this process. The COC also approved the continuation of IRP as RP for the CD.

The **second meeting** took place on May 9, 2023. The RP briefed about the requirement of conducting valuation and Transaction Review Audit and appointment of professionals thereof. He also briefed the members of CoC about the activities carried out by him and requested the members to take note of the same.

The **third meeting**, held on May 25, 2023, the RP shared the updates since with the earlier COC Meeting and also discussed plans to invite Expressions of Interest (EoI) from eligible potential resolution applicants (PRAs) for submitting resolution plans, as per IBC provisions.

The **fourth meeting** was conducted on June 26 2023. The RP discussed about the Expression of Interests received from PRAs pursuant to invitation issued for submission of Resolution Plan(s). The RP further presented the draft RFRP and Evaluation Matrix to be circulated with PRAs upon approval of COC.

The **fifth meeting** of CoC was held on 11.07.2023 wherein the RP apprised the sole COC member about issuance of the Provisional List of PRA's, Objections to the same and issuance of Final List of PRA's. The RP also requested the COC for approval of CIRP Cost pending approval. Appointment of Statutory and approval of the COC for the same.

The **sixth meeting** of CoC was held on 25.07.2023 wherein the RP sought and obtained the members' consent COC members on the basis of request of PRA's. The RP also apprised the CoC about update of claims.

The **seventh meeting** of the Committee of Creditors (CoC) was held on August 10, 2023. During this meeting, the Resolution Professional (RP) updated the members about corporate compliances of the Corporate Debtor as per Companies Act, 2013, status of litigations and appointment of consultant for GST related compliances.

The **eighth meeting** of CoC was held on 24.08.2023 wherein the RP discussed the updates in the matter since seventh COC meeting, update on claims and request by one of the PRAs for extension of timeline for submission of Resolution Plan. The said request of PRA for extension of timeline was rejected by the CoC.

The **ninth meeting** of CoC was held on 29.08.2023 wherein the RP placed the Resolution Plans received u/s 25 (2)(i) of the code for discussion before CoC. The resolution plans received were opened before the

Resolution Applicants (RAs) concerned for maintaining utmost transparency.

Further **tenth meeting** of CoC was held on 11.09.2023 to discuss and present the compliance status of the Resolution Plans received from the RAs and to discuss the way forward in the resolution process wherein it was discussed and decided by the COC that Swiss Challenge Mechanism be adopted for maximization of value. Accordingly, the Swiss Challenge Mechanism was devised and shared with the RAs by the RP.

The **eleventh meeting** of CoC was held on 20.09.2023 wherein the RP updated the members of the CoC about the status of Transaction Audit Report and the Revised Resolution Plans received on 28.08.2023 in accordance with the Swiss Challenge Mechanism.

The **twelfth meeting** of CoC was convened on 25.09.2023 wherein the RP apprised the CoC about the Revised Final Resolution Plans received along with the counteroffer received from H1 RA in accordance with the Swiss Challenge Mechanism.

During the **thirteenth meeting** of CoC convened on 06.10.2023, the RP presented the compliant resolution plans before the CoC for their consideration about the feasibility and viability and for approval of the same. After thorough discussion on the compliant resolution plans, the CoC approved the Resolution Plan submitted by Palika Towns LLP along with other agendas such as expenses towards preservation of records, incentive fees for the RP, etc.

Accordingly, the Resolution Professional filed an application for approval of Resolution Plan vide IA no. 554/2023 in accordance with the provisions of section 30(6) of the Code read with Regulations made thereunder with the Hon'ble NCLT, Allahabad Bench for its necessary approval. The Plan was thereafter approved vide order dated 17.04.2024.

Summary of the Proposed Settlement

Particulars	Admitted Claims (Rs.)	Amount Proposed (Rs.)	Upfront Payment Amount (within 3 months of approval of Resolution Plan by the Hon'ble NCLT) (Rs.)	Remaining Payments
IRP costs (approx.) (Total)	-	30,00,000/-	30,00,000/-	-
Operational Creditors (Other than Workmen & Employees)	3,11,82,284/-	3,70,962/-	3,70,962/-	-
Employees & Workmen	-	-	-	-
Operational creditors (Government Dues)	35,29,86,837/-	5,30,000/-	5,30,000/-	-
Secured Financial Creditors	2,77,77,48,481/-	75,00,00,000/-	55,00,00,000/-	20,00,00,000/-
Dissenting Financial Creditors	-	-	-	-
*Contingencies	-	-	-	-
Total Value in Resolution Plan	3,16,19,17,602/-	75,40,00,962/-	55,40,00,962/-	20,00,00,000/-

Proposed Timelines:

1. **Trench 1** – Within 3 days from approval by Hon’ble NCLT – Rs. 15,40,00,962/-
2. **Trench 2** – Within 60 days from approval by Hon’ble NCLT – Rs. 40,00,00,000/-
3. **Trench 3** – Within 120 days from approval by Hon’ble NCLT – Rs. 20,00,00,000/-

Timeline

- Application under section 7 of the Insolvency and Bankruptcy Code, 2016 for initiation of corporate insolvency resolution process against the Corporate Debtor namely Bulland Buildtech Pvt Ltd was filed by Bank of India which was later substituted by ASREC (India) Limited before the Hon'ble NCLT which was admitted vide order dated 31.03.2021 wherein Mr. Saurabh Chawla was appointed as IRP.
- Public Announcement was made by him on 03.04.2023 for invitation of claims from various stakeholders of Harig Crankshafts Limited.
- CoC in its 1st meeting decided to continue the IRP to act as RP.
- Form G was published on 30.05.2023
- Total 8 PRAs submitted their Expression of Interest out of which only 4 resolution plans were received by the RP.
- Palika Towns LLP emerged as Successful Resolution Applicant.

Bibliography

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