



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

**Casebook Issue
16:**

**Corporate Insolvency
Resolution Process of
Charming Apparels
Pvt. Limited**

**INSOLVENCY
UNCOVERED**

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About M/s Charming Apparels Private Limited1

M/s Charming Apparels is a Private Limited Company which was incorporated on 31st January, 1991. It is classified as Non-Government Company and is registered with the Registrar of Companies, Delhi.

Its authorized share capital is Rs. 3 crores and its paid up capital is Rs. 2.87 crores. It is involved in wholesale trade on a fee or contract basis [includes commission agents, commodity brokers and auctioneers and all other wholesalers who trade on behalf and on the account of others.]

Its registered address is 402-405, 1st Floor, Kucha Mahajani Chandni Chowk, Delhi-110006. Its 2 directors are Mr. Rahul Jain and Mr. Atul Jain.

Major Financial Creditors/Bankers 2

The major bankers/ financial creditors are HDFC Bank with a credit exposure of Rs. 11.07 crores(secured), followed by Kotak Mahindra Bank with an exposure of Rs. 2.77 crores, HDFC Bank Ltd with an exposure of Rs. 26.38 lacs(unsecured), IndusInd Bank with an exposure of Rs. 14.38 lacs and Birla Finance Limited with an exposure of Rs. 16.72 lacs.

CIRP of M/s Charming Apparels Private Limited

CIRP initiation under Section 9 of I&B Code, 2016

Insolvency and Bankruptcy Code, prior to the latest amendment, allowed initiation of CIRP on a default of Rs. 1 lakh and above which is now Rs. 1 crore and above by the operational creditors under Section 9 of IBC.

Admission and Initiation of CIRP of M/s Charming Apparels Private Limited

Corporate Insolvency Resolution Process (CIRP) was initiated and was presented for hearing before the Adjudicating Authority, NCLT of New Delhi Bench. The bench was represented by Adv. Mr. Mayank Goel to represent M/s. Rachna Sarees and Adv. Mr. Manish Aggarwal, Adv. Ms. Priyanka Kathuria, Adv. Ms. Runul Rastogi and Adv. Mr. Vaibhav Jain to represent for M/s. Charming Apparels Pvt. Ltd.

Application was filed under Section 9 of the IBC read with Rule 6 of Insolvency & Bankruptcy (Application to AA) Rules, 2016 by M/s Rachna Sarees who was one of the Operational Creditor seeking initiation of CIRP of Charming Apparels Private Limited on 08th Dec, 2017.

Appointment of Mr. Alok Kumar Kuchhal as the IRP

On 08th Dec, 2017, vide order number CP (IB)/348/NCLT/ND/2017 Mr. *Alok Kumar Kuchhal* was appointed as the Interim Resolution Professional (IRP). The name of Mr. Kuchhal was proposed by the Operational creditors, M/s. Rachna Sarees and to that Adv. Mr. Mayank Goel, advocate of the petitioner, submitted a No Objection Certificate (NOC). The IRP Mr. Kuchhal was directed to do all the

necessary actions in terms of announcements, publications and declarations in consonance with the Code.

Change of Resolution Professional

Though the IRP was appointed but due to lots of lapses, on 4th sept, 2018 in COC meeting request for change of RP was placed and the same was approved. Mr. Arvind Garg on 26th Nov, 2018 took over as the Resolution Professional. Mr. Arvind Garg moved to NCLT Bench New Delhi with an appeal to exclude 76 days from the period of 180 days as during this period his confirmation as RP was lying pending.

On 5th Feb, 2019 Mr. Alok Kumar Kuchhal by an order under NCLT Bench moved an application for clearance of all his dues for the CIRP Process.

Claims received by the Resolution Professional

Soon after the procedures of Public announcement the claims were invited and filed by the financial creditors and the operational creditors. Claims by HDFC Bank, Kotak Mahindra Bank, IndusInd Bank, and Bajaj finance amounted to Rs. Fourteen Crore Forty Two Lakh Thirty One Thousand Thirty.

The Operational Creditor were 18 in numbers and amount claimed was Rs. Five Crore Thirty Five Lakh Forty Eight Thousand Eight Hundred Fifty Six against which Rs. Three Crore Forty Nine Lakh Three Thousand Nine Hundred Twenty Four was admitted.

Invitation for Prospective Resolution Applicant and Acceptance of Mr. Sanjay Singhal as the eligible Resolution Applicant

Mr. Arvind Garg invited the Resolution plan from Prospective Resolution Applicants. To this invitation 7 prospective applicants submitted their Expression of Interest (EOI). After analysing all the credentials and parameters of eligibility, the Resolution plan of Mr. Sanjay Singhal was found to be most impressive.

The 10th COC meeting was called and the resolution plan was presented to the COC who approved it 97.81% of voting. Mr. Singhal was advised to infuse Rs. 17 crores to meet the necessary requirements. The COC was impressed with the profile of Mr. Singhal whose net worth was of Rs. 100 crores.

Affidavit u/s 29 (A) was also taken from Mr. Sanjay Singhal.

Abiding by the terms under section 30(6), the Resolution Professional submitted the Resolution Plan seeking an approval under section 31(1) of the Code.

Highlights of the Resolution Plan

The said Resolution Plan includes the financial outlay as certified by the Resolution Professional including inter –alia:

- All the assets of the Corporate Debtor shall be acquired by the Resolution Professional on an “As is where is basis” which includes movable and immovable assets, as well as proprietary rights over the registered Trademark/ brand “Charming”,
- The Resolution applicant shall also contribute upto Rs. 2 crores as an additional Capital Expenditure.
- The Existing Equity shares of the company shall be cancelled and the new equity share will be issued. The Existing Shareholders shall not be entitled to any demand or Compensation.

- The Existing Board of Directors shall be replaced by new Board of Directors.
- The Resolution Applicant shall only be liable for the claims received by the RP during CIRP.
- The RP has provided for constitution of Monitoring Committee headed by RP and 2 other person's one each nominated by the 2 secured financial creditors namely HDFC Bank and Kotak Mahindra Bank to monitor full implementation of plan.
- The business of the Corporate Debtor shall be managed by the new Board Members.

Objections raised in Resolution Plan by Ex-Directors

There were various grounds on which the Ex-Directors raised objections against the Resolution Plan, few being as:

- The Information Memorandum (IM) did not disclose the entire assets of the Corporate Debtor (CD).
- Lack of provisioning being made was noticed for the employees and the workman.
- Claims of the Financial Creditors viz. Kotak Mahindra Bank, HDFC Bank and others were considered and admitted to the tune of 100%, while for OC's only 43% of their claims were only admitted.
- The Innova Car which was seized by the RP was not an asset of the CD but was taken into account.
- Moreover, the valuation report of the assets was not shown by the RP and they suspected that there was a possibility that the assets were undervalued.

CIRP Timeline



- 31st January, 1991
- Date of incorporation of Charming Apparels Private Limited .



- 08th December, 2017
- CIRP of Charming Apparels Private Limited admitted
- Appointment of Mr. Alok Kumar Kucchal as IRP



- 04th September , 2018
- COC Meeting
- Change of RP



- 26th November, 2018
- Mr. Arving Garg appointed as IRP in place of Mr. Kucchal



- 04th January, 2019
- Exclusion of 76 days



- 05th February, 2019
- Alok Kumar Kucchal filed for clearances of his dues



- 30th July, 2019
- Resolution Plan Accepted



- 10th Feb, 2020
- COC Plan approved

Bibliography

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2. https://nclt.gov.in/order-judgements?field_bench_target_id=5366&field_search_date_value_1%5Bmin%5D%5Bdate%5D=&field_search_date_value_1%5Bmax%5D%5Bdate%5D=&title=348&field_search_date_value_5Bvalue%5D%5Byear%5D=&field_name_of_petitioner_value=&field_name_of_respondent_value=&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=charming+&date=&nclt=>