



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

**Casebook Issue**

**29:**

**Insolvency Tale of  
Rainbow Papers  
Limited**

**INSOLVENCY  
UNCOVERED**

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### **About Rainbow Papers Limited (“RPL”)<sup>1& 2</sup>**

Rainbow Papers Limited is engaged in manufacturing and trading of paper. The Company is engaged in manufacturing and processing of paper products. It operates through the geographical segments: India and Outside India. It offers a range of paper, including writing and printing paper, newsprint paper, duplex board, coated paper, colour paper and board, crepe paper, poster paper, cast coated paper and fluorescent paper.

Its products include Uncoated Woodfree Paper, including Red Maplitho, Green Creamwove and Indigo Plus; Paper Board, including Samrat HWC GreyBack, HWC KraftBack and Kraft Board; MG Kraft Paper; Colour Paper and Boards, including Bristol Paper/Manila Paper & Board 150-170 GSM and Colour File Board (Coated/Uncoated); Coated Paper, including One Side Coated Art Paper & Board (Art Paper & Board) and Two Sided Coated Art Paper & Board (Art Paper & Board), and Specialty Grades, including Black Centered Art Board, ARSR Chromo Paper (Soap/Gutka Grade) and Crepe & Decorative Paper.

It has its registered office at 801, Avdesh House, 8th Floor, Gandhinagar-Sarkhej Highway Thaltej, Ahmedabad Gujarat- 380054. Its Authorised Capital is Rs. 40 crores and Paid up Capital is Rs. 21.24 crores. Its CIN is L21010GJ1986PLC008772. It was incorporated on 4<sup>th</sup> July 1986 as a public limited company, limited by shares and it has seven directors namely Mr. Ajay Kumar Radheshyam Goenka, Rahul Jamna Prasad Maheshwari, Abhilash Khimabhai Shakya, Indrasinh Becharsinh Zala, Kantibhai Hirabhai Patel, Shabsikant Natverlal Thakar and Mr. Aanal Nandik Trivedi.

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

Financial creditors were Bank of India, Indian Overseas Bank, Allahabad Bank, Union Bank of India, Dena Bank, Corporation Bank, Punjab National Bank, Axis Bank, Asset Care and Reconstruction Enterprise Limited, Industrial Finance Corporation of India Limited, Tourism Finance Corporation of India Limited etc.

## CIRP of Rainbow Papers Limited (RPL)

### Operational Creditor files application in National Company Law Tribunal (“NCLT”)<sup>3</sup>

The Petition was received by transfer from the Gujarat High Court pursuant to Rule 5 of the Companies (Transfer of pending proceedings) Rules, 2016 under Rule 7 of the Companies (Transfer of pending proceedings) Rules, 2016. The Petition was filed under section 433(e) of the Companies Act, 1956 by Rachna Air Components Private Limited.

Rule 5 of the Companies (Transfer of pending proceedings) Rules, 2016 directs the petitioner to submit all the information other than information forming part of record transferred, required for admission of petition under section 7, 8 and 9 of Insolvency and Bankruptcy Code, 2016 including the details of proposed IRP to this Tribunal. The petitioner had been directed to furnish all the required documents on or before 15<sup>th</sup> July 2017. The Petitioner failed to furnish documents within the stipulated time. On 11<sup>th</sup> August 2017, petition filed was abated.

Again, application was filed in National Company Law Tribunal (“NCLT”). The Petitioner Neeraj Paper Agencies Ltd. (“NPAL”) was 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) Rules, 2016 had been filed for initiating the insolvency resolution process against Rainbow Papers Limited. RPL herein the Corporate Debtor (CD) owed a sum of Rs. 1.26 crores to NPAL.

After discussions and due deliberations, NCLT observed that application deserved to be admitted. The Petitioner did not propose the name of Interim Resolution Professional (“IRP”) and requested NCLT to appoint the IRP.



#### **NCLT appointed of Interim Resolution Professional (“IRP”)**<sup>4</sup>:

The Insolvency and Bankruptcy Board of India (“IBBI”) vide its letter dated 20<sup>th</sup> September 2017 recommended the name of Mr. George Samuel to act as IRP. NCLT vide its order dated 22<sup>nd</sup> September 2017 appointed Mr. George Samuel as IRP.

#### **Committee of Creditors (“COC”) replaced IRP**<sup>5</sup>

CoC in its meeting passed resolution to appoint Mr. Ramchandra D Chaudhary under section 22 of the Code as Resolution Professional. NCLT vide its order dated 6<sup>th</sup> November, 2017 confirmed the appointment of Mr. Ramachandra D Chaudhary as RP.

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

COC in its meeting dated 17<sup>th</sup> February 2018 by 99.78% majority, resolved for seeking extension for another 90 days. NCLT allowed the application and granted extension by 90 days on 19<sup>th</sup> March 2018.

#### **RP files application for approval of Resolution Plan in the NCLT**<sup>7</sup>

RP made public announcement in newspapers for inviting expression of interest (“EOI”) fixing the last date as 7<sup>th</sup> February 2018. On the said date, the applicant received a resolution plan from Kushal Limited (“H1”), but the said plan was rejected by the COC in its 4<sup>th</sup> Meeting held on 17<sup>th</sup> February 2018, as the minimum eligibility criteria with respect to Earnest Money Deposit (“EMD”) was not met. COC resolved to invite fresh EOI.

On issuance of fresh EOI, RP received resolution plan again from the same applicant M/s Kushal Limited jointly with Mr. Sandip Agarwal, along with two more parties namely Shree Rama Newsprint Limited jointly with Riddhi Siddhi Glucoboils Limited and M/s Poddar International Limited with three others, had also submitted their EOI. But out of the three none turned up except M/s Kushal Ltd. and this time they deposited Rs. 30 crores as EMD also. The said plan was placed in fifth meeting of COC

dated 27<sup>th</sup> March 2018 where the COC put the same for consideration in the next meeting.

In the 6<sup>th</sup> Meeting, on detailed discussions in the COC, it was found that resolution applicant had not made significant improvement in the revised Resolution Plan. Therefore, the Resolution Applicant was advised to proceed with the Forensic Audit of the CD. After improvement being made in the resolution plan, it was put for approval through e- voting on 6<sup>th</sup> June 2018 and 7<sup>th</sup> of June, 2018 and the same was approved by 79.79% majority.

RP filed application to NCLT for approval of resolution plan. It had been observed by the NCLT that number of interventions applications had been filed relating to claims by Shree Ganpatlal Onkar Agrawal & Co., Swastik Coal Corporation Private Limited, Tourism Finance Corporation of India Limited, Virag Enterprises, Sales Tax Officer. The cases after hearing arguments were dismissed by the NCLT. Thus, NCLT vide its order dated 27<sup>th</sup> February 2019 approved the resolution plan submitted by Kushal Limited.


### **Concluding Notes**

The Insolvency Process journey of Rainbow Papers Limited came to an end after the approval of Resolution Plan, on 27<sup>th</sup> February 2019. The Liquidation value of Corporate Debtor was Rs. 424.00 crores whereas the Resolution Applicant proposed to offer the value to the tune of Rs. 632.67 crores which was way beyond liquidation value. The total outstanding amount due to financial creditors was around Rs. 1468.25 crores and that to operational creditors were Rs. 139.40 crores.


Tourism Finance Corporation of India Limited, Virag Enterprises, Sales Tax Officer aggrieved by the NCLT order dated 27<sup>th</sup> February 2019 moved to National Company Law Appellate Tribunal (“NCLAT”), where also their cases were dismissed.


The Company was converted into LLP and later, the company was dissolved and amalgamated into Kushal Limited.


## CIRP Timeline

- 
- 12.09.17
  - NCLT admitted the application for commencement of CIRP.

- 
- 22.09.17
  - NCLT appointed Mr. George Samuel as Interim Resolution Professional.

- 
- 06.11.17
  - NCLT confirmed the appointment of RP.

- 
- 19.03.18
  - Extension of 90 days allowed.

- 
- 27.02.19
  - NCLT approved the resolution plan.



## **Bibliography**

<sup>1</sup> <https://in.reuters.com/finance/stocks/company-profile/RNBP.NS>

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

<sup>3</sup> <http://164.100.158.181/Publication/Ahmedabad Bench/2017/Others/272.pdf>

<http://164.100.158.181/Publication/Ahmedabad Bench/2017/Others/398.pdf>

<sup>4</sup> <http://164.100.158.181/Publication/Ahmedabad Bench/2017/Others/429.pdf>

<sup>5</sup> <http://164.100.158.181/Publication/Ahmedabad Bench/2017/Others/532.pdf>

<sup>6</sup><https://nclt.gov.in/sites/default/files/Final-orders->

[pdf/Final\\_Ramchandra%20D%20Chaudhary%20RP%20of%20Rainbow%20Paper%20Ltd.%](https://nclt.gov.in/sites/default/files/Final-orders-pdf/Final_Ramchandra%20D%20Chaudhary%20RP%20of%20Rainbow%20Paper%20Ltd.%)

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<sup>7</sup><https://ibbi.gov.in/uploads/order/e937889of325e8b99e3f111fea7c1f29.pdf>

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