



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

Casebook Issue 26:
Corporate Insolvency
Resolution Process of
Compact Lamps
Private Limited

**INSOLVENCY
UNCOVERED**

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About M/s Compact Lamps Private Limited¹

M/s Compact Lamps Private Limited is a Private Limited Company which was incorporated on 26th August, 2005. It is classified as Non-Government Company classified as a company limited by shares. It is registered at Registrar of Companies, Delhi. Its authorized share capital is Rs. 20.00 crores and its paid-up capital is Rs. 18.21 crores.

The Company was a manufacturing unit and was involved in making of electric lamps, lighting equipment, LED, Solar LED, Street Light, Outdoor Lights, Office and shop lightning, home lighting panels, mirror optic fixtures, ballasts, downlights and metal halide tubes.

The company has two directors Mr. Kapil Gupta since inception of the company and Ms. Sonia Kapil Gupta since 1st May, 2018.

M/s Compact Lamps Private Limited Corporate Identification Number is (CIN) U31501DL2005PTC140073. Its registered address is No.101/F Village Gharonda Neem Ka Bangar, Main Road Village Patparganj, Near Mayur Vihar, Phase – I, Delhi – 110091 India.

Major Financial Creditors/Bankers²

The major bankers/ financial creditors with secured loans are HDFC Bank with an exposure of Rs. 41.00 crores, United bank of India with Rs. 32.54 crores, IndusInd Bank with Rs. 32.14 crores, Standard Chartered Bank with Rs. 23.28 crores, Yes Bank with Rs.22.32 crores, Axis Bank with Rs. 20.90 crores, RBL Bank with Rs. 19.92 crores, ICICI Bank with Rs. 16.32 crores, IDFC FIRST Bank with Rs. 4.43 crores.

They also had some unsecured loans from American Exports Banking Corp. for Rs. 4.93 crores, Bajaj Finance for Rs. 23.63 crores and Federal Bank Limited for Rs. 23.70 crores.

CIRP of M/s Compact Lamps Private Limited

Admission and CIRP initiation under Section 9 of I&B Code, 2016 of M/s Compact Lamps Private Limited³

Section 9 of IBC gives power to the Operational Creditors (OC) of a company to initiate a Corporate Insolvency Resolution Process (CIRP) after a default has taken place by a Corporate Debtor. The Operational Creditor has to send a demand notice of its unpaid invoices, demanding payment of the amount involved in the default under Section 8(1) of IBC,2016.

Abiding to the Code, application was filed under Section 9 of the IBC read with Rule 6 of Insolvency & Bankruptcy (Application to AA) Rules, 2016 by M/s Captain Offset Printers who was one of the Operational Creditors seeking initiation of CIRP of M/s Compact Lamps Private Limited, the Corporate Debtor in this case, on 11th January, 2019. The OC claimed that they were the suppliers of corrugated boxes and were supplying material since April 2017 till June 2018, but none of their invoices were paid and they totaled to an outstanding amount of Rs. 48.39 lacs.

Corporate Insolvency Resolution Process (CIRP) was initiated and was presented for hearing before the Adjudicating Authority, NCLT of New Delhi Bench.

Appointment of Ms. Deepika Bhugra Prasad as the IRP⁴

Ms. Deepika Bhugra Prasad was appointed as the Interim Resolution Professional (IRP) for this case vide order no. CP (IB)/1272/NCLT/ND/2018 dated 11th January,2019.

The Corporate Debtor had not proposed the name of any IRP, therefore, the name of Ms. Deepika Bhugra Prasad was instructed by the Hon'ble bench of NCLT, New Delhi.

The Operational Creditor was directed to pay a sum of Rs. 2.00 lacs towards meeting of expenses towards the CIRP Process. The Court assured that the amount would be reimbursed back by the Financial Creditors after the formation of the CoC as the expense statement would be required to be submitted by the IRP to the CoC for approval.

The Hon'ble bench ordered that the IRP and the related parties be informed about the admission of the case and Moratorium under section 14 of IBC,2016 to be in effect.

American Exports Banking Corporation files petition for initiation of CIRP under Section 7 of IBC,2016⁵

On 11th February, 2019, vide Item no. 128 (IB)-1099 (PB)/2018, American Exports Banking Corporation file a petition for initiation of CIRP under section 7 of I & B Code. Section 7 empowers a Financial Creditor to file for initiation of Corporate Insolvency Resolution Process against a Corporate Debtor.

But the case was dismissed as on 11th January 2019, M/s Captain Offset Printers had already filed a petition under section 9 of IBC and the same was already admitted. As per provisions of Section 11 of the Code, another CIRP cannot be initiated against the same Corporate Debtor who is already under going through one CIRP process. But indeed, if their claims are been submitted within the time frame and in accordance to the law, the same will be considered and admitted by the IRP Ms. Deepika Bhurga Prasad.

1st CoC Meeting, appointment of RP & Extension of Petition for CIRP Period⁶

On 14th February, 2019, the 1st meeting of the Committee of Creditors (CoC), IRP Ms. Deepika Bhurga Prasad was confirmed as the Resolution Professional with 100% vote for the case. The same was put in Order number (IB)-1372(PB)/2018 dated 8th March,

2019 of the Hon'ble Bench of NCLT, Delhi. She was directed to proceed in consonance with the Code and the progress report to be submitted periodically.

The RP Ms. Deepika Bhugra Prasad, filed a petition under Section 19(2) read with Section 60(5) of the Code and prayed for an extension of 90 days for the CIRP process which was allowed.

Non-receipt of Resolution Plan⁷

It was observed that after the publication of Expression of Interest four times and after putting all the efforts in marketing of the Corporate Debtor the Resolution Professional did not receive any Expression of Interest from a prospective resolution applicant. The Resolution Professional had deliberated with the CoC about the position of the Corporate Debtor in the market and the shortcomings that are refraining the interested parties from submitting the Expression of Interest with the members in the seventh meeting whereby she opined that there has been a shift/change in the technology and the lighting business that lead to the downfall of the business of the Corporate Debtor, further the promoter had not built any goodwill in the market/industries. The minimum eligibility criteria were also modified to get more and more prospective resolution applicants by the Resolution Professional in consonance with the view of the members.

Orders for Liquidation⁸

The RP Ms. Deepika Bhurga Prasad submitted a comprehensive affidavit and mentioned that in response to the Expression of Interest (EOI) that was floated only one EOI was received but that too was subsequently withdrawn resulting in no Resolution Plan being received.

The CoC members were appraised that the CIR process period also stood expired of 270 days (180 days and +90 days) on 8th October, 2019, therefore under Section 33(1)(a) of the Code, the RP proposed for liquidation, as the only option on the 8th CoC

meeting held on 7th October, 2019 and unanimous decision was taken to file the petition on 9th October, 2019. The CoC appointed her as the Liquidator and approved her fees as a Liquidator and advised to take the required steps at the earliest and file her interim report pertaining to Liquidation.

The Hon'ble Bench found merits in the prayer and gave its consent to commence the Liquidation vide order number (IB)-1372(PB)/2018 dated 31st October, 2019, and directed Ms. Deepika Bhugra Prasad to act as the Liquidator.

Total Claims in the process of Liquidation admitted provisionally

The last date for receipt of the claims was 22nd January, 2020 and the claims received are as below:

<u>Class of Creditors</u>	<u>Amount of Claim</u> (Rs. /in crores)	<u>Amount Admitted</u> (Rs. /in crores)
Financial Creditors	Rs. 223.31 Crores	Rs. 223.17 Crores
Operational Creditors-other than workmen and employees	Rs.11.77 Crores	Rs. 9.95 Crores
Workmen & Employees	Rs. 4.16 Crores	Rs. 4.16 Crores
Total	Rs. 239.25 Crores	Rs. 237.29 Crores

Concluding Notes

As per Regulation 13 of the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016, the Liquidator had filled the Preliminary Report in the Liquidation Process of Compact Lamps Private Limited before the Hon'ble NCLT, New Delhi Bench on 11th March, 2020.

CIRP Timeline

- 26th August, 2005
- Date of incorporation M/s Compact Lamps Private Limited

- 11th January, 2019
- CIRP of M/s Compact Lamps Private Limited admitted
- Appointment of Ms. Deepika Bhugra Prasad as IRP

- 11th February, 2019
- Petition for Initiation of CIRP under section 7 by American Exports Banking Corporation

- 14th February, 2019
- 1st CoC meeting conducted
- Appointment of IRP as RP
- CoC approval for extension of CIRP

- 7th October, 2019
- 8th CoC
- Liquidation request approval from CoC

- 9th October, 2019
- Petition filed for Liquidation of the Corporate Debtor

- 31st October, 2019
- Orders from Hon'ble NCLT Bench for Liquidation

- 22nd January, 2020
- Last date for submission of Claims

- 11th March, 2020
- Preliminary Report for Liquidation filed.

Bibliography

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4[https://ibbi.gov.in/webadmin/pdf/order/2019/Apr/11th%20Feb%202019%20in%20the%20matter%20of%20Compact%20Lamps%20Pvt.%20Ltd.%20\(IB\)-1099\(PB\)-2018_2019-04-01%2010:51:04.pdf](https://ibbi.gov.in/webadmin/pdf/order/2019/Apr/11th%20Feb%202019%20in%20the%20matter%20of%20Compact%20Lamps%20Pvt.%20Ltd.%20(IB)-1099(PB)-2018_2019-04-01%2010:51:04.pdf)

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