



**Casebook Issue 52:**  
Insolvency Tale of  
Turbomachinery Engineering  
Industries Limited

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



**INSOLVENCY  
UNCOVERED**

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## **About Turbomachinery Engineering Industries Limited1**

Turbomachinery Engineering Industries Ltd., is an ISO 9001 - 2000 certified company incorporated on 24 February 1987, is unique in the country as ONE STOP-SHOP for total power plant services in the areas of EPC Contracts, O & M Contracts, Renovation & Modernization, Re-Engg & Relocation of Power plants, in addition to Refurbishments & Retrofits, Supply of Spares & Field Services for many customers in the power and process industries of India and Overseas. It's a private unlisted company and is classified as 'company limited by shares'. Its authorized share capital is Rs. 80,000,000 and its paid-up capital is Rs. 78,091,280.

Company is registered with the Registrar of Companies, Hyderabad, Registrar Office address is Plot No. 309, IDA Bachupally Miyapur-Bollaram Road Hyderabad, Telangana, 500072. Company's registration number is 007207 and its Corporate Identification Number(CIN) is U29219TG1987PLC007207 . Directors of the Company are Mr. Subba Rayudu Thota, Mr. Venkateswarlu Thota, Mr.Rama Krishna Rajendra Gandhi Bommadevara.

Turbomachinery has experienced engineers/ experts, who have put in more than 20 to 30 years of service in Bharat Heavy Electricals Ltd., (OEM for Steam & Gas Turbines) in various disciplines like Design, Manufacturing, Testing, Repairs and Services, well supported by hundreds of young and dynamic engineers and technicians. In their In-house R & D Labs, approved by the Ministry of Science and Technology, Govt. of India, new technologies have been successfully developed for refurbishment of critical components of rotating equipment like bend removal of rotors by thermal stability test facility, material build-up on worn-out/ damaged rotors etc.

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

The major financial creditor was M/s. Indian Renewable Energy Development Agency Limited (IREDA).

**CIRP OF TURBOMACHINERY ENGINEERING INDUSTRIES**  
**LIMITED**

**Initiation of CIRP under Section 7 of I&B Code, 2016**

Indian Renewable Energy Development Agency Limited (IREDA) filed an application under Section 7 of the Insolvency and Bankruptcy Code, 2016 (Code) read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rule, 2016 against Turbomachinery Engineering Industries Ltd.

The Petitioner submitted that one M/s. Suchand Powergen Private Limited. (Principal Borrower) which is one of the Group companies of the Respondent/Guarantor herein has borrowed money to the tune of Rs.1668.00 Lakhs from the Petitioner/Financial Creditor and entered into a Loan Agreement on 12.02.2001. The Promoters of the Respondent/Guarantor and the Respondent itself stood as Guarantors for the said loan availed by the Principal Borrower and they have executed a deed of guarantee dated 09.07.2001 with the Petitioner/Financial Creditor. Respondent/Guarantor had also given an undertaking for Non-Disposal/Pledge of Shares of the Principal Borrower on 28.07.2001.

The learned counsel for the Petitioner/Financial Creditor submitted that the Respondent is a Guarantor for the loan availed by the Principal Borrower and it had entered into a deed of guarantee on 09.07.2001 and the Petitioner/Financial creditor where by the Respondent/Guarantor assured to repay the amount borrowed by the Principal Borrower on its failure.



The Clause 12 clearly states and read as that "IREDA may act as if you were the Principal Debtor to IREDA". Since the Respondent/Guarantor signed the Deed of Guarantor dated 09.07.2001, cannot now deny that they have not executed the said Deed and they are extort from making a plea that they have signed only blank papers. There is no bar on the Financial Creditor to proceed against the Guarantor without exhausting remedies against the Principal Borrower.

### **Appointment of IRP**

On 10.10.2018, the Interim Resolution Professional (IRP) was appointed. The name of IRP was proposed by the financial creditor IRDEA. The IRP provided his consent to act as IRP.

In terms of Section 17 of the Code, from the date of this appointment, the powers of the Board of Directors shall stand suspended and the management of the affairs shall vest with the Interim Resolution Professional and the officers and the managers of the Corporate Debtor shall report to the IRP.

### **Order of Moratorium & Public Announcement**

Moratorium shall have effect from 10.10.2018 till the completion of the Corporate Insolvency Resolution Process for the purpose of completion of corporate insolvency resolution process referred to in Section 14 of IBC 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.

Public announcement to be made within three days as contemplated under Regulation 6 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 of the initiation of the Corporate Insolvency Resolution Process in terms of Section 13 (1) (b) of the Code read with Section 15 calling for the submission of claims against Corporate Debtors.

**Resolution Professional (“RP”) files application for Liquidation of Turbomachinery Engineering Industries Limited 4**

Resolution Professional files an application for initiation of liquidation of corporate debtor as per Sec.30(6) of IBC with AA since the COC as per section 30(6) did not approve the plans with the required majority, (i.e. only 55.41% for plan of Hytasu and 52.52% for the Shri Mangal Store Crusher plan instead of 66% majority) through E-voting. In absence of required majority of 66% as mandated in section 30(6) the resolution plan was not approved and the same was rejected .

**NCLT passes the Liquidation Order4**

The NCLT passed the liquidation order on 06.11.2019 and appointed the Liquidator as on 20.11.2019. All the powers of the Board of Directors, key managerial personnel and the partners of the Corporate Debtor, as the case

may be, shall cease to have effect and shall be vested in the liquidator appointed by AA.

This order of liquidation shall be conducted in manner as laid down in chapter III of part II of IBC and under Section 33 of the Code shall be deemed to be a notice of discharge to the officers, employees and workmen of the Corporate Debtor, except when the business of the Corporate Debtor is continued during the liquidation process by the liquidator.

The personnel of the Corporate Debtor shall extend all assistance and cooperation to the Liquidator as may be required by him in managing the affairs of the Corporate Debtor and provisions of Section 19 of the Code shall apply in relation to liquidation process as they apply in relation to resolution process.

The Liquidator for conduct of the liquidation proceedings would be entitled to the fees as provided in Regulation 4 of the IBBI (Liquidation Process Regulations), 2016 and the same will be paid to the Liquidator from the proceeds of the Liquidation Estate u/s 53 of the code. The Liquidator is directed to carry out the functions of the Liquidator as envisaged in the IBC, 2016 and IBBI (Liquidation Process) Regulations, 2016.



## Timeline



## **Bibliography**

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