

In the National Company Law Tribunal,  
Bengaluru, Special Bench

C.P. (IB)/36(BEN)2021  
Court No. 1  
Item No. 106

IBC Under Sec 10, IBC Under Sec 10

In the matter of:

ROYALOAK FURNITURE INDIA LLP  
V/s

.....Petitioner

UNION OF INDIA

.....Respondent

Order delivered on .08/04/2021

Coram:

Shri RAJESWARA RAO VITTANALA, Honble Member(J)  
Shri ASHUTOSH CHANDRA, Honble Member(T)

For Petitioner(s):

SHRI VIGNESH SHETTY

For Respondent(s):

Order

CP (IB) No. 36/BB/2021 is admitted by separate order.

Post the case for the report of IRP on 07.05.2021.



Member(T)

Amar



Member(T)

**IN THE NATIONAL COMPANY LAW TRIBUNAL  
BENGALURU BENCH**

C.P.(IB)No.36/BB/2021  
U/s 10 of IBC, 2016  
R/w Rule 7 of I&B (AAA) Rules, 2016

**In the matter of:**

**Mr. Naresh L.**

*(Partner of)*

**M/s.Royalook Furniture India LLP**

R/Off: No.5, 2<sup>nd</sup> Cross,

Kammanahalli Main Road,

St. Thomas Town,

Bangalore – 560 084.

- Corporate Applicant

**Order Pronounced on: 8<sup>th</sup> April, 2021**

**Coram:** 1. Hon'ble Shri Rajeswara Rao Vittanala, Member (Judicial)  
2. Hon'ble Shri Ashutosh Chandra, Member (Technical)

**Parties/Counsels present:**

For the Applicant : Ms. Natasha N. Murthy, Adv.  
On behalf of Mr. Vignesh Shetty, Adv.  
Mr. G. Sathyanarayana, Adv.

**ORDER**

***Per: Ashutosh Chandra, Member (Technical)***

1. C.P.(IB)No.36/BB/2021 is filed by Mr. Naresh L., Partner of M/s. Royalook Furniture India LLP ('Corporate Applicant') under Section 10 of the IBC, 2016, R/w Rule 7 of the I&B (Application to Adjudicating Authority) Rules, 2016, by inter alia seeking to initiate Corporate Insolvency Resolution Process (CIRP) in respect of M/s. Royalook Furniture India LLP, on the ground that it has committed the default for total amount of Rs.3,35,52,636/-(Rupees Three Crore Thirty Five Lakh Fifty Two Thousand Six Hundred and Thirty Six Only).
2. Brief facts of the case, as mentioned in the Company Petition, are as follows:
  - (1) M/s. Royalook Furniture India LLP ('the Company') is a Limited Liability Partnership Firm was incorporated on 30.03.2010 vide its LLPIN:AAA-

1043. It was registered under the Limited Liability Partnership Act, 2008 and carrying on operations since 2010. Its registered office at No.5, 2<sup>nd</sup> Cross, Kammanahalli Main Road, St. Thomas Town, Bengaluru – 560084. The Corporate Debtor is in the business of dealing in all kinds of furniture, fittings, timber, wooden products, plywood and teak wood and other ancillary business.

(2) It is stated that the firm could not revive the business due to financial stress for the last two years, and the additional impact of lockdown imposed by the Government from March 2020 reduced the hope of survival. The operations of the Firm have been severely affected and have had a negative effect on the Firm's Business. Due to this, the Firm is unable to pay its debts to its operational and financial creditors and has defaulted on payment during December 2019.

(3) The details of the Financial and Operational Creditors to whom payments have been defaulted are as follows:

Party Name	Amount Defaulted	Type
Jun Yu Furniture Co. Ltd.	1,447,470	Operational Creditors
Chikka Reddy	2,809,585	Operational Creditors
Sathyaraj G	6,621,350	Operational Creditors
SVS Constructions	22,356,918	Operational Creditors
Edelweiss Retail Finance	141,534	Financial Creditors
Aditya Birla Finance Ltd.	175,779	Financial Creditors
<b>Total</b>	<b>33,552,636</b>	

Due to the above situation, the Corporate Applicant has applied before this Tribunal to initiate proceedings under Section 10 of the IBC, 2016 for commencing Corporate Insolvency Resolution Process by appointing Interim Resolution Professional Mr. Raghunathan Krishnaswamy.



3. Heard Ms. Natasha N. Murthy on behalf of Mr. Vignesh Shetty, and Mr. G. Sathyanarayana, learned Counsels for the Corporate Applicant. We have carefully perused the pleadings of the party and the extant provisions of the Code and the law.
4. As per Section 10 of Insolvency and Bankruptcy Code, 2016, a Corporate Applicant can file an application before the Adjudicating Authority, seeking initiation of Corporate Insolvency Resolution Process of the Corporate Debtor that has committed a default, for initiating Corporate Insolvency Resolution Process with the Adjudicating Authority, in a prescribed form by enclosing the following:
  - a. *The information relating to its books of account and such other documents for such period as may be specified;*
  - b. *The information relating to the resolution professional proposed to be appointed as an interim resolution professional; and*
  - c. *The special resolution passed by shareholders of the Corporate Debtor or the resolution passed by at least three-fourth of the total number of partners of the Corporate Debtor, as the case may be, approving filing of the application.*

As per Section 10(4) the Adjudicating Authority can admit an application if the same is complete and no disciplinary proceedings are pending against the proposed Resolution Professional.

5. As stated supra, apart from the dues of Financial Creditors there are also dues to Operational Creditors. Further, it is seen from the Profit and Loss Accounts of the Petitioner Company for the years ending 31.03.2019 and 31.03.2020, that the Company has reported loss of Rs.10,18,235/- and Rs.1,01,77,002/- respectively. As per the Balance Sheet of the Petitioner Company as at 31.03.2019 and 31.03.2020, the Partners' Current Account shows a decrease from Rs.10,82,72,160/- to Rs.4,32,54,796/- mainly on account of allocation of losses from the LLP and adjustment of Advances. On the asset side, it has nil inventory as on 31.03.2020, and its cash and cash equivalents as well as short term loans have been considerably eroded

during the FY 2019-20 as against the FY 2018-19. Against total revenue of Rs.50,03,237/- in FY 2019-20 it had an increased net loss of Rs.1,01,77,002/- as against a loss of only Rs.10,18,235/- in the FY 2018-19. During 2019-20 it has written off assets worth Rs.98,39,504/-. Due to this adverse business environment and economic scenario, the Petitioner Company was unable to repay the amount due to the Financial and Operational Creditors and defaulted in repayment of debt over the years. The reasons mentioned by the Petitioner, leading to the constant downturn in the business due to reasons beyond the control of the company also appears to be irreversible. Hence, the Corporate Applicant has clearly lost its substratum and its ability to pay its debts or run its business.

6. The Board of Directors of the Applicant Company convened a meeting on 31.08.2020 in which it resolved that the Company may make an Application under Section 10 of the IBC, 2016, before the Adjudicating Authority.

*“RESOLVED THAT the Partners give their approval an application with the Honourable NCLT under Section 10 for commencement of Corporate Insolvency Resolution Proceedings. Mr. Naresh L, Partner is hereby authorised to appoint Insolvency Resolution Professional, Advocates and any other consultants as well sign any documents, deeds, applications, papers, etc. which are required to be filed before the Hon’ble NCLT”.*

7. The Applicant has suggested a qualified Resolution Professional namely Mr. Raghunathan Krishnaswamy, with Registration No. IBBI/IPA-002/IP-N00419/2017-18/11200, who has also filed his written Consent in Form-2 dated 05.09.2020, by inter alia declaring that he is eligible to be appointed as resolution professional in respect of the Corporate Applicant and there are no disciplinary proceedings pending against his with the Board or Indian Institute of Insolvency Professionals of ICAI.
8. It is settled position of law that once debt and default is proved to the satisfaction of the Adjudicating Authority, the case has to be admitted to initiate CIRP, and appoint IRP, etc. In the instant case, the Partner in the



Petitioner LLP has himself admitted its adverse financial position and inability to repay its debts. We are satisfied with the reasons cited by the Applicant to initiate CIRP. The instant Company Petition is filed in accordance with law.

9. In view of the above facts and circumstances of the case, by exercising powers conferred on this Adjudicating Authority u/s 10(4)(a) of the Code, we hereby admit C.P(IB)No.36/BB/2021 by initiating Corporate Insolvency Resolution Process (CIRP) in respect of Petitioner/Corporate Applicant with the following consequential directions:

- 1) **Mr. Raghunathan Krishnaswamy**, bearing **Registration No. IBBI/IPA-002/IP-N00419/2017-18/11200**, who is a qualified Resolution Professional, is hereby appointed as Interim Resolution Professional, in respect of the Corporate Applicant namely 'Royaloak Furniture India LLP' to carry out the Corporate Insolvency Resolution Process strictly as per the provisions contained in the Insolvency and Bankruptcy Code, 2016 and the Rules framed in this regard by the IBBI from time to time;
- 2) The following moratorium is declared prohibiting all of the following, namely:
  - a) The institution of suits or continuation of pending suits or proceedings against the Corporate Applicant including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or other authority;
  - b) Transferring, encumbering, alienating or disposing of by the Corporate Debtor any of its assets or any legal right or beneficial interest therein;
  - c) Any action to foreclose, recover or enforce any security interest created by the Corporate Debtor in respect of its property including any action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;

- d) The recovery of any property by an owner or lessor where such property is occupied by or in the possession of the Corporate Debtor;
  - e) The supply of essential goods or services to the Corporate Debtor as may be specified shall not be terminated or suspended or interrupted during moratorium period;
  - f) The provisions of sub-section (1) shall not apply to such transactions as may be notified by the Central Government in consultation with any financial sector regulator.
- 3) The order of moratorium shall have effect from the date of this order till the completion of the Corporate insolvency resolution process;
  - 4) However, this moratorium would not apply to cases pending against the applicant Company before the Hon'ble High Court and Hon'ble Supreme Court.
  - 5) The IRP is directed to follow all extant provisions of the IBC, 2016 and all extant Rules, including fees rules, as framed by IBBI from time to time. The IRP is hereby directed to file progress reports to the Tribunal from time to time.
  - 6) The Board of Directors and all the staff of Corporate Applicant are hereby directed to extend full co-operation to the IRP, in carrying out his functions as such, under the Code and Rules made by IBBI.
  - 7) Post the case for report of IRP on **7<sup>th</sup> May, 2021**.

**ASHUTOSH CHANDRA  
MEMBER, TECHNICAL**

**RAJESWARA RAO VITTANALA  
MEMBER, JUDICIAL**

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