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IN THE NATIONAL COMPANY LAW TRIBUNAL
BENGALURU BENCH

I.A. No.274 of 2020

U/s 35(1) (n) of Code

R/w Regulation 38(1) of IBBI (Liquidation Process) Regulations, 2016

And Section 54(1) Code R/w

Rule 32 and 11 of NCLT Rules, 2016

And

C.P. (IB) No.126/BB/2017

U/s 9 of IBC, 2016

R/w Rule 6 of I&B (AAA) Rules, 2016

Between:

Mr. Venkata Subbarao Kalva

Liquidator of

M/s. Virtual Logic Systems Private Limited

(Under Liquidation)

F-204, Sri Sai Priya Residency,

13th Cross, Sarakki Main Road,

J P Nagar, 1st Phase,

Bengaluru- 560 078.

... Applicant/Liquidator

And

M/s. K.S.Hiremath

#33, Sadashanti, 2nd Cross,

Muniswamy Gowda Layout,

Kempapura, Hebbal,

Bengaluru - 560 024

... Applicant/Operational Creditor

M/s. Virtual Logic Systems Private Limited

No.57/1/2/3, 2nd Floor, East-Wing,

Krishna Kamala, Uttarahalli,

Bangalore- 560 061

... Respondent/Corporate Debtor

Order pronounced on: 24th August, 2020

Coram: 1. Hon'ble Shri Rajeswara Rao Vittanala, Member (Judicial)

2. Hon'ble Shri Ashutosh Chandra, Member (Technical)



Parties/Counsels Present (Through Video Conference):

For the Applicant/Liquidator : Mr. Venkata Subbarao Kalva

ORDER**Rajeswara Rao Vittanala, Member (J)**

1. I.A. No.274 of 2020 in C.P. (IB) No.126/BB/2017 is filed by Mr. Venkata Subbarao Kalva, ('Applicant') Liquidator of M/s. Virtual Logic Systems Private Limited ('Respondent/Corporate Debtor') U/s 35(1)(n) of Code R/w Regulation 38(1) of IBBI(Liquidation Process) Regulations, 2016, by *inter alia* seeking to order for distribution of the unsold Intangible Assets- Intellectual Property available with the Corporate Debtor, Virtual Logic Systems Private Limited (In Liquidation) to Technology Development Board, Secured Financial Creditor, towards their liabilities.
2. Brief facts of the case, as mentioned in the Application, which are relevant to the issue in question, are as follows:

(1) Initially, C.P. (IB) No.126/BB/2017 is filed by Mr. K.S. Hiremath ('Applicant/Operational Creditor') under Section 9 of the IBC, 2016 seeking to initiate Corporate Insolvency Resolution Process (CIRP) in respect of M/s. Virtual Logic Systems Private Limited (Respondent /Corporate Debtor') for committing default for a total outstanding of Rs.10,63,750/- was admitted by Adjudicating Authority vide an order dated 22nd January, 2018 by appointing Mr. Venkata Subbarao Kalva, as Interim Resolution Professional (IRP) , imposing moratorium, etc. Subsequently, he was confirmed as Resolution Professional.

(2) When there was no viable resolution plan was received for revival of the Company, at the fifth meeting of the COC held on Friday, 6th



July, 2018, the Committee approved for initiation of liquidation. Accordingly, the Applicant has filed I.A. No.192/2018, under Section 33(1) of the Code seeking an order for Liquidation of the Corporate Debtor. Accordingly, the Tribunal has passed an order for liquidation vide order dated 17th July, 2018, by appointing the Applicant as Liquidator. Accordingly, the Liquidator, has caused a public announcement stating that the claims from the Financial Creditors, Operational Creditors and other stakeholders shall be submitted on or before 16th February, 2018, within 14 days from the date of the Public Announcement and there were four (4) Financial Creditor of the Corporate Debtor.

- (3) As per Section 36 of the Insolvency and Bankruptcy Code, 2016 the Liquidator formed the Liquidation estate with the following assets:

| Sl. No. | Particulars |
|-----------|---|
| A. | Tangible Assets |
| 1 | Mechanical Room equipment like surface table, air compressor, measuring instruments like height gauges, vernier caliper etc., steel and aluminum scraps and hand tools. |
| 2 | Electronic items like connectors, cables, cameras, haptic devices, UPS, 3D glasses etc. Items about 30 Desktop PCs, keyboards, projector, connectors etc. |
| 3 | Office items including Used office furniture like tables, chairs Desktop PC, laptops, projectors, Steel Rack etc. |
| B | Intangible Assets - Intellectual Property (Software) |
| 1 | Marga-Laparoscopic Surgery Training Simulator |
| 2 | Dissect- Human Anatomy Visualization |
| 3 | Steer Simulator- LMV driver raining Simulator |
| 4 | ASATS Weapons Training Simulator |
| 5 | COVIRT Combat Virtual Trainer |



| | |
|---|--|
| 6 | COMET Virtual Skills Trainer |
| 7 | COMET- Virtual Welding Skills Training Simulator |
| 8 | Home Alive real estate |
| 9 | Home Alive Ecommerce |

(4) Details of the assets of the Corporate Debtor to be realized along with the Fair Market Value and Liquidation Value are as follows:

| SL. No. | Particulars | Fair Market Value as per Valuation report by Upadhya & Associates. | Fair Market Value as per Valuation report by Vhavle & Company | Liquidation Value |
|---------|---|--|---|-------------------|
| A | Intangible Assets- Intellectual Property | | | |
| 1 | Marga-Laparoscopic Surgery Training Simulator | 87,102 | 58,030 | Not determinable |
| 2 | Dissect- Human Anatomy Visualization | 51,394 | 34,239 | Not determinable |
| 3 | Steer Simulator- LMV driver raining Simulator | 6,44,032 | 5,36,337 | Not determinable |
| 4 | ASATS Weapons Training Simulator | 19,63,571 | 21,25,798 | Not determinable |
| 5 | COVIRT Combat Virtual Trainer | 5,04,212 | 4,36,694 | Not determinable |
| 6 | COMET Virtual Skills Trainer | 19,85,438 | 21,49,467 | Not determinable |



| | | | | |
|--------------|--|--------------------|--------------------|-------------------------|
| 7 | COMET- Virtual Welding Skills Training Simulator | 43,30,954 | 31,25,839 | Not determina ble |
| 8 | Home Alive real estate | 1,05,45,156 | 1,14,16,349 | Not determina ble |
| 9 | Home Alive Ecommerce | - | 2,85,634 | Not determina ble |
| Total | | 2,01,11,859 | 2,01,68,387 | NIL |

Further, Intellectual Property derives its value only from its usage by a person, who has a utility to it and no buyers were identified nor generating revenue currently or projections are available. Hence, the Liquidation value is not determinable i.e. Nil.

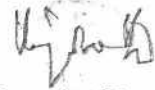
- (5) In pursuant to the Liquidation process, the Public Announcements were made by the Liquidator for e-auction on 24th April 2019 and 24th May 2019 for sale of the Intangible Assets (Intellectual Property) available with the Corporate Debtor, there were no bids were received.
- (6) A proposal was received from Mr. Abhijit More (prospective buyer) and offered to buy the said intellectual property for an amount of Rs.50,00,000/- (Rupees Fifty Lakhs) plus GST and same was negotiated to Rs.60,00,000/- (Rupees Sixty Lakhs) plus GST to sell by means of Private Sale under Regulation 33(2) (d) of IBBI (Liquidation Process) Regulations,2016. However, the Proposal could not be executed due to financial constraints of the buyer. Further, few other Investors were also approached by the Liquidator and the Company's Suspended Directors to buy the Intangible assets. However, the Prospective buyers were apprehensive and reluctant to buy the Intellectual Property due to



technical nature of the products, investment and team required to upgrade to take the product to the market.

- (7) The Intangible Assets- Intellectual Property (Software Code) was developed by the Corporate Debtor inherently during the years 2014-16. The software code available with the Corporate Debtor is not upgraded and requires significant investment and team to develop with the present- day technology due to the aforesaid reason the Intangible assets – Intellectual Property of Corporate Debtor was not realized.
- (8) Technology Development Board (TDB for short) is a Secured Financial Creditor of the Corporate Debtor with majority claim of 57.47% in liquidation. And its claim was admitted for Rs.3,88,61,178/- A Charge was created by TDB over Intangible Assets- Intellectual Property of the Corporate Debtor on 26th July, 2012 with charge ID 10369504 for an amount of Rs.2,50,00,000/- (Rupees Two Crores Fifty Lakhs only). Further, during the Liquidation process, the TDB relinquished its security interest in the Intellectual Property available with the Corporate Debtor as per Section 52 of the Insolvency and Bankruptcy Code 2016 vide letter dated 14th June 2019 to from part of liquidation estate.
- (9) The Liquidator conducted Stakeholders meeting on 12th February 2020 and informed that Intangible assets available with Corporate Debtor were not realized/ sold as the software code was developed few years back and has become obsolete/ outdated. Further, the Liquidator requested to withdraw the right of relinquishment over Intangible Assets to facilitate the dissolution of the Corporate Debtor. Mr. Kirtika, the authorized representation of Technology Development Board stated decision can be taken after having internal discussion with management of TDB. Later the Liquidator




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received the withdrawal of relinquishment over the Intangible Assets – Intellectual Property towards their liabilities from Technology Development Board dated 09th March 2020 and to enable for dissolution of Corporate Debtor. Other than the Intellectual Property, all assets available with the Corporate Debtor have been sold and realized.

3. Heard Mr. Venkata Subbarao Kalva, the Liquidator, **through Video Conference**. We have carefully considered the materials placed on record and the extant provisions of the Code and the rules made thereunder.
4. Mr. Venkata Subbarao Kalva, while reiterating the averments made in the Application, as briefly stated supra, has further submitted that TDB has withdrawn its relinquishment over IP Code, so that the Company may be liquidated by dissolving it as sole property remains with Corporate Debtor is Intellectual Property.
5. In terms of Regulation 14 of the IBBI (Liquidation Process) Regulations, 2016, if it appears to the Liquidator that-

- (1) the realizable properties of the corporate debtor are insufficient to cover the cost of the liquidation process; and
- (2) the affairs of the Corporate Debtor do not require any further investigation;

He may apply to the Adjudicating Authority for early dissolution of the corporate debtor and for necessary directions in respect of such dissolution.

6. The above facts established that assets of the Corporate Debtor have been completely liquidated and only intellectual Property in question, on which TDB has charge, remains with Corporate Debtor. The Applicant has also explored the possibility of selling it but in vain. And the amount



[Handwritten Signature]
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realised out of liquidation of assets was only Rs.2,26,000/- which was utilised for CIRP costs, and no further funds will be available even for CIRP costs, if it is further permitted to continue. Therefore, instead of permitting the Applicant to file another Application U/s 54 of the Code, and the extant Regulations of IBBI (Liquidation Process) Regulations, 2016, to seek dissolution of the Company, it would be just and proper for the Adjudicating Authority to exercise its discretionary powers to dissolve the Company, in the interest of justice

7. In the result, by exercising powers conferred on the Adjudicating Authority, under Section 54(2) of the Insolvency and Bankruptcy Code, 2016 R/w Regulation 14 of the IBBI (Liquidation Process) Regulations, 2016, both **I.A. No.274 of 2020 & C.P. (IB) No.126/BB/2017** are disposed of with the following directions:

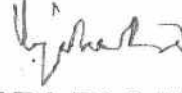
- (1) The Applicant is permitted to assign absolute rights over Unsold Intangible Assets- Intellectual Property available with the Corporate Debtor, Virtual Logic Systems Private Limited, to Technology Development Board, Secured Financial Creditor, towards their liability, immediately after receipt of a copy of this order and complete the remaining liquidation process;
- (2) Subject to above distribution to TDB, the Corporate Debtor, namely M/s. Virtual Logic Systems Private Limited is hereby dissolved with immediate effect;
- (3) The Registry is directed to forward a copy of this Order to the Registrar of Companies, Karnataka, Bangalore, within a period of two weeks from today;
- (4) The Liquidator is also directed to forward copies of this order to all Authorities connected with the affairs of the Company.



(5) It is made clear that this order will not absolve personal legal liability of Directors of Corporate, if any.



(ASHUTOSH CHANDRA)
MEMBER, TECHNICAL

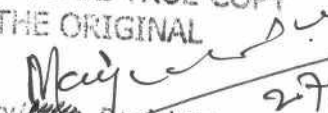


(RAJESWARA RAO VITTANALA)
MEMBER, JUDICIAL

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OF THE ORIGINAL


Deputy Registrar
National Company Law Tribunal
Bengaluru Bench

Rajeshwari.M