



**THE NATIONAL COMPANY LAW TRIBUNAL  
CHANDIGARH BENCH, CHANDIGARH  
(Exercising powers of Adjudicating Authority under  
the Insolvency and Bankruptcy Code, 2016)**

**CP (IB) No. 140/Chd/Pb/2020**

**Under Section 7 of the  
Insolvency & Bankruptcy  
Code, 2016**

**In the matter of:**

**Punjab National Bank  
through its Attorney, Senior Manager Sh. Hassan Ali.**

having its Registered Head Office at:  
Plot No.4, Sector-10, Dwarka  
New Delhi-110075

**And**

Branch Office at:  
Club Chowk, Malerkotla,  
District Sangrur, Punjab-148023

....Petitioner-Financial Creditor

Vs.

**M/s Sohrab Spinning Mills Limited**

having its Registered Office at:  
Nabha Road, Malerkotla,  
District Sangrur, Punjab-148023

**2nd Address:**

Sohrab House, SCO-16-17, M.D Complex,  
Opp. Allahabad Bank, Near Samrala Chowk,  
Chandigarh Road, Ludhiana.  
CIN No.U17115PB1989PLC009524

...Respondent-Corporate Debtor

**Judgment delivered on: 22.02.2023**

**Coram: HON'BLE MR. HARNAM SINGH THAKUR, MEMBER (JUDICIAL)  
HON'BLE MR. SUBRATA KUMAR DASH, MEMBER (TECHNICAL)**

**Present:**

For the Petitioner-Financial Creditor : Mr. Arpit Chawla, Advocate

For the Respondent-Corporate Debtor : Proceeded *ex parte* vide  
order dated 20.09.2022.



**PER: HARNAM SINGH THAKUR, MEMBER (JUDICIAL)**

**JUDGMENT**

The present petition has been filed by **Punjab National Bank** (hereinafter referred to as 'Petitioner/Financial Creditor') through its Attorney, Senior Manager Sh. Hassan Ali under Section 7 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as 'Code') read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 to initiate the Corporate Insolvency Resolution Process ('CIRP') against **Sohrab Spinning Mills Limited** (hereinafter referred to as 'Respondent/Corporate Debtor'). The petition is signed by Mr. Hassan Ali with the affidavit verifying the contents of the application appended thereto.

2. The Corporate Debtor is stated to be incorporated on 18.07.1989 incorporated under the Companies Act, 1956. The company having its Registered Office at: Nabha Road, Malerkotla, District Sangrur, Punjab-148023, and 2nd Address: Sohrab House, SCO-16-17, M.D Complex, Opp. Allahabad Bank, Near Samrala Chowk, Chandigarh Road, Ludhiana. Therefore, the jurisdiction lies with this Bench of the Tribunal. The master data of the corporate debtor is attached as Annexure-A-2 of the petition.

3. Brief facts of the case are that the corporate debtor through its authorized director approached the petitioner bank from time to time for a grant of a CC Limit as stated below:-



Dates	CC Facility	Rate of Interest (as per agreement)	Documents by corporate debtor
December, 1997	Rs.63 Lakhs	16.25% per annum with monthly rest plus penal interest @2% per annum on the defaulted amount	An agreement of hypothecation and agreement of guarantee and also extended the charge of property bearing sale deed No.847 dated 04.06.1990 which was already mortgaged in favour of the petitioner bank in another account i.e. M/s Sohrab Textiles Limited
1999	Enhancement of CC Limit to Rs.160 Lakhs	@16% per annum with monthly rest plus penal interest @2% per annum on the defaulted amount	The corporate debtor executed fresh loan and security documents : Hypothecation of goods and book debts to secure CC Facility dated 02.08.1999.
May, 2007	Additional CC Limit of Rs.40 Lakhs	Not specified	The corporate debtor executed fresh loan and security documents. The corporate debtor also created an equitable mortgage over the absence of the corporate debtor (Title Deed Register dated 30.04.2007 & 28.05.2007)
June, 2007	Enhancement of CC Limit to Rs.300 Lakhs (Rs.225 Lakhs for CC(H) facility plus Rs.75 Lakhs for CC(BD))	@14% per annum with monthly rest plus penal interest @2% per annum on the defaulted amount	The corporate debtor executed fresh loan and security documents including hypothecation of goods and book debts to secure CC Facility dated 27.06.2007, agreement of Guarantee dated 27.06.2007 and Letter of Continuity dated 28.06.2007, 22.10.2007.
December, 2007	Enhancement of CC Limit to Rs.340 Lakhs ((Rs.250 Lakhs for CC(H) facility plus Rs.90 Lakhs for CC(BD)) & further grant of fresh Loan of Rs.1500 Lakhs on 24.12.2007	Not specified	The corporate debtor executed fresh loan and security documents including hypothecation of goods and book debts to secure CC Facility dated 30.04.2008 agreement of Guarantee dated 30.04.2008 and Letter of Continuity dated 01.05.2008
November, 2010	Enhancement of CC Limit to Rs.650 Lakhs ((Rs.500 Lakhs for CC(H) facility plus Rs.150 Lakhs for CC(BD)), review of Term Loan of Rs.1500 Lakhs and further fresh FLC Limit of Rs.50 Lakhs	Not specified	The corporate debtor executed fresh loan and security documents
March, 2012	Enhancement of CC Limit to Rs.1000 Lakhs ((Rs.700 Lakhs for CC(H) facility plus Rs.300 Lakhs for CC(BD)), renewal of NFB Limit of Rs.50 Lakhs, grant of Fresh Term Loan of Rs.600 Lakhs and Review of Existing Term Loan	Not specified	The corporate debtor executed fresh loan and security documents:- guarantees, letter of continuity as on 31.03.2012.
November, 2013	Enhancement of CC Limit to Rs.1300 Lakhs ((Rs.1000 Lakhs for CC(H) facility plus Rs.300 Lakhs for CC(BD)), renewal of NFB Limit of Rs.50 Lakhs,	Not specified	The corporate debtor executed fresh loan and security documents:- hypothecation of goods and book debts to secure CC Facility dated 22.11.2013, Deed of Hypothecation to secure LC dated 22.11.2013, hypothecation of



	and Review of Existing Term Loan		moveable assets dated 22.11.2013, agreement of guarantee dated 22.11.2013, letter of continuity dated 23.11.2013
March, 2015	Enhancement of CC Limit to Rs.1600 Lakhs (Rs.1200 Lakhs for CC(H) facility plus Rs.400 Lakhs for CC(BD), enhancement of FLC Limit from Rs.50 Lakhs to Rs.200 Lakhs and review of existing Term Loan.	Not specified	The corporate debtor executed fresh loan and security documents:- hypothecation of goods and book debts dated 18.04.2015 hypothecation of moveable assets dated 18.04.2015, Master agreement of inland documentary credit, agreement of guarantee dated 18.04.2015 and 02.06.2015, letter of continuity dated 18.04.2015
September, 2016	Review of existing Term Loan and CC Limit and reduction of FLC Limit from Rs.200 Lakhs to Rs.100 Lakhs	Not specified	Not applicable
30.03.2017	Ad-hoc limit of Rs.145 Lakhs	Not specified	The corporate debtor executed fresh loan and security documents:- agreement of hypothecation of goods and book debts dated 31.03.2017, hypothecation of moveable assets dated 31.03.2017, agreement of guarantee dated 31.03.2017, letter of continuity dated 31.03.2017,

The corporate debtor confirmed the correctness of outstanding balance in the account No.0309008700010493 & 0309008700011030 vide BC(s) letters dated 01.04.2017 & in Account No.IC37, IC19, IC28 vide BC(s) Letters dated 16.01.2017. The corporate debtor avoided the payment of outstanding dues and overlooked the repeated request by the Bank. The account of the corporate debtor was classified as Non-Performing Asset (hereinafter referred as 'NPA') on 05.07.2017, thereby, the petitioner bank invoked the guarantees. A notice under Section 13(2) of the SARFAESI Act, 2002 was issued on 18.01.2018, against which objections were filed on 16.03.2018. The outstanding amount was transferred to the NPA category on 05.07.2017 and thereby stopped debiting the interest amount in regular accounts.

4. It is stated in Part-IV of Form No.1 that the total amount claimed to be in default is Rs. 38,20,49,191.32/- (Rupees Thirty-Eight Crores Twenty Lakhs Forty



Nine Thousand One Hundred Ninety-One and Paise Thirty Two Only as on 14.01.2020) and date of default is 05.07.2017 i.e.corporate debtor was classified Non-Performing Asset. Copy of Hypothecation Agreement along with Copies of ROC (Annexures A-6, A-13, A-23, A-32, A-43, A-51, A-52, A-62 & A-63), Agreements of Guarantee (Annexure A-7, A-16, A-24, A-33, A-46, A-55 & A-64), Sale Deed (Annexures A-8, A-18, A-27, A-28 & A-47), Title Deeds (Annexures A-10, A-22 & A-29), Resolution (Annexures A-11, A-31, A-39, A-42, A-50, A-56, A-57, A-60, A-65, A-66), LOC (Annexures A-12, A-17, A-25, A-26, A-34, A-37, A-40, A-58 & A-67), Intent Letter (Annexures A-20, A-48), Sanction Letters (Annexure-A30, A-35, A-36, A-38, A-41, A-49, A-59 & A-61), Deed of Hypothecation (Annexure A-44), Hypothecations of Movable assets (Annexure-A-45 & A-63), Supplementary Agreement (Annexure-A-53), Master Agreement (Annexure-A53), Computation of Table total Debt (Annexure-A-69) & Account Statement of Accounts (Annexures A-77 to A-81) are attached with the main petition.

5. The notice of this petition was issued to the respondent corporate debtor to show cause as to why this petition be not admitted. The Affidavit of service was filed vide Diary No. 02223/1 dated 31.08.2021 and a compliance affidavit was filed vide Diary No.02223/2 dated 06.07.2022. However, none appeared on behalf of the respondent-corporate debtor nor any reply was filed. So, it appeared that the respondent-corporate debtor was not interested in defending the petition, therefore, the respondent-corporate debtor proceeded against ex parte vide order dated 22.09.2022 of this Adjudicating Authority. The short written submissions were filed by the petitioner-financial creditor vide Diary No.02223/3 dated 15.12.2022.



6. We have heard the learned counsel for the petitioner and have also perused the record carefully.

7. Section 7(5)(a) of the Code is as follows:-

*“5) Where the Adjudicating Authority is satisfied that—*

*(a) a default has occurred and the application under sub-section (2) is complete, and there is no disciplinary proceedings pending against the proposed resolution professional, it may, by order, admit such application.”*

8. The issue for consideration is whether the present application is filed within limitation. It can be seen from the records that the date of default is 05.07.2017 i.e. corporate debtor was classified Non-Performing Asset. The present petition is filed vide diary No.350 dated 15.01.2020 and was refiled vide Diary No.1137 dated 11.02.2020. It can be said that the present petition is well within the period of limitation of three years.

9. Another issue for consideration is whether there is a default in payment or not. It is observed from the record that in the present case, the default is evidenced by the Hypothecation Agreement dated 24.12.1997 along with Copies of ROC (Annexures A-6, A-13, A-23, A-32, A-43, A-51, A-52, A-62 & A-63), Agreements of Guarantee (Annexure A-7, A-16, A-24, A-33, A-46, A-55 & A-64), Sale Deed (Annexures A-8, A-18, A-27, A-28 & A-47), Title Deeds (Annexures A-10, A-22 & A-29), Resolution (Annexures A-11, A-31, A-39, A-42, A-50, A-56, A-57, A-60, A-65, A-66), LOC (Annexures A-12, A-17, A-25, A-26, A-34, A-37, A-40, A-58 & A-67), Intent Letter (Annexures A-20, A-48), Sanction Letters (Annexure-A30, A-35, A-36, A-38, A-41, A-49, A-59 & A-61), Deed of Hypothecation (Annexure A-44), Hypothecations of Movable assets (Annexure-A-45 & A-63), Supplementary Agreement (Annexure-A-53), Master Agreement (Annexure-A53), Computation of Table total Debt (Annexure-A-69) &



Account Statement of Accounts (Annexures A-77 to A-81) attached with the main petition. As per the financial records, it is evident that an amount of Rs. 38,20,49,191.32/- (Rupees Thirty-Eight Crores Twenty Lakhs Forty Nine Thousand One Hundred Ninety-One and Paise Thirty Two Only as on 14.01.2020) is still which amounts to default, when corporate debtor avoided the payment of outstanding amount despite repeated requests by petitioner-operational creditor.

10. The application filed in the prescribed Form No.1 is found to be complete. Another condition is that there are no disciplinary proceedings pending against the proposed Resolution Professional. In the present case, in Part III of Form 1, Mr. Rajeev Bhambri, has been proposed as Interim Resolution Professional (IRP). Form No.2 dated 18.12.2019 along with the certificate of IBBI issued in favour of the proposed Interim Resolution Professional i.e. Mr. Rajeev Bhambri is attached at Annexure-A-5 of the petition. The Law Research Associate of this Tribunal has checked the credentials of Mr. Rajeev Bhambri, there is nothing adverse against him and his AFA is valid upto 08.11.2023. In view of the above, we appoint Mr. Rajeev Bhambri, Registration No.IBBI/IPA-002/IP-N00152/2017-18/10399, Email: [rajeev.bhambri@gmail.com](mailto:rajeev.bhambri@gmail.com), Mobile No. 9915710010, the Interim Resolution Professional with the following directions: -

- i.) The term of appointment of Mr. Rajeev Bhambri shall be in accordance with the provisions of Section 16(5) of the Code;
- ii.) 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 Interim Resolution Professional, who shall be enjoined to exercise all the powers as are vested with Interim Resolution Professional and strictly perform all the duties as are enjoined on the Interim Resolution Professional under Section 18 and other relevant provisions of the Code, including taking control and custody of the assets over which the Corporate Debtor has ownership rights recorded in the balance sheet of the Corporate Debtor, etc. as provided in Section 18 (1) (f) of the Code. The Interim Resolution Professional is directed to prepare a complete list of the inventory of assets of the Corporate Debtor;

- iii.) The Interim Resolution Professional shall strictly act in accordance with the Code, all the rules framed thereunder by the Board or the Central Government, and in accordance with the Code of Conduct governing his profession and as an Insolvency Professional with high standards of ethics and morals;
- iv.) The Interim Resolution Professional shall cause a public announcement 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 Debtor;
- v.) It is hereby directed that the Corporate Debtor, its Directors, personnel, and the persons associated with the management shall



extend all cooperation to the Interim Resolution Professional in managing the affairs of the Corporate Debtor as a going concern and extend all cooperation in accessing books and records as well as assets of the Corporate Debtor;

- vi.) The Suspended Board Of Directors is directed to give complete access to the Books of Accounts of the corporate debtor maintained under section 128 of the Companies Act. In case the books are maintained in the electronic mode, the Suspended Board of Directors are to share with the Resolution Professional all the information regarding Maintaining the Backup and regarding Service Provider kept under Rule 3(5) and Rule 3(6) of the Companies Accounts Rules, 2014 respectively as effective from 11.08.2022, especially the name of the service provider, the internet protocol of the Service Provider and its location, and also address of the location of the Books of Accounts maintained in the cloud. In case accounting software for maintaining the books of accounts is used by the corporate debtor, then IRP/RP is to check that the audit trail in the same is not disabled as required under the notification dated 24.03.2021 of the Ministry of Corporate Affairs. The statutory auditor is directed to share with the Resolution Professional the audit documentation and the audit trails, which they are mandated to retain pursuant to SA-230 (Audit Documentation) prescribed by the Auditing and Assurance Standards Board ICAI. The IRP/Resolution Professional is directed to take possession of the Books of Account in



physical form or the computer systems storing the electronic records at the earliest. In case of any non-cooperation by the Suspended Board of Directors or the statutory auditors, he may take the help of the police authorities to enforce this order. The concerned police authorities are directed to extend help to the IRP/RP in implementing this order for retrieval of relevant information from the systems of the corporate debtor, the IRP/RP may take the assistance of Digital Forensic Experts empanelled with this Bench for this purpose. The Suspended Board of Directors is also directed to hand over all user IDs and passwords relating to the corporate debtor, particularly for government portals, for various compliances. The Interim Resolution Professional is also directed to make a specific mention of non-compliance, if any, in this regard in his status report filed before this Adjudicating Authority immediately after a month of the initiation of the CIRP.

- vii.) The Resolution Professional is directed to approach the Government Departments, Banks, Corporate Bodies and other entities with requests for information/documents available with those authorities/institutions/others pertaining to the corporate debtor which would be relevant in the CIR proceedings. The Government Departments, Banks, Corporate Bodies and other entities are directed to render the necessary information and cooperation to the Resolution Professional to enable him to conduct the CIR Proceedings as per law.



- viii.) The Interim Resolution Professional shall after collation of all the claims received against the Corporate Debtor and the determination of the operational position of the Corporate Debtor constitute a Committee of Creditors and shall file a report, certifying the constitution of the Committee to this Tribunal on or before the expiry of thirty days from the date of his appointment, and shall convene the first meeting of the Committee within seven days of filing the report of the constitution of the Committee; and
- ix.) The Interim Resolution Professional is directed to send a regular progress report to this Tribunal every fortnight.

11. In the given facts and circumstances, the present petition being complete and having established the default in payment of the Financial Debt for the default amount being above the threshold limit, the petition is admitted in terms of Section 7(5) of the IBC and accordingly, also direct moratorium in terms of sub-section (1) of Section 14 of the code to take effect as below:

- a) the institution of suits or continuation of pending suits or proceedings against the corporate debtor 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 Securitization and Reconstruction of Operational Assets and Enforcement of Security Interest Act, 2002; and



- 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) It is further directed that the supply of essential goods or services to the corporate debtor as may be specified, shall not be terminated or suspended or interrupted during the moratorium period. The provisions of Section 14(3) shall, however, not apply to such transactions as may be notified by the Central Government in consultation with any operational sector regulator and to a surety in a contract of guarantee to a corporate debtor.
- f) The order of moratorium shall have effect from the date of this order till completion of the corporate insolvency resolution process or until this Bench approves the resolution plan under sub-section (1) of Section 31 or passes an order for liquidation of the corporate debtor under Section 33 as the case may be.

12. We direct the Financial Creditor to deposit a sum of ₹1,00,000/- (Rupees One Lakh Only) with the Interim Resolution Professional, to meet out the expense to perform the functions assigned to him in accordance with Regulation 6 of Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Person) Regulations, 2016. The amount, however, is subject to adjustment by the Committee of Creditors as accounted for by the Interim Resolution Professional on the conclusion of CIRP.

13. A copy of the order shall be communicated to both parties. The learned counsel for the petitioner shall deliver a copy of this order to the Interim Resolution Professional forthwith. The Registry is also directed to send a copy of this order to the Interim Resolution Professional at his email address forthwith.



14. The petition is admitted accordingly.

Sd/-  
**(Subrata Kumar Dash)**  
**Member (Technical)**

February 22, 2023  
SD/TB

Sd/-  
**(Harnam Singh Thakur)**  
**Member (Judicial)**