

**IN THE NATIONAL COMPANY LAW TRIBUNAL,  
DIVISION BENCH – I, CHENNAI**

**CP/1302/IB/2018** filed under  
Section 9 of the Insolvency and  
Bankruptcy Code, 2016 r/w Rule 6 of  
the Insolvency and Bankruptcy  
(Application to Adjudicating  
Authority) Rules, 2016

In the matter of **M/s. Chennai City Football Club Pvt. Ltd.**

**J Sridhar, Sole Proprietor**

M/s.Loyal Enterprises,  
A-3 & 4, 1<sup>st</sup> Floor, Arihant Complex,  
No.10, S.S. Mill Road,  
Coimbatore – 641 009

*... Operational Creditor*

-Vs-

**M/s. Chennai City Football Club Private Limited**

No.4, Crown Court,  
1<sup>st</sup> Floor, No.128, Cathedral Road,  
Chennai – 600 086.  
Rep. by its Director Mr. Krishnakumar

*... Corporate Debtor*

*Order Pronounced on 4<sup>th</sup> December, 2019*

CORAM:

**R. VARADHARAJAN, MEMBER (JUDICIAL)**  
**ANIL KUMAR B, MEMBER (TECHNICAL)**

*For Operational Creditor : Mr. R. Vidhya Shankar,  
Advocate*

*For Corporate Debtor : Mr. M.V. Swaroop, Advocate*

## **ORDER**

**Per: ANIL KUMAR B, MEMBER (TECHNICAL)**

1. This Application has been filed by on **J Sridhar, Sole Proprietor of M/s. Loyal Enterprises** (hereinafter referred to as "Operational Creditor) against **M/s. Chennai City Football Club Private Limited** (hereinafter referred to as "Corporate Debtor") under Section 9 of the Insolvency and Bankruptcy Code, 2016 ("I&B Code 2016") r/w Rule 6 of the Insolvency & Bankruptcy (Application to Adjudicating Authority) Rules, 2016 (hereinafter referred to as "AAA Rules"). The Applicant seeks to initiate the Corporate Insolvency Resolution Process against the Corporate Debtor, declare moratorium and appoint Interim Resolution Professional.

2. Part-I of the Application sets out about the Operational Creditor from which, it is evident that the Operational Creditor is the sole proprietor of Loyal Enterprises Identification number indicated as not arisen with his address "A-3 & 4, 1<sup>st</sup> Floor, Arihant Complex, No.10, S.S. Mill Road, Coimbatore – 641 009". Part-II of the Application gives all the particulars of the Corporate Debtor from which it is evident that the



Corporate Debtor is a Private Limited Company with CIN:AAG-8987(LLPIN) which was originally registered on 13.07.2016 as a Limited Liability Partnership (LLP) and that its authorised capital is ₹1,00,000. The Registered Office of the Corporate Debtor as per the Application is stated to be situated at No.4, 1<sup>st</sup> Floor, No.128, Crown Court, Cathedral Road, Chennai, Tamilnadu 600 002. Part-III of the Application shows that the Operational Creditor has proposed Interim Resolution Professional, whose particulars are given hereunder:

Mr. P. Sriram  
No.10/17, Anandhan Colony,  
South Canal Bank Road, Mandaveli,  
Chennai – 600 028  
srirampcs@gmail.com  
IBBI/IPA-002/IP-N00292/2017-2018/10895

3. From Part-IV of the Application, it is seen that a sum of ₹77,52,613/- plus interest @ 18% p.a. from 01.03.2018 till date of notice aggregating to ₹7,36,497/- is being claimed by the Operational Creditor as Operational Debt.

4. The transactions given as to the amount claimed by the Operational Creditor as against the Corporate Debtor are stated to have arisen consequent upon the Operational Creditor having executed a Works Contract for the sale and supply of HI-Mast sporting floodlight and revamping of the



existing floodlights and supply of accessories at Jawaharlal Nehru Stadium, Coimbatore and connected work.

5. Part-IV of the Application also sets out the details of the Invoices in various Annexures of the Application as well as the whole episode of the evolution of operational debt, being elucidated in the chronology of events.

6. The application has been filed by one Mr. J. Sridhar, the sole proprietor representing M/s. Loyal Enterprises claiming himself to be the Operational Creditor of the Respondent viz., M/s. Chennai City Football Club Private Limited.

7. Part V of the Application describes the particulars of the documents, records and evidence of default of the operational debt which include inter-alia the following:

- i) Invoice No.1112 dated 07-05-2018 for ₹1,13,13,434.
- ii) Invoice No.1118 dated 09-05-2018 for ₹13,19,687.
- iii) Invoice No.1120 dated 09-05-2018 for ₹9,19,492.

8. It is seen that the Operational Creditor has issued Demand Notice in Form 3 under the Insolvency and Bankruptcy Code, 2016 on 10<sup>th</sup> September, 2018, sent on 10<sup>th</sup> September 2018 and delivered on 14<sup>th</sup> September, 2018 to



the Corporate Debtor to the address as given in the said notice.

9. The Operational Creditor has further submitted that the debt arose on account of a Purchase Order dated 07-11-2017 issued by the Corporate Debtor on the Operational Creditor for the sale and supply of Hi-Mast sporting floodlight and revamping of existing flood lights and supply of accessories at Jawaharlal Nehru Stadium, Coimbatore and connected work. (A single page letter purported to be the Purchase Order issued by the Corporate Debtor is placed on Page 18, dated 7<sup>th</sup> November 2017.)

10. The Operational Creditor further submitted that the amount is found due and payable vide Invoice No.1112 dated 07-05-2018 for Rs.1,13,13,434.00, Invoice No.1119 dated 09-05-2018 for Rs.13,19,687.00, Invoice No.1120 dated 09-05-2018 for Rs.9,19,492.00, the value of all the invoices totalling upto Rs.1,35,52,613.00. Of the aforesaid amount, a payment of Rs.58,00,000.00 in two tranches were received from the Corporate Debtor leaving an outstanding amount of Rs.77,52,613.00 due and payable towards the operational debt.



11. The Operational Creditor had also submitted that the Cheque bearing No.000055 for Rs.50,00,000/- dated 04-09-2018 drawn on Indian Overseas Bank, Stella Maris Branch, Chennai issued by the Corporate Debtor, in partial discharge of debt due and payable was returned dishonoured for reason "Funds Insufficient".

12. The Operational Creditor has stated that the Demand Notice dated 14.09.2018 was duly accompanied by Proof of Service of notice. The Operational Creditor has further alleged that there was neither a response nor notice of dispute by the Corporate Debtor in relation to the unpaid Operational Debt which held due on 01.03.2018.

13. Pursuant to an amended application filed by the Operational Creditor, the applicant prayed for changing the cause title since there was an amendment in the nature of Constitution of Corporate Debtor from Chennai Football Club LLP., into M/s. Chennai City Football Club Private Limited.

14. In the counter statement filed by the Respondent/ Corporate Debtor, it has been *inter-alia* stated that:

- a) the Respondent/Corporate Debtor for the 2017-18 Football season and the 2018-19 football seasons,



decided to host its home matches in the Indian League ("I-League") in the Jawaharlal Nehru Stadium at Coimbatore ("Stadium"). Since the facilities at the Stadium were not sufficient to host a league as prestigious as the I-League needed to be upgraded to host matches of the I-League, the Respondent decided to spend amounts out of its own pocket to develop the Stadium. One of the works that needed to be completed was to ensure that the matches would get live TV coverage with the construction and installation of 2 new High Mast Sporting Floodlights ("Floodlights") in order to increase the LUX levels at the stadium to the desirable level for night-time live TV coverage.

b) It has been submitted that on November 8, 2017, the Applicant had provided a quote of Rs.95,00,066/- (Rupees Ninety-five Lakh and Sixty-Six only) for the EPC contract. The quote mentioned the timeline for delivery of the Floodlights as 6-8 weeks and a letter-cum-purchase order dated November 8, 2017 was issued by the Respondent who confirmed the quote and issued the EPC contract to the Applicant and the deadline, as agreed between the parties, was December 15, 2017.

c) The Respondent further stated that even if it is considered that the deadline was six weeks from the date of the purchase order, the contract had to be completed by the Applicant on December 27, 2017.

d) It is submitted that the floodlights were ready and functional only on March 2, 2018, which was the date of



the last home match of the Club for the 2017-18 I-League. This meant that for the 8 home matches of the 2017-18 season of the I-League, the floodlights were not functioning with the LUX capacity required for live TV transmission, which was a mandatory condition as per the rules of the I-League.

e) the Respondent's major source of revenue is sponsorships. It is well-known that when sponsors were given TV coverage, the value of the sponsorship slots and the interest that is shown from the prospective sponsors is much higher. The reason for the same is obvious – when there is live TV coverage, the sponsor gets much wider reach for its brand all over India, whereas when there is no live TV coverage, the sponsor gets only exposure limited to the on-ground spectators, who are only 5000 and above in number.

15. In the Rejoinder Statement filed by the Applicant/Operational Creditor, it has been submitted that:

a) at all points of time only promise for payment were made, cheque were issued and dishonoured.

b) the Applicant has asked for 50% advance payment against order confirmation. However, the purchase order was modified as 20% along with order confirmation. Even that 20% advance was paid on 02.02.2018 and the project was completed within 6 to 8 weeks thereafter in line with the quotation.



c) the allegations made by the Corporate Debtor are patently false that third party report, quotation for repairs etc. Are all taken only in November 2018, several months after the completion of work and post service of Form 3 and Form 5 on the Corporate Debtor.

d) the Invoice raised are for Rs.1,13,13,434/- but the quote was for RS.95,00,066, it is submitted that additional work was carried out including arising out of pre-existing pillar at the location marked for installing the floodlight, resulting change in drawing etc. The Invoices themselves have enumerated each item of work/supply and has been received without any demur and no plea was ever raised under filing of the present petition of any over-invoicing.

e) e-mail dated 12.10.2018, Director of the Corporate Debtor assured payment and stated that payment to the Applicant was a priority and further that whole hearted effort was being made to release the payment to the Applicant. After a cheque for Rs.50 Lakhs on 04.09.2018 towards part payment was dishonoured.

16. The Tribunal has considered the averments made by both the parties in their application and counter and the submissions/arguments during the course of hearing. The one page purchase order contained in page 18 of the Application is reproduced as follows:



*"We are in receipt of your quote for the EPC contract for increasing the LUX levels at J N Stadium to 1300 Lux from the existing levels of 500 Lux. Based on the design, specification and quote received from, your end we hereby confirm the order to your organization to implement the project.*

*We further agree for the terms provided in your quotation. Further we request you to try to complete the necessary EPC on or before December 15<sup>th</sup> 2017. Further we would be able to pay on the following terms:*

- 1. 20% advance on confirmation of the order*
- 2. 30% on completion of Foundation works*
- 3. 40% on supply of materials*
- 4. 10% on completion of the turnkey and delivery.*

*We look forward to your support in completion of the project on time and in the best manner."*

17. The one page contract as above does not contain any other stipulation except that of timelines incompleteness and pattern of payment of consideration to the Operational Creditor. On a scrutiny of the ledger Account in the name of Chennai City Football Club LLP appearing in the books of the Operational Creditor a sum of Rs.38,00,000/- is seen to have been received on 02.02.2018 as the first payment, after which the project is said to have been completed within 6 to 8 weeks time.

18. In the Counter filed by the Corporate Debtor it is alleged that there is delay in completion of the work which is directly attributable to the applicant's failure to adhere to the timelines mentioned in the contract. It is noted that since the advance



payment was effected by the Corporate Debtor only on 02.02.2018, the Corporate Debtor cannot allege the delay from the part of Operational Creditor in completion of the work. Apparently delay occurred from the part of the Corporate Debtor in releasing the advance which resulted in delayed commencement of the work assigned to the Operational Creditor. The rest of the averments with respect to the matches are not relevant which have been pointed out reasons for dispute are baseless and bogus, since the existence of the Operational Debt has been proved by applicant, it is seen from the correspondence regimes of office email communication that they have not disputed existences of operational debt which has fallen due after completion of the work by the Operational Creditor.

19. By taking into consideration the facts mentioned supra, we are inclined to admit the Application as has been filed by the Operational Creditor and consequently Corporate Insolvency Resolution Process is initiated. The Operational Creditor has proposed the name of Mr. P. Sriram as Insolvency Resolution Professional in Part - III of the Application and a written communication in the format prescribed under Form 2 of the Insolvency and Bankruptcy



Board of India (Application to Adjudicating Authority) Rules, 2016 has also been filed therewith. Hence this Tribunal appoints **Mr. P. Sriram** with Registration Number *IBBI/IPA-002/IP-N00292/2017-18/10895* (Email id:- [srirampcs@gmail.com](mailto:srirampcs@gmail.com), Mobile No: +91 9940336666) as the "Interim Resolution Professional" and proposed IRP is required to take forward the process of Corporate Insolvency Resolution of the Corporate Debtor. As a consequence of the Application being admitted in terms of Section 9 (5) of the Code, the moratorium as envisaged under the provisions of Section 14(1) and as extracted hereunder shall follow in relation to the Corporate Debtor:

- a. The institution of suits or continuation of pending suits or proceedings against the respondent 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 respondent 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 respondent in respect of its property including any action under the Securitization 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 respondent.

20. However, during the pendency of the moratorium period in terms of Section 14(2) and 14(3) as extracted hereunder:

- (2) 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.
- (3) 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.

21. The duration of the period of moratorium shall be as provided in Section 14(4) of the Code and for ready reference reproduced as follows:

- (4) The order of moratorium shall have effect from the date of such order till the completion of the Corporate Insolvency Resolution Process:



Provided that where at any time during the Corporate Insolvency Resolution Process period, if the Adjudicating Authority approves the Resolution Plan under sub-Section (1) of Section 31 or passes an order for liquidation of Corporate Debtor under Section 33, the moratorium shall cease to have effect from the date of such approval or Liquidation Order, as the case may be.

22. Based on the above terms, the Application stands **admitted** in terms of Section 9(5) of IBC, 2016 and the moratorium shall come in to effect as of this date. A copy of the Order shall be communicated to the Operational Creditor as well as to the Corporate Debtor above named by the Registry. In addition, a copy of the Order shall also be forwarded to IBBI for its records. Further, the Interim Resolution Professional shall also be also furnished with copy of this Order forthwith by the Registry.

-SD-  
**(ANIL KUMAR B)**  
MEMBER (TECHNICAL)

-SD-  
**(R.VARADHARAJAN)**  
MEMBER (JUDICIAL)

*Elz / Raymond*