IN THE NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH, HYDERABAD

CP (IB) No. 369/10/HDB/2019
U/s 10 of IBC, 2016
R/w Rule 7 of I & B (AAA) Rules, 2016

In the matter of M/s Priyadarsini Limited

M/s. Priyadarsini Limited
R/o: Survey No. 726& 744, NH9,
Sadashivapet, 502 291,
Medak District, Telangana.

...Petitioner/ Corporate Applicant

And

1. State Bank of India,
   Stressed Assets Management Branch,
   5th Floor, Rear Block,
   HMWSSB Compound,
   D. No. 6-2-915, Khairatabad,
   Hyderabad 500 004.

2. Syndicate Bank,
   Corporate Finance Branch,
   6-3-666/1, Lumbni Towers,
   2nd Floor, Opp. NIMS Hospital,
   Panjagutta Road, Panjagutta Market,
   Somajiguda, Hyderabad 500 082.

3. Bank of India,
   Mid Corporate Branch,
   10-1-199/2/1, 1st Floor, PTI Building,
   A.C Guards, Masab Tank,
   Hyderabad 500 004.

4. Union Bank of India,
   6-2-984, Pavani Plaza,
   Raj Bhavan Road,

Khairatabad, Hyderabad.

5. Edelweiss Asset Reconstruction Company Limited,
Edelweiss House, Off CST Road,
Kalina, Mumbai 400 098.

...Respondent/ Secured Financial Creditors

Date of order: 03.09.2019

Coram:

Hon'ble Shri Ratakonda Murali, Member (Judicial)
Hon'ble Shri Narender Kumar Bhola, Member (Technical)

Parties / counsels present:

For the Petitioner : Shri. A.S. Satish Kumar, (PCS).

For the Respondent: Shri. V. Sethu Madhava Rao, Advocate for SBI, Bank of India and Union Bank of India.

Shri. N. Meher Prasad, Advocate for Syndicate Bank.

Shri V.V.S.N. Raju, Advocate for Edelweiss Asset Reconstruction Company Limited.

Heard on: 06.06.2019, 26.06.2019, 17.07.2019, 07.08.2019 and 26.08.2019.

Per: Hon'ble Shri Narender Kumar Bhola
Member (Technical)

ORDER

1. This Petition is filed by Priyadarsini Limited i.e. Corporate Applicant to initiate Corporate Insolvency Resolution Process u/s 10 of the Insolvency and Bankruptcy Code, 2016, following a default in meeting its financial obligations to its Financial Creditors, Operational Creditors, Employees and Statutory Dues.

2. Brief averments made in the Petition are:

   i. It is averred that the Corporate Applicant was incorporated on May 14, 1981 under the name and style of

PRIYADARSHINI SPINNING MILLS LIMITED in the then State of Andhra Pradesh (now in Telangana State). On March 16, 2001, the name was changed to PSM SPINNING LIMITED and on Oct 16, 2012, the name was again changed to PRIYADARSINI LIMITED. The Corporate Applicant is engaged in the manufacture of Polyester / Viscose Blended Yarn and Dyeing of Cotton Yarn.

ii. It is averred that the Corporate Applicant started its journey in 1983 by setting up a manufacturing facility in Sadasivpet to manufacture Polyester / Viscose Yarn with 8,000 Spindles and gradually expanded the capacity to 50,000 Spindles. The Corporate Applicant then set up another facility in Ongole, Andhra Pradesh for manufacture of Cotton Yarn with 20,000 Spindles, which was later increased to 30,000 Spindles in 2007-08. During the same year (2007-08), the Corporate Debtor set up another unit for manufacture of garments in Pashamylaram, in the outskirts of Hyderabad with a capacity to manufacture 10,000 shirts per month and also a Yarn Dyeing facility in Sadasivpet with a Dyeing capacity of 10 TPD.

iii. It is averred that by virtue of the expansions undertaken by the Corporate Debtor, the debt component increased to unserviceable levels and in order to reduce the debt and strengthen the main spinning unit, both the Spinning facility at Ongole and the Garment manufacturing facility at Pashamylaram were sold off in the years 2011 and 2012 respectively and the sale proceeds were used to reduce the debt.

iv. It is averred that the Corporate Applicant's accounts were classified as Non-Performing Assets by its bankers during the year 2012 and despite that the Corporate Applicant managed to keep it as a going concern till July 01, 2017, after which the Corporate Applicant was forced to suspend its operations as power was disconnected by the Electricity Board. The Corporate Applicant has been trying for one-time settlement with its bankers since the last 2 years, but

in vain. In the meantime, the bankers-initiated recovery proceedings before The Debt Recovery Tribunal, which has issued a recovery certificate dated April 26, 2019.

v. It is averred that total Debt raised was Rs. 63,00,00,000/- (Rupees Sixty-Three Crores) and now the amount in default from Secured Financial Creditors is Rs. 90,87,68,340/- (Rupees Ninety Crores, Eighty-Seven Lakhs, Sixty-Eight Thousand, Three Hundred and Forty only).

vi. The nominal capital of the Corporate Applicant is:

Authorized Capital: Rs. 35,00,00,000/- (Rupees Thirty-Five Crores only) comprising of equity share capital of Rs. 30,00,00,000/- (Rupees Thirty Crores only) divided into 3,00,00,000 equity shares of Rs.10/0 each and preference share capital Rs. 5,00,00,000 (Rupees Five Crores only) divided into 5,00,000 shares of Rs.100/- each.

Paid-up Capital: Rs. 11,08,00,00 (Rupees Eleven Crores and Eight Lakhs only) divided into 1,10,80,000 (One Crore, Ten Lakhs and Eighty Thousand) equity shares of Rs. 10/- each fully paid.

vii. The total debt raised and amount in default i.e., outstanding dues are:

S. No	Category	Amount (Rs.)
1	Financial Creditors – Secured	90,87,68,340
2	Financial Creditors – Unsecured	44,29,70,948
3	Operational Creditors	13,82,91,665
4	Dues to Employees	1,26,45,929
5	Statutory Dues	15,32,31,435
Total		**165,59,08,317/-**

viii. The Corporate Applicant satisfies the conditions for initiating an application u/s 10 of the Code viz., there is an existence of debt, there is a default and the Corporate Applicant is not disqualified u/s 11 of The Code.

3. The present Petition is supported with the following documents:

I. Copy of the Special Resolution passed by the Shareholders of the Corporate Applicant at their Extra-Ordinary General Meeting held on September 29, 2018 approving the initiation of the Corporate Insolvency Resolution Process under The Insolvency and Bankruptcy Code, 2016.

II. Written communication dated May 16, 2019 by Mr. Manivannan J, proposed Interim Resolution Professional in Form No. 2.

III. Copy of the Memorandum & Articles of Association of the Corporate Debtor.

IV. List of Financial Creditors and amount owed to each one of them.

V. List of Operational Creditors and amount owed to each one of them.

VI. List of dues to Employees of the Corporate Debtor.

VII. List of dues to Statutory Authorities.

VIII. Details of Security provided to the Financial Creditor and its estimated value.

IX. Copy of Certificate of Registration of Modification of Charge India dated January 18, 2010 in favour of State Bank of for Rs. 63 Cr under consortium arrangement.

X. Copy of Certificate of Registration of Modification of Charge dated November 30, 2017 in favour of Edelweiss Asset Reconstruction Company Limited.

XI. Copy of Certificate of Registration of Modification of Charge dated February 06, 2014 in favour of Edelweiss Asset Reconstruction Company Limited for Rs. 7.65 Cr.

XII. Copy of the letter dated December 10, 2012 issued by State Bank of India, Industrial Finance Branch, Navabharath Chambers, Raj Bhavan Road, Somajiguda, Hyderabad 500 082 u/s 13(2) of The SARFAESI Act, 2002.

XIII. Copy of the Possession Notice dated January 11, 2014 issued by State Bank of India, Stressed Assets Management Branch, Secunderabad under u/s 13(4) of The SARFEASI Act, 2002.

XIV. Copy of Audited Financial Statement for the year ended March 31, 2018.

XV. Copy of Audited Financial Statement for the year ended March 31, 2017.

XVI. Statement of Affairs of the Corporate Debtor as on May 15, 2019.

4. The Counsel for Corporate Applicant filed From No.2 suggesting Shri J. Manivannan, R/o. Plot No. 53B, 8/330, Vishalakshi Nagar, Fourth Cross Street, Santhosapuram, Chennai 600 073, (Insolvency Professional- (Reg. No. IBBI/IPA-002/IP-N00534/2017-2018/11695)) as Interim Resolution Professional to carry the functions as mentioned under the Insolvency & Bankruptcy Code, 2016 annexed in Petition at page no. 15-16.

5. The Corporate Applicant has notified all the Financial Creditors about the present Petition. There is no representation made on behalf of State Bank of India and Union of India Bank. The Counsel for Bank of India reported no objection for admitting the present Petition. The Counsel for Edelweiss Asset Reconstruction Company also reported no objection for admitting this case. There was sufficient time provided to the Financial Creditors to file their objections if any.

6. We heard the counsel for both the sides. The Financial Creditors who appeared before this Tribunal reported no objection. Hence,

we are of the considered view that the current petition is liable to be admitted.

7. Hence, the Adjudicating Authority admits this Petition under Section 10 of IBC, 2016, declaring moratorium for the purposes referred to in Section 14 of the Code, with following directions: -

(1) The Bench hereby prohibits 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; Transferring , encumbering, alienating or disposing of by the Corporate Applicant any of its assets or any legal right or beneficial interest therein; any action to foreclose, recover or enforce any security interest created by the Corporate Applicant in respect of its property including any action under Securitization and Reconstruction of Financial Assets and Enforcement of Security interest Act, 2002 (54 of 2002); the recovery of any property by an owner or lessor where such property is occupied by or in possession of the Corporate Applicant.

(2) That the supply of essential goods or services to the Corporate Applicant, if continuing, shall not be terminated or suspended or interrupted during moratorium period.

(3) That the provisions of sub-section (1) of Section 14 shall not apply to such transactions as may be notified by the Central Government in consultation with any financial sector regulator.

(4) That the order of moratorium shall have effect from 03.09.2019 till the 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 Corporate Debtor under Section 33, whichever is earlier.

(5) That the public announcement of the initiation of Corporate Insolvency Resolution Process shall be made immediately as prescribed under section 13 of Insolvency and Bankruptcy Code, 2016.

(6) That this Bench hereby appoints Shri J. Manivannan, R/o. Plot No. 53B, 8/330, Vishalakshi Nagar, Fourth Cross Street, Santhosapuram, Chennai 600 073, (Insolvency Professional- (Reg. No. IBBI/IPA-002/IP- N00534/2017-2018/11695), Phone. No. +91 9962378774, Email id: equitablelegal@gmail.com, as Interim Resolution Professional to carry the functions as mentioned under the Insolvency & Bankruptcy Code.

8. Accordingly, this Petition is admitted.

3.9.2019

(NARENDER KUMAR BHOLA)

(Member Technical)

3.9.19

(RATAKONDA MURALI)

(Member Judicial)

Niharika (LRA)