

**NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD**

SPECIAL BENCH (URGENT HEARING THROUGH VEDIO CONFERENCE)

PRESENT: HON'BLE SHRI RATAKONDA MURALI- MEMBER JUDICIAL
HON'BLE SHRI VEERA BRAHMA RAO AREKAPUDI - MEMBER TECHNICAL 2
ATTENDANCE-CUM-ORDER SHEET OF THE HEARING HELD ON 24.07.2020 AT 10.30 AM

| | |
|----------------------------------|-------------------------------|
| TRANSFER PETITION NO. | |
| COMPANY PETITION/APPLICATION NO. | CP (IB) No. 133/7/HDB/2020 |
| NAME OF THE COMPANY | Sri Sai Sindhu Industries Ltd |
| NAME OF THE PETITIONER(S) | Gongal Reddy Sesha Reddy |
| NAME OF THE RESPONDENT(S) | Sri Sai Sindhu Industries Ltd |
| UNDER SECTION | 7 of IBC |

Counsel for Petitioner(s):

| Name of the Counsel(s) | Designation | E-mail & Telephone No. | Signature |
|------------------------|-------------|------------------------|-----------|
| | | | |
| | | | |

Counsel for Respondent(s):

| Name of the Counsel(s) | Designation | E-mail & Telephone No. | Signature |
|------------------------|-------------|------------------------|-----------|
| | | | |
| | | | |

ORDER


CP(IB) No.133/7/HDB/2020 is listed today for orders.

Counsel for Financial Creditor is connected through video conference.

Counsel for Corporate Debtor is also connected through video conference.

Orders passed vide separate orders.


MEMBER(T)


MEMBER(J)

Syamala

**NATIONAL COMPAY LAW TRIBUNAL,
HYDERABAD BENCH-I**

C.P.(IB) No. 133/7/HDB/2020

*(Petition under Section 7 of the Insolvency and Bankruptcy Code,
2016 read with rule 4 of the Insolvency and Bankruptcy (Application
to Adjudicating Authority) Rules, 2016)*

In the matter of:

Mr. GONGAL REDDY SESHAREDDY

S/o. Late Gongal Reddy Subba Rami Reddy,
Aged about 57 years,
R/o. 42/522-6-1, N.G.O. Colony,
Opp. Ravindra Bharathi School,
Chinnachowk, Cuddapah,
Andhra Pradesh – 516002

... Petitioner /
Financial Creditor

VERSUS

M/s. SRI SAI SINDHU INDUSTRIES LIMITED

Registered office at F.No.401, H.No.6-1-68/1,
Sai Home Apts. Beside Saifabad Church,
Saifabad, Hyderabad,
Telangana – 500004, India

...Respondent /
Corporate Debtor

Judgement dated 24.07.2020

Coram:

Hon'ble Shri Ratakonda Murali, Member (Judicial)
Hon'ble Shri Veera Brahma Rao Arekapudi, Member (Technical)

Appearance:

For Petitioner: Shri Naresh Kumar Sangam, Advocate

For Respondent: Shri G. Bhupesh, Advocate

Heard on: 19.03.2020, 21.07.2020

**PER: SHRI VEERA BRAHMA RAO AREKAPUDI
MEMBER (TECHNICAL)**

JUDGEMENT

1. Under consideration before us is the petition filed by Mr. Gongal Reddy Seshareddy/ Financial Creditor, stating that M/s Sri Sai Sindhu Industries Limited, the Corporate Debtor herein had defaulted in repaying a sum of Rs. 60,00,000/- (Rupees Sixty Lakhs only) together with interest of Rs. 62,40,000/- (Rs. Sixty Two Lakhs Forty Thousand only), totalling to Rs. 1,22,40,000/- (Rupees One Crore Twenty Two Lakhs Forty Thousand Only). Hence this petition is filed under Section 7 of Insolvency and Bankruptcy Code, 2016, R/w Rule 4 of Insolvency & Bankruptcy (Application to the Adjudicating Authority) Rules, 2016, seeking admission of the Petition, initiation of Corporate Insolvency Resolution Process, granting moratorium and appointment of Interim Resolution Professional as prescribed under the Code and Rules thereon.
2. **The averments apropos to the present petition are:-**
 - 2.1 Mr. Gongal Reddy Seshareddy (hereinafter, referred to as '**the Financial Creditor**') extended financial assistance on the request of **SRI SAI SINDHU INDUSTRIES LIMITED** (hereinafter, referred to as '**the Corporate Debtor**') to the tune of Rs.60,00,000/- to be payable with interest @ 12% per annum under a loan agreement dated 30-5-2011 executed between the parties. [A copy of Loan Agreement is being filed herewith as Annexure - 4. A copy of statement of account evidencing the disbursement of amounts to the corporate debtor is annexed and marked as Annexure - 5.
 - 2.2 It is submitted that the Corporate Debtor was informed by the financial creditor vide Letter dated 3-6-2011 informing



the corporate debtor that the loan amount was disbursed into the account of the corporate debtor and Corporate Debtor acknowledged the same vide Letter dated 5-6-2011. Further Promissory Notes were also issued by the corporate debtor to the financial creditor which were being renewed from time to time. [A copy of the Letter dated 3-6-2011 is annexed and marked as Annexure – 6. Copies of the Letter dated 5-6-2011 and Promissory Notes are annexed and marked as Annexure – 7.

- 2.3** It is submitted upon the request of the financial creditor vide Letters dated 21-5-2014 and 23-5-2014, the corporate debtor issued fresh promissory notes given for the said loan amount of Rs.60,00,000/- valid till May, 2017 vide its letter dated 25.05.2014. Copy of Letters dated 21-5-2014 and 23-5-2014 are annexed and marked as Annexure – 8 and copy of Letter dated 25-5-2014 is being filed herewith as Annexure – 9.
- 2.4** It is submitted, the Corporate Debtor further extended the validity of the Promissory Notes till May 2020 as informed vide its letter dated 24.05.2017. [A copy of the Letter dated 24-5-2017 is annexed and marked as Annexure – 10.
- 2.5** It is submitted that the financial creditor issued a Notice for Payment dated 4-9-2018. In reply the corporate debtor vide its Letter dated 18-9-2018, requested the financial creditor to grant 6 months' time to clear the entire dues and promised to clear the loan amounts in 12 monthly instalments starting from January, 2019. A copy of the Notice for payment dated 4-9-2018 and Letter dated 18-9-2018 are annexed and marked as Annexure – 1.
- 2.6** When Corporate Debtor failed to service the debt despite repeated requests by Financial Creditor, it had issued another Notice for Payment dated 8-2-2019 bringing to the notice of the corporate debtor about non adherence of its promise of clearing the loan amounts from January, 2019. The Corporate Debtor issued reply Notice dated 26-2-2019



requesting the Financial Creditor to postpone the instalments by 6 months owing to bad market conditions. Copy of Letters dated 8-2-2019 and 26-2-2019 are annexed and marked as Annexure – 12.

2.7 It is submitted another notice for payment dated 22.08.2019 was further issued by the financial creditor directing the Corporate Debtor to make payment within 10 days' time, to which the corporate debtor never responded to. Copy of Letter dated 22-8-2019 is annexed and marked as Annexure – 13.

2.8 It is submitted an amount of Rs. 1,22,40,000/- which includes principal amount of Rs. 60,00,000/- and interest of Rs. 62,40,000/- reckoned up to January 2020 is due and the date of default being 26.02.2019. Hence, the petition to initiate CIRP against Corporate Debtor.

3. Counter is filed by Corporate Debtor refuting the averments made by the Financial Creditor / Petitioner and contested as under:-

3.1 The corporate debtor is into the business of manufacturing of sponge iron. The Corporate Debtor in its reply has not disputed availing loan to the tune of Rs. 60,00,000/- from the Financial Creditor to be repaid @ 12% interest per annum and that upon availing the loan, the corporate debtor had also issued promissory notes to the financial creditor.

3.2 It is alleged that though Corporate Debtor requested the financial creditor to grant some breathing time to repay the entire loan amount with interest apart from extending the promissory notes given to the Financial Creditor. The Financial Creditor had further accepted the offer of the Corporate Debtor i.e. allotment of shares in the corporate debtor company to some extent and to repay the rest in cash along with interest.

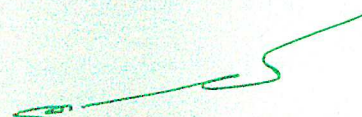




- 3.3 The Corporate Debtor submits that it failed to generate revenue owing to downfall in its area of business in the market, which the Financial Creditor was well aware of but demanded immediate repayment of the loan amount, despite availing multiple guarantees and extension of promissory notes.
- 3.4 It is submitted that Corporate Debtor requested the Financial Creditor to consider waiving off the interest component and further to consider repayment of Principal amount of Rs. 60 lakhs in 12 equal instalments of Rs. 5 lakhs each from January 2019. It is further submitted that even though Corporate Debtor vide letter dated 26.02.2019 requested the Financial Creditor to grant time till July, 2019, the Financial Creditor without heeding to the request of the Corporate Debtor filed this Petition for initiation of Corporate Insolvency Resolution Process against Corporate Debtor.
4. We have heard the Counsel for Financial Creditor and also the Counsel for Corporate Debtor. This Petition is filed under Section 7 of Insolvency & Bankruptcy Code, 2016 (Code). The Petitioner is an individual financial creditor. According to the Petitioner, he advanced a loan of Rs. 60,00,000/- to the Corporate Debtor who entered into loan agreement dated 30.05.2011 which is shown at page No. 77-78 of paper booklet. It is also the case of Petitioner that Corporate Debtor agreed to pay interest @ 12% per annum.
5. It is the case of Financial Creditor that Corporate Debtor also executed promissory notes for the amount received from him. It is also the case of Financial Creditor that Corporate Debtor used to renew the debt by extending promissory notes from time to time. The financial creditor filed latest promissory notes executed on behalf of Corporate Debtor which are shown at page Nos. 81-84 of the Petition. The Financial Creditor relied on the letter received from the Corporate Debtor along with promissory notes dated

05.06.2011. Thus, the Corporate Debtor was in the habit of extending the promissory notes in respect of loan received from the Financial Creditor. The latest promissory notes dated 26.05.2017 are filed at page nos. 82-84. The present petition is filed within three years from the date of latest promissory notes dated 26.05.2017. It is the case of Financial Creditor that Corporate Debtor failed to pay the debt.

6. On the other hand, the Corporate Debtor continued to execute renewal of promissory notes from time to time. The Financial Creditor relied on the letter dated 03.06.2011 at page No. 80 where under the Financial Creditor intimated to the Corporate Debtor that amount of Rs. 60 lakhs was transferred to the account of Corporate Debtor. There is no dispute that financial creditor advanced Rs. 60 lakhs to the Corporate Debtor.
7. The Financial Creditor further relied on the letters dated 21.05.2014 and 23.05.2014 at page nos 85-86 addressed to Corporate Debtor and the letter dated 24.05.2017 stating the renewal of debt by executing promissory notes which will be valid till March 2020.
8. The Financial Creditor further filed letters sent to the Corporate Debtor from time to time reminding the Corporate Debtor to clear the loan. The letters are shown at page Nos. 89 & 91. The Corporate Debtor used to give reply seeking time for payment.
9. In the counter the Corporate Debtor did not dispute the debt due to the Financial Creditor and also did not dispute the default. On the other hand, the case of Corporate Debtor is that it was unable to service the loan due to certain difficulties being faced by it. Thus, there is no serious dispute with regard to the loan due by the Corporate Debtor to the Financial Creditor and also the default committed by Corporate Debtor.

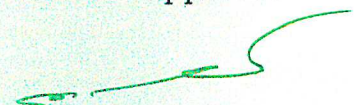


10. The Financial Creditor has suggested the name of the proposed IRP who has given his consent to act as Interim Resolution Professional (IRP). Thus, Application is in order and it is liable to be admitted.

ORDER

11. Hence, the Adjudicating Authority admits this Petition under Section 7 of IBC, 2016, declaring moratorium for the purposes referred to in Section 14 of the Code, with following directions:-
- 11.1 The Bench hereby prohibits 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; Transferring, encumbering, alienating or disposing of by the Corporate Debtor 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 Debtor 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 Debtor;
- 11.2 That the supply of essential goods or services to the Corporate Debtor, if continuing, shall not be terminated or suspended or interrupted during moratorium period.
- 11.3 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.
- 11.4 That the order of moratorium shall have effect from 24.07.2020 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.


11.5 This Bench hereby appoints Mr. Chandra Sekhar Arasada #R/o Flat 304, Siri Nivas Apartments, Balaji Park Town, Nizampet, Hyderabad - 700090, Email: chandra61ca@gmail.com, having Registration No.: IBBI/IPA-001/IP-P00670/2017-18/11138 as Interim Resolution Professional.

11.6 That the Public announcement of Corporate Insolvency Resolution Process shall be made immediately as specified under section 13 of the code.

11.7 Registry of this Tribunal is directed to send a copy of this order to RoC, Hyderabad for marking appropriate remarks against the Corporate Debtor on MCA site as being under CIRP.

Accordingly, this Petition is admitted.


(VEERA BRAHMA RAO AREKAPURI)
MEMBER (TECHNICAL)


(RATAKONDA MURALI)
MEMBER (JUDICIAL)

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