



**NATIONAL COMPANY LAW TRIBUNAL,
COURT-V, MUMBAI BENCH**

C.P. No. 372/IBC/MB/2021

Under Section 7 of the Insolvency and Bankruptcy Code, 2016 read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudication Authority) Rule 2016)

In the matter of

Rahuraj Steel Traders Private Limited,

Having registered office at:

403, Sakar 1, Near Gandhigram Railway Station, Opp. Nehru Bridge, Ellisbridge, Ahmedabad, Gujarat- 380006

.....Financial Creditor/Petitioner

Vs

Siddhbali Steel and Strips Private Limited

Registered office at:

1401-D Building, Marvel Albero Society, Khadi Machine Chowk, Pune, Maharashtra-411048

.....Corporate Debtor

Order Reserved on: 09.01.2023

Order Pronounced on: 27.02.2023

Coram:

Hon'ble Shri Kuldip Kumar Kareer, Member (Judicial)

Hon'ble Smt. Anuradha Sanjay Bhatia, Member (Technical)

For the Petitioner: Ms. Nikita Sheth, Advocate

For the Respondent: Mr. Rishabh Mishra, Advocate



Per: Anuradha Sanjay Bhatia, Member (Technical)

ORDER

1. The present Company Petition is filed by **Rahuraj Steel Traders Private Limited**, (hereinafter called as “Petitioner”) seeking to initiate of Corporate Insolvency Resolution Process (CIRP) against **Siddhballi Steel and Strips Private Limited** (hereinafter called as “Corporate Debtor”) by invoking the provisions of Section 7 Insolvency and Bankruptcy code (hereinafter called “**Code**”) read with Rule 4 of Insolvency & Bankruptcy (Application to Adjudication Authority) Rules, 2016 alleging that the Corporate Debtor committed default to the extent of Rs. 1,70,00,000/-, along with interest @ 10% per annum, from 25.02.2016 till 30.11.2019, and further interest till the date of realization.

2. The list of documents attached to this Petition in order to prove the existence of Financial Debt, the amount and date of default are as follows:
 - a. Copy of the Master Data, along with details of signatories of the Financial Creditor
 - b. Copy of Master Data along with details of signatories of the Corporate Debtor
 - c. Copy of the Ledger A/c.
 - d. Copy of the Bank Statement.
 - e. Copy of Letter dated 15.12.2015 from the Corporate Debtor requesting financial assistance from the Petitioner.
 - f. Copy of Letter dated 29.12.2015 from the Petitioner to the Corporate Debtor stating their conditions for the disbursement of loan.



- g. Copy of the Letter dated 10.01.2016 from the Corporate Debtor to the Petitioner restating their conditions with regard to disbursement of loan.
 - h. Copy of Letter dated 25.01.2016, from the Petitioner to the Corporate Debtor accepting to provide loan
 - i. Copy of Letter dated 10.04.2019 from the Petitioner requesting to pay the loan amount along with interest to the Corporate Debtor.
 - j. Copy of Letter dated 27.04.2019 from the Corporate Debtor to the Petitioner requesting for more time to repay the loan amount along with interest.
 - k. Copy of Legal notice dated 20.01.2020
3. The petition reveals that the Petitioner company is engaged in the business of Manufacturing of Iron and Steel and the corporate Debtor company is engaged in the similar business. Since the Petitioner and the Corporate Debtor are part of the same industry, the Corporate Debtor approached the Petitioner for financial assistance.
4. The Corporate Debtor, vide letter dated 15.12.2015, requested the Petitioner to loan an amount of Rs. 2 crores and undertook to repay the same, along with an interest of 8% p.a., by December, 2019. The Petitioner, vide its letter dated 29.12.2015, agreed to provide a loan of Rs. 1,70,00,000/-, with the condition to charge compound interest of 12% p.a. and to repay the same amount by 31st March, 2019.
5. The Corporate Debtor, vide its letter dated 10.01.2016, requested the Petitioner to levy simple interest of 10% p.a. on the loan amount and undertook to repay the same by 31st March, 2019. The same was accepted by the Petitioner, vide its letter dated 25.01.2016.



6. Thereafter, the Petitioner lent an amount of Rs. 1,70,00,000/- at an interest rate of 10% p.a. on 25.02.2016 to the Corporate Debtor by way of transfer through banking channels/RTGS.
7. Even though the Corporate Debtor was reminded to repay the loan amount, vide letter dated 10.04.2019, the Corporate Debtor failed to do so.
8. The Corporate Debtor, vide its letter dated 27.04.2019, while acknowledging the loan amount due, asked for the extension of time for the repayment of the said loan amount. The relevant portion of the Email dated 27.04.2019, is reproduced as below:

“Dear Sir,

With reference to your letter dated 10.04.2019, we extend our apologies for delay in refunding you loan amount along with interest by the stipulated date. You would appreciate that last few months have been very challenging for us and we are making all efforts to overcome the insurmountable financial difficulties. However, we assure you that we have no intention of committing any default and we promise to make all efforts to make payment to you entire outstanding dues by end of November. We once again request your kind cooperation in the matter.”

9. Since the corporate Debtor has failed to repay the loan amount, the Petitioner sent a legal notice, vide its letter dated 20.01.2020, to the Corporate Debtor for the repayment of the said loan. However, till date the Petitioner has neither received any reply to the notice nor the loan amount which was to be received. Hence the Petition.

Reply of the Corporate Debtor:

10. The Corporate Debtor has filed its reply thereby submitting that the petition is misconceived, not maintainable and is abuse of the process of law.
11. The Corporate Debtor in their reply has admitted to the fact, that an amount of Rs. 1,70,00,000/-, was availed by them as short-term



loan from the petitioner and the company has incurred losses and is unable to repay the loan amount due to COVID-19 pandemic. The Corporate Debtor has requested the Petitioner for at least two more years time to make the payment.

FINDINGS:

12. Heard the Counsel appearing for the Petitioner and the Corporate Debtor and perused the material available on record.
13. It is established beyond doubt that the Corporate Debtor had availed the financial assistance from the Petitioner and thereafter failed to repay the loan amount. Further, it is evident from the Email of the Corporate Debtor sent on 27.04.2019 that the loan amount was duly acknowledged and an extension was also sought for the repayment of the loan amount.
14. Further, the Corporate Debtor in their reply has admitted the fact that they failed to repay the loan amount due to business loss suffered during the Pandemic.
15. On going through the submissions made by the Learned Counsel for the Petitioner and on perusing the documents produced on record, it is understood that the Corporate Debtor has defaulted in repayment of debt. Hence, owing to the inability of the Corporate Debtor to pay its dues, this petition u/s 7 of the Code deserves to be admitted.
16. Considering the above facts, we come to conclusion that the nature of Debt is a “**Financial Debt**” as defined under section 5 (8) of the Code. It has also been established that there is a “**Default**” as defined under section 3 (12) of the Code on the part of the Debtor. The two essential qualifications, i.e., existence of ‘**debt**’ and ‘**default**’, for admission of a petition under section 7 of the I&B



Code, have been met in this case. Besides, the Company Petition is well within the period of limitation. The Petitioners have also suggested the name of proposed Interim Resolution Professional in Part-3 of the Petition along with his consent letter in Form-2.

17. As a consequence, keeping the aforesaid facts in mind, it is an undisputed fact that the Petitioner has not received the outstanding amount from the Corporate Debtor and that the formalities as prescribed under the Code have been complied by the Petitioner, we are of the considered view that this Petition deserves '**Admission**' by passing the following:

ORDER

- a. The above Company Petition No. 372/IBC/MB/2021 is hereby allowed and initiation of Corporate Insolvency Resolution Process (CIRP) is ordered against **Siddhbali Steel and Strips Private Limited**.
- b. The IRP proposed by the Financial Creditor, **Mr. Bimal Ashok Desai**, (bimal.a.desai@icai.org) having registration No. IBBI/IPA-001/IP-P00748/2017-2018/11281, having address at 217, Florence Pride, Opp Corporation Garden, Sun Pharma Road, Vadodara, Gujarat- 390020, is hereby appointed as Interim Resolution Professional to conduct the Insolvency Resolution Process as mentioned under the Insolvency & Bankruptcy Code, 2016.
- c. The Petitioner shall deposit an amount of Rs. 5 Lakhs towards the initial CIRP costs by way of a Demand Draft drawn in favour of the Interim Resolution Professional appointed herein, immediately upon communication of this Order. The IRP shall spend the above amount towards expenses and not towards fee till his fee is decided by CoC.



- d. That this Bench hereby declare moratorium in terms of Section 14 of Insolvency and Bankruptcy Code, 2016 prohibiting 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 the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002; 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. That the order of moratorium shall have effect from the date of pronouncement of this order 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, as the case may be.
- f. 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.
- g. 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.



- h. That the public announcement of the corporate insolvency resolution process shall be made immediately as specified under section 13 of the Code.
- i. During the CIRP period, the management of the Corporate Debtor will vest in the IRP/RP. The board of directors of the Corporate Debtor shall stand suspended. The members of the suspended board of directors and the employees of the Corporate Debtor shall provide all documents in their possession and furnish every information in their knowledge to the IRP/RP.
- j. Registry shall send a copy of this order to the Registrar of Companies, Mumbai, for updating the Master Data of the Corporate Debtor.
- k. Accordingly, C.P. No. 372/IBC/MB/2021 is **admitted**.
- l. The Registry is hereby directed to communicate this order to both the parties and to IRP immediately.

SD/-

Anuradha Sanjay Bhatia
Member (Technical)

SD/-

Kuldip Kumar Kareer
Member (Judicial)