



IN THE NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH-I, CHENNAI

ATTENDANCE CUM ORDER SHEET OF THE HEARING
HELD ON **04.07.2025** THROUGH VIDEO CONFERENCING

PRESENT: HON'BLE SHRI. SANJIV JAIN, MEMBER (JUDICIAL)
HON'BLE SHRI. VENKATARAMAN SUBRAMANIAM, MEMBER (TECHNICAL)

APPLICATION NUMBER :
PETITION NUMBER : CP/IB/74(CHE)/2025
NAME OF THE PETITIONER(S) : E Rajaram & Co.
NAME OF THE RESPONDENT(S) : K G Denim Ltd.
UNDER SECTION : Sec 9 Rule 6 of IBC, 2016

ORDER

Present: None for the Petitioner.

Ld. Counsel Ms. Deepa Mariappan for the Respondent/Corporate Debtor.

Vide separate sheet order pronounced in the Open Court, the petition is admitted. CIRP is initiated against the Corporate Debtor, K G Denim Ltd.

Shri. S. Sundar Raman is appointed as the IRP.

Sd/-
VENKATARAMAN SUBRAMANIAM
MEMBER (TECHNICAL)

Sd/-
SANJIV JAIN
MEMBER (JUDICIAL)

vs

Date: 04.07.2025



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

CP(IB)/74(CHE)/2025

(filed under Section 9 of the Insolvency and Bankruptcy Code, 2016 R/w Rule 6 of IBC, 2016.

In the matter of K.G.Denim Ltd.

M/s E Rajaram & Co,
No.17, East Masi Street,
Madurai – 625 001

... Operational Creditor

Vs

K G Denim Ltd
Then Thirumalai Coimbatore,
Coimbatore,
Tamil Nadu – 641 302
cskgdl@kgdenim.in
also at
Majestic House,
Government Arts College Road,
Gopalapuram,
Coimbatore - 641018

... Corporate Debtor

Present:

For Petitioner
For Respondent

: Antony R Julian, V.R. Swetha Naidu, Janani P R, Advocates
: B Dhanaraj, K Parvathi, Deepa Mariappan,
Mohammed Umar K, Sangamithra Loganathan, Advocates

CORAM:

SANJIV JAIN, MEMBER (JUDICIAL)
VENKATARAMAN SUBRAMANIAM, MEMBER (TECHNICAL)

Order Pronounced on 04th July, 2025



ORDER

(Heard through Hybrid Mode)

1. This petition under Section 9 of Insolvency & Bankruptcy Code, 2016 (in short "IBC") read with Rule 6 of The Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 has been filed by E Rajaram & Co, Operational Creditor / Petitioner against **K G Denim**, Respondent / Corporate Debtor(CD) for initiating Corporate Insolvency Resolution Process (CIRP) against the Corporate Debtor.
2. **Part-I** of the petition sets out the particulars of the Petitioner E Rajaram & Co. The Address of the Operational Creditor is mentioned as No.17, East Masi Street, Madurai – 625 001. **Part-II** of the petition sets out the details of the Corporate Debtor K G Denim. It was incorporated on 25.06.1992 with CIN: L17115TZ1992PLC003798 with authorized share capital of Rs. 41,00,00,000/- and paid up capital of Rs. 25,64,90,000/-. Its registered office is situated at Majestic House, Government Arts College Rd, Gopalapuram, Coimbatore 641 018, within the jurisdiction of this Tribunal.
3. In **Part-III** of the petition, the Petitioner has not proposed the name of IRP. **Part-IV** of the petition provides the particulars of the operational debt i.e. Rs. 1,26,92,581/- and debt period which is from June 2020 to



March 2024. It is stated that, the Operational Creditor (OC) is engaged in the business of selling industrial chemicals, industrial cleaning solutions for personal care and to the industries. It is further stated that, the Operational Creditor had been providing the CD the caustic soda lye (Rayon Grade) from June 2020 to March 2024. It is stated that, the Operational Creditor raised the various invoices on the CD and the details are as follows:

S.no	Date	Invoice No.	Outstanding Amount by Corporate Debtor
1	26.06.2020	R-60	Invoice for a sum of Rs.4,16,927/- of which a part payment of Rs.3,79,993/- was received on 07.07.2020. Hence, an outstanding balance of Rs.36,934/-



			remains unpaid.
2	02.04.2021	R-03	Rs.4,75,739/-
3	15.04.2021	R-17	Invoice for a sum of Rs.5,52,192/- of which a part payment of Rs. 5,03,416/- was received on 28.01.2022. Hence, an outstanding balance of Rs. 48,776/- remains unpaid.
4	03.04.2022	R-04	Rs.10,42,866/-
5	14.10.2022	R-248	Rs.12,17,276/-
6	19.11.2022	R-276	Rs.8,98,622/-
7	29.11.2022	R-285	Rs. 8,58,662/-
8	30.12.2022	R-319	Rs. 8,73,091/-
9	19.01.2023	R-338	Rs. 1,79,382/-
10	22.01.2023	R-341	Rs.9,00,090/-
11	02.03.2023	R-393	Rs.7,77,667/-



12	26.04.2023	R-30	Rs. 6,37,736/-
13	13.05.2023	R-50	Rs.4,83,365/-
14	02.06.2023	R-74	Rs.5,38,033/-
15	14.07.2023	R-122	Rs.6,22,474/-
16	08.08.2023	R-151	Rs. 3,78,787/-
17	22.08.2023	R-170	Rs.3,50,561/-
18	24.06.2023	DT Note 6	Rs. 14,127/-
19	02.09.2023	R-189	Rs. 7,12,250/-
20	29.10.2023	R-254	Rs. 6,79,914/-
21	25.12.2023	R-316	Rs.3,43,191/-
22	05.03.2024	R-406	Rs.6,23,038/-

4. It is stated that, the CD only paid a part payment of Rs.3,79,993/- on 07.07.2020 for the invoice No. R 60 and Rs.5,03,416/- on 28.01.2022 for invoice No, R17 out of the invoices mentioned above, and an



outstanding balance of Rs.1,26,92,581/- is still due and payable by the CD.

5. It is stated that, the OC issued a letter dated 23.07.2024 requesting the CD to make payments. However, the CD sent a reply letter dated 31.07.2024 wherein the CD acknowledged the debt and stated that its banking issue would be resolved in a week's time. It is stated that, when no payment was made by the CD, the OC through its counsel sent a legal notice dated 07.10.2024 to the CD calling upon to pay the outstanding dues, but the CD did not respond.
6. It is stated that, the OC in accordance with Section 8(1) of the IBC, 2016 through its legal counsel issued a demand notice dated 01.03.2025 in Form 3 and Form 4 to the CD. It is stated that, the demand notice dated 01.03.2025 was delivered at the registered address of the CD on 04.03.2025. (Copy of proof of delivery of demand notice through RPAD is annexed along with the type set as Annexure – VIII)

Reply filed by the Corporate Debtor:

7. It is stated that, the CD is located in Coimbatore where owing to deficit rainfall, water scarcity resulted. The Revenue and District Management Department vide G.O.Ms.No.111 dated 13.03.2023 and also by order



dated 24.03.2024 under Section 133 of Cr.P.C, declared Hydrological draught and kept in abeyance the permission granted to all Industries/Commercial establishments situated in and around the village of Mettupalayam Taluk, Coimbatore North Revenue Division, Coimbatore District to fetch water from Bhavani River between March 2024 to June 2024. It is stated that, due to the natural calamity, the CD's operations came to a standstill.

8. It is stated that, it is not a case where the CD lacks funds but it could not carry on its business operations due to water scarcity that struck between March 2024 to June 2024. It is stated that, the Restructuring Proposal under the Relief package by the consortium of banks is to be implemented. The CD's long awaited implementation of relief packages and operation of its accounts was received only on 20.03.2025, which is now to be followed by procedural compliances for release of the sanction restructured credit facilities. The Bankers have agreed to release the funds in part, with the first credit expected by 15.05.2025, upon which CD shall proceed with its production.
9. It is stated that, the demand of the OC for the principal amount of Rs.1,26,92,581/- along with interest from the last date of default



(05.03.2024) till date of notice (01.03.2025) as unpaid operational debt is disputed and denied. It is further stated that, there is no document evidencing acceptance of the OC's claim for interest, by the CD at any point of time.

10. It is stated that, the ledger statement as on 31.03.2025 reflects the current principal outstanding as Rs. 1,26,56,511/-. It is further stated that, the CD expresses an honest intent to settle the Principal Outstanding as reflecting in the CD's book of accounts.

11. It is stated that, the present petition has been filed against the CD only to use the IBC provisions as a tool for recovery. The CD had explained its genuine scenario in its reply letter to the OC dated 31.07.2024.

12. It is further stated that, the CD chooses to settle the dues as per its Books and expects, that the OC shall accept in good faith and for reasonable grounds.

Findings and observations of this Tribunal:

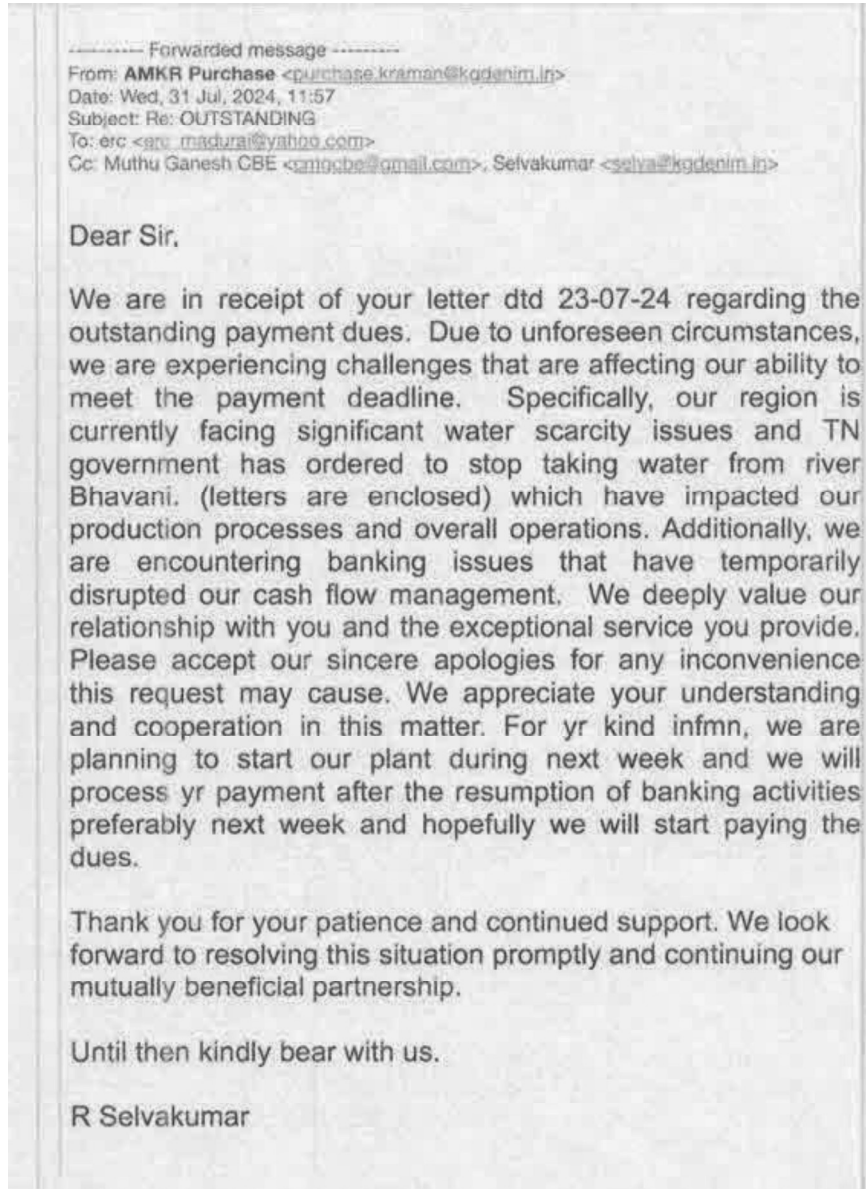
13. We have heard Ld. Counsels for the parties and perused the record.

14. The Petitioner has placed the invoices raised for the period from June 2020 to March 2024. The total debt amount as claimed by the Petitioner is 1,26,92,581/- (one crore twenty-six lakhs ninety-two thousand five



hundred and eighty-one only). The Petitioner has also placed on record the demand letter dated 23.07.2024 sent to the CD. The CD in reply to the demand letter, has not denied the outstanding nor raised any dispute regarding the supply of goods by the Petitioner. The Petitioner has also annexed the Demand notice issued by the Petitioner under Section 8(1) of the IBC, 2016 dated 01.03.2025 to the CD. It is stated that, the CD neither replied to the demand letter dated 01.03.2025, nor paid the outstanding dues.

15. The CD in its reply has stated that, as per the ledger account of the CD, the outstanding amount is Rs.1,26,56,511/-. The CD has not denied the existence of operational debt not has stated about any pre-existing dispute. It has rather expressed its willingness to settle the dues as per its books. The reply dated 31.07.2024 issued by the Corporate Debtor to the Operational Creditor is extracted herebelow:



16. In the present case, there is no document showing that the Respondent at any time disputed the debt or its liability to pay the debt. There is also no document showing that there was deficiency in the quality and quantity of services rendered by the Operational Creditor.



17. As per the petition, the debt amount is Rs. 1,26,92,581/- which is more than the threshold limit of Rs. 1.0 Crore. The CD has provided the ledger account which shows the outstanding as Rs.1,26,56,511/- (above one crore). It is observed that, one invoice dated 26.06.2020 falls under the covid exclusion period of Section 10A of IBC, 2016. Even after excluding the amount of Rs.36,934/- as per the Invoice dated 26.06.2020, the total outstanding amount would be more than one crore. Further, the admitted liability by CD is also more than the threshold limit of One crore.

18. The Petitioner has not provided the date of default. It has provided the multiple invoices from June 2020 to March 2024. The last invoice provided is of dated 05.03.2024. Thus, the date of default is taken as 05.03.2024. This petition has been filed on 17.03.2025 i.e. within the period of three years from the date of default.

19. It has been held in the case of *Mobilox Innovations Pvt. Ltd. v/s. Kirusa Software Pvt. Ltd., reported in MANU/SC/1196/2017* that if there is a debt and default, and there is no pre-existing dispute the petition filed under Section 9 of IBC has to be admitted. The relevant para of the Judgment is extracted here below;



Para 25 - Therefore, the adjudicating authority, when examining an application Under Section 9 of the Act will have to determine:

*(i) Whether there is an "operational debt" as defined exceeding Rs. 1 lakh?
(See Section 4 of the Act)*

*(ii) Whether the documentary evidence furnished with the application shows that the aforesaid debt is due and payable and has not yet been paid?
And*

(iii) Whether there is existence of a dispute between the parties or the record of the pendency of a suit or arbitration proceeding filed before the receipt of the demand notice of the unpaid operational debt in relation to such dispute?

If any one of the aforesaid conditions is lacking, the application would have to be rejected.

.....

Para 40 –

..... the adjudicating authority is to see at this stage is whether there is a plausible contention which requires further investigation and that the "dispute" is not a patently feeble legal argument or an assertion of fact unsupported by evidence. It is important to separate the grain from the chaff and to reject a spurious defence which is mere bluster. However, in doing so, the Court does not need to be satisfied that the defence is likely to succeed. The Court does not at this stage examine the merits of the dispute except to the extent indicated above. So long as a dispute truly exists in fact and is not spurious, hypothetical or illusory, the adjudicating authority has to reject the application.

20. We are therefore of the view that the Operational Creditor has successfully demonstrated and shown the existence of debt and the



default committed by the Corporate Debtor. Hence the Petition, as filed by the Operational Creditor, is required to be **admitted** under Section 9(5) of the IBC, 2016. We order accordingly.

21. In the present case, the Operational Creditor has not named any Insolvency Resolution Professional in Part – III of the Petition. Thus, this Tribunal appoints **S Sundar Raman, IRP with registration no. IBBI/IPA-001/IP-P-02300/2021-2022/13689 (AFA valid upto 31.12.2025)** as Interim Resolution Professional for the Corporate Debtor. The IRP appointed shall take in this regard such other and further steps as are required under the Code, more specifically in terms of Section 15, 17, 18 of the Code and file the report within 20 days before this Bench. The powers of the Board of Directors of the Corporate Debtor shall stand superseded as a consequence of the initiation of the CIRP in relation to the Corporate Debtor in terms of the provisions of IBC, 2016.

22. As a consequence of the Petition 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.

Explanation.-For the purposes of this sub-section, it is hereby clarified that notwithstanding anything contained in any other law for the time being in force, a licence, permit, registration, quota, concession, clearance or a similar grant or right given by the Central Government, State Government, local authority, sectoral regulator or any other authority constituted under any other law for the time being in force, shall not be suspended or terminated on the grounds of insolvency, subject to the condition that there is no default in payment of current dues arising for the use or continuation of the license or a similar grant or right during moratorium period;

23. However, during the pendency of the moratorium period in terms of

Section 14(2) (2A) 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.
- (2A) Where the interim resolution professional or resolution professional, as the case may be, considers the supply of goods or



services critical to protect and preserve the value of the Corporate Debtor and manage the operations of such Corporate Debtor as a going concern, then the supply of such goods or services shall not be terminated, suspended or interrupted during the period of moratorium, except where such Corporate Debtor has not paid dues arising from such supply during the moratorium period or in such circumstances as may be specified.

- (3) The provisions of sub-section (1) shall not apply to
- (a) such transactions, agreements or other arrangement as may be notified by the Central Government in consultation with any financial sector regulator or any other authority;
 - (b) a surety in a contract of guarantee to a corporate debtor.

24. 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.

25. The Operational Creditor is directed to pay a sum of **Rs. 2,00,000/- (Rupees Two Lakhs Only)** to the Interim Resolution Professional upon filing the necessary declaration form as required under the provisions



of the Code to meet the expenses to perform the functions assigned to him in accordance to Regulation 6 of Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016.

26. Based on the above terms, the petition **CP/IB/74(CHE)/2025** 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 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 be forwarded to IBBI for its records. Further, the Interim Resolution Professional above named is also be furnished with copy of this Order forthwith by the Registry, who will also communicate the initiation of the CIRP in relation to the Corporate Debtor to the Registrar of Companies concerned.

-Sd-

VENKATARAMAN SUBRAMANIAM
MEMBER (TECHNICAL)

-Sd-

SANJIV JAIN
MEMBER (JUDICIAL)