

**IN THE NATIONAL COMPANY LAW TRIBUNAL  
HYDERABAD BENCH, HYDERABAD**



C.P. (IB) No.160/7/HDB/2022  
Under Section 7 of the IB Code, 2016  
r/w Rule 4 of the Insolvency and Bankruptcy  
(Application Adjudicating Authority) Rules, 2016.

In the matter of  
**M/S SHRESHT INDUSTRIES PRIVATE LIMITED**

**Between:**

M/S Canara Bank Limited,  
Narayanaguda Branch, YMCA Road,  
Opp. Shanti Talkies, Narayanaguda,  
Hyderabad – 500029.

...Applicant/Financial Creditor

**A N D**

M/S Shresht Industries Private Limited,  
8-2-293/82/A/727, Plot No. 727,  
Road No. 36, Jubilee Hills,  
Hyderabad – 500033.



...Respondent/Corporate Debtor

**Date of Order: 09.09.2022**

**Coram:**

Justice Telaprolu Rajani, Member, Judicial  
Sri Veera Brahma Rao Arekapudi, Member, Technical

**CERTIFIED TO BE TRUE COPY  
OF THE ORIGINAL**

**Counsel present:**

For the Financial Creditor: Mr. Manav Gecil Thomas

For the Corporate Debtor: None appeared

**Per : Bench**

**ORDER**

1. Under consideration is an Application filed by Canara Bank Limited (hereinafter referred to as "Financial Creditor"), under Section 7 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as "the Code, 2016"), read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016, seeking initiation of Corporate Insolvency Resolution Process (hereinafter referred to as "CIRP"), against M/S Shresht Industries Private Limited (hereinafter referred to as "Corporate Debtor"), alleging default of a financial debt of a sum over Rupees One Crore by the Corporate Debtor.

2. Brief facts of the case, as submitted by the Financial Creditor, are as follows:

a) The Applicant is a banking company, incorporated under the Companies Act, 1956, having its registered office at Bangalore, Karnataka. The Corporate Debtor is a private limited company, incorporated on 23.12.2013 and is engaged in the manufacture and supply of drinking water purification systems.

b) The Financial Creditor granted a vehicle loan to the Corporate Debtor vide Sanction Memorandum, dated 25.01.2017, for the purchase of a "BMW 7 Series 730LD DPE" car, at MCLR + 0.50%, presently 8.95% p.a., repayable in 84 monthly instalments Rs. 1,60,637/- (One Lakh Sixty Thousand Six Hundred and Thirty Seven Only) each, commencing after one month from the date of disbursement.

c) Pursuant to a 'Letter of Undertaking re: Loans/Advances', dated 31.01.2017, issued by the Corporate Debtor, the Financial Creditor issued a 'Sanction Memorandum', dated 23.02.2017, approving the sanction of the takeover of the existing WC limits of OCC of Rs. 5,00,00,000/- (Rupees Five Crores Only), with enhancement to Rs. 15,00,00,000/- (Rupees Fifteen Crore Only) of OCC/ODBD limit. The takeover was for the existing limits from the then Andhra Bank



(merged with the Union Bank of India since), with enhancement as mentioned. Towards the aforementioned sanction various immovable properties were directed to be mortgaged towards security. The rate of interest was 11.95%, inclusive of MCLR at 8.45% and Spread at 3.50% p.a., floating. The said rate of interest was subject to change from time to time as per the guidelines of the Financial Creditor.

- d) The Corporate Debtor made a request, dated 03.05.2017, to the Financial Creditor for Overdraft Facilities of Rs. 15,00,00,000/- (Rupees Fifteen Crore Only). Accordingly, a Demand Promissory Note for Rupees Fifteen Crore was also executed by the Corporate Debtor, in favour of the Financial Creditor. The rate of interest was fixed at 3.5% p.a., above the ongoing base rate MCLR (base rate, at present, being 8.45%), to be compounded monthly.
- e) In compliance of the 'Sanction Memorandum', the Corporate Debtor executed a Common Hypothecation Agreement dated 03.05.2017 in favour of the Financial Creditor Bank. The said agreement was executed pursuant to the sanction of credit facilities up to a maximum limit of Rupees 15 Crore. The rate of interest as per the said agreement was 11.95% p.a. it was agreed that in case of default of payment of instalments as stipulated therein, the Corporate Debtor would be liable to pay a penal interest at the rate of 2% p.a.
- f) A 'Sanction Memorandum', dated 13.08.2018, permitting renewal of the existing WC limits of OCC/ODBD for a period of one year, was issued to the Corporate Debtor. The rate of interest, in the said document, was 12.10% (inclusive of MCLR at 8.60% and SPREAD at 3.50% p.a.).
- g) The Corporate Debtor executed a 'Letter of Renewal', dated 16.08.2018 for the OCC-ODBD of Rupees 15 Crore, with interest at the rate of 12.10%. The liability of Rs. 16,15,35,955.74/- was admitted by the Corporate Debtor, vide the said document.



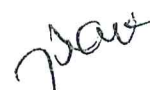
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- h) The Corporate Debtor executed a 'Letter of Renewal', dated 19.03.2020, for Rs. 7,50,00,000/- (Rupees Seven Crore Fifty Lakhs Only) towards OCC, at the rate of 10.05%. The liability of Rs. 7,41,00,000/- (Rupees Seven Crore Forty One Lakhs Only), as on 19.03.2020, was admitted by the Corporate Debtor, vide the said document.
- i) The Corporate Debtor executed a series of acknowledgements of debt and security, towards different amounts on different dates, as is encapsulated hereunder:

Sl. No.	Amount	Date on which acknowledgement executed
1	Rs. 6,97,00,018/- (Rupees Six Crores Ninety Seven Lakhs and Eighteen Only)	27.03.2020
2	Rs. 43,71,000/- (Rupees Forty Three Lakhs Seventy One Thousand Only)	27.03.2020
3	Rs.2,48,67,000/- (Rupees Two Crores Forty Eight Lakhs Sixty Seven Thousand Only)	27.03.2020
4	Rs.15,35,000/- (Rupees Fifteen Lakhs Thirty Five Thousands Only)	27.03.2020
5	Rs.1,45,00,000/- (Rupees One Crore Forty Five Lakhs Only)	07.08.2020
6	Rs.62,61,278.59/- (Rupees Sixty Two Lakh Sixty One Thousand Two Hundred and Seventy Eight Only)	17.04.2021

- j) The Financial Creditor issued a 'Sanction Memorandum', dated 24.06.2020, permitting a Working Capital Demand Loan of Rs. 1,45,00,000/- (Rupees One Crore Forty Five Lakhs Only). The said permission was granted under the Financial Creditor Credit Support to customers affected Covid-19. The said sanction was issued to meet liquidity mismatches arising out of Covid-19 outbreak. As per the said



sanction, Repo Linked Lending Rate was fixed at 7.65%. The repayment was to commence 6 months after the first disbursement and the principal amount was to be paid within 18 months as per the said sanction.

k) The Corporate Debtor executed an 'undertaking letter', dated 06.08.2020, for enhancement of existing credit facilities from Rs. 17,57,73,000/- (Rupees Seventeen Crores Fifty Seven Lakhs Seventy Three Thousands Only) to Rs. 19,02,73,000/- (Rupees Nineteen Crores Two Lakhs Seventy Three Thousands Only) and sanction of fresh term loan of ₹ 1,45,00,000/- (Rupees One Crore Forty Five Lakhs Only) and the same was granted.

l) The Corporate Debtor executed various loan documents since the year 2017, in favour of the Financial Creditor, for the credit facilities, as availed by it. The said documents and securities so pledged are in force.

m) After remitting some instalments, the Corporate Debtor failed to repay instalments as per the repayment schedule in the respective agreements. As a consequence, the account of the Corporate Debtor had been classified as a 'Non-Performing Asset', on 04.12.2020.

n) The outstanding liability in respect of the following accounts as on 31/03/2022 is as follows:

S. No.	Account No.	Type of Account	Closing Balance, as on 31.03.2022 (inclusive of interest)	Interest Rate p.a.	Period of Statement of Account
1.	0649603004759	Vehicle Loan	Rs. 73,05,846.05/-	7.85%	31/01/2017 to 31/03/2022
2.	0649261008482	Cash Credit Account (OCC)	Rs. 10,23,53,931.33/-		03/05/2017 to 31/03/2022
3.	0649261008492	Cash Credit Account (OBD)	Rs. 8,90,72,401.62/-		19/03/2020 to 31/03/2022
4.	0649746000002	Working Capital Term	Rs. 2,89,39,256.62/-	9.65%	19/03/2020 to 31/03/2022



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		Loan (WCTL)			
5.	0649747000002	Funded Interest Term Loan Account (FITL-II)	Rs. 18,05,113.62/-	9.65%	19/03/2020 to 31/03/2022
6.	0649747000001	Funded Interest Term Loan Account (FITL-I)	Rs. 48,72,026.62/-	9.65%	19/03/2020 to 31/03/2022
7.	0649753000008	Working Capital Demand Loan (WC DL)	Rs. 1,74,28,034.86/-	7.65%	06/08/2020 to 31/03/2022
8.	0649710000021	Covid FITL Account	Rs. 99,37,616.62/-	10.50%	01/09/2020 to 31/03/2022
<b>Total</b>			<b>Rs.26,17,14,227.34/-</b>		

o) The total outstanding liability of the Corporate Debtor amounts to Rs. 26,17,14,227.34/-, which includes interest at 19.60% (MCLR of one year at 7.35% + a spread of 7% + a penal interest at 5.25%, computed upto 31.03.2022).

Reiterating the above, learned counsel for the Financial Creditor, prayed that the instant Application be admitted.

3. The Corporate Debtor has been set *ex-parte*. It is pertinent to mention here the circumstances that led to the Corporate Debtor being set *ex-parte*. Under orders of this Tribunal, notice dated 14.05.2022, was issued to the Corporate Debtor by the Financial Creditor, calling upon the Corporate Debtor to appear before the Tribunal on 28.06.2022. The said notice was sent to three different addresses of the Corporate Debtor. Upon failure of



the Corporate Debtor in appearing before this Tribunal, it was directed that substituted service, by way of paper publication, be taken up. The publication was made in an English daily, namely, "The Times of India" and a vernacular daily, namely, "Nava Telangana", both dated 28.07.2022, in spite of which, the Corporate Debtor did not appear before this Tribunal. Hence, we are constrained to proceed with the matter by setting the Corporate Debtor *ex-parte*.

4. We have heard the learned counsel for the Financial Creditor and perused the record.
5. The Financial Creditor has attached the banker's book of evidence, dated, 09.05.2022, accompanied by the certificate under Section 2(8)(B), read with Section 2A of the Bankers' Book Evidence Act, 1891. The dues payable by the Corporate Debtor towards the credit facilities availed vide the said accounts, as listed hereinabove, have been certified and the said dues are in line with the claims of the Financial Creditor, in its application.
6. The records of default held with the information utility, all dated 05.02.2022, have been obtained from the National E-Governance Services Limited and are titled "Record of default in the matter of M/S SHRESHT INDUSTRIES PRIVATE LIMITED". The records bear a 'Unique Debt Identifier' code for each of the eight accounts of the Corporate Debtor, that are in default, and the amounts reflected therein are in line with the claims of the Financial Creditor.
7. In view of the above, we are of the view that, in the instant case, there is a financial debt and there has been a default committed by the Corporate Debtor in repayment of the same. This Adjudicating Authority is satisfied that the Financial Creditor has proved its case by producing evidence that default has occurred, for which the Corporate Debtor is liable to pay. The Application is also filed within the period of limitation.



8. It is of significance to note that the Hon'ble Supreme Court of India, in the case of *Innoventive Industries Ltd v. ICICI Bank & Anr.* [(2018) 1 SCC 407], held as under:

*".....The moment the adjudicating authority is satisfied that a default has occurred, the application must be admitted unless it is incomplete, in which case it may give notice to the applicant to rectify the defect within 7 days of receipt of a notice from the adjudicating authority. Under subsection (7), the adjudicating authority shall then communicate the order passed to the financial creditor and corporate debtor within 7 days of admission or rejection of such application, as the case may be."*

9. The Financial Creditor has also fulfilled all the stipulations as required under the provisions of the Code, 2016, for the purpose of initiating the Corporate Insolvency Resolution Process. In these circumstances, this Adjudicating Authority is inclined to admit the instant Application.

10. Accordingly, the Application is hereby admitted and this Adjudicating Authority orders the commencement of the Corporate Insolvency Resolution Process, which shall ordinarily be completed within the timelines stipulated in the Code, 2016 (as amended), reckoning from the date on which this order is passed.

11. The Financial Creditor has proposed the name of Mr. Narender Gandhari, as the Interim Resolution Professional (hereinafter referred to as the "IRP"). Accordingly, this Adjudicating Authority appoints Mr. Narender Gandhari, bearing Registration No.: IBBI/IPA-002/IP-N00312/2017-18/10900, R/o 403, Naina Residency, Srinivasa Nagar (East), Ameerpet, Hyderabad - 500038, as the Interim Resolution



Professional. The IRP is directed to file Authorization for Assignment within three days from the date of this order.

12. The IRP is directed to take charge of the management of the Corporate Debtor, immediately. He is also directed to cause public announcement as prescribed under Section 15 of the Code, 2016, within three days from the date of receipt of this order, and call for submissions of claim in the manner as prescribed.

13. We direct the Financial Creditor to pay a sum of Rs.2,00,000/- towards the advance fee of the IRP and expenses towards the CIRP, which shall be ratified later on by the Committee of Creditors.

14. Moratorium is, hereby, declared and shall have effect from the date of this order till the completion of the CIRP, for the purposes referred to in Section 14 of the Code, 2016. It is hereby ordered that all of the following are prohibited:

- i. *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 or law, tribunal arbitration panel or other authority;*
- ii. *Transferring, encumbering, alienating or disposing of by the Corporate Debtor any of its assets or any legal rights or beneficial interest therein;*
- iii. *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 (54 of 2002);*
- iv. *The recovery of any property by an owner or lessor where such property is occupied by or in the possession of the corporate debtor.*
- v. *Notwithstanding anything contained in any other law for the time being in force, a license, permit, registration, quota, concession, clearances or a similar grant or right given by the Central Government,*



*Abhinav*

*1/10/22*

*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, permit, registration, quota, concessions, clearances or a similar grant or right during the moratorium period.*

15. The supply of essential goods or services to the Corporate Debtor shall not be terminated, suspended or interrupted during the moratorium period. Further, if the IRP considers supply of any 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. Furthermore, the provisions of Sub-section (1) of Section 14 shall not apply to 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.



16. The IRP shall comply with the provisions of Sections 13(2), 15, 17 & 18 of the Code, 2016. The Directors, Promoters or any other person associated with the management of Corporate Debtor are directed to extend all assistance and co-operation to the IRP as stipulated under Section 19 and for discharging his functions under Section 20 of the Code, 2016.

17. The Financial Creditor as well as the Registry are directed to send the copy of this order to the IRP, to enable him to take charge of the assets etc. of the Corporate Debtor, and comply with this order as per the provisions of the Code, 2016.


*Abdul*


*7/9/22*

18. The Registry is directed to communicate this Order to the Financial Creditor and the Corporate Debtor.
19. The Registry shall also communicate this Order to the Registrar of Companies, Hyderabad, for updating the status of the Corporate Debtor in the website of the Ministry of Corporate Affairs.
20. Accordingly, this Petition is admitted.



  
**Veera Brahma Rao Arekapudi**  
Member, Technical

  
**Justice Telaprolu Rajani**  
Member, Judicial

  
16/09/22  
**Deputy Registrar / Assistant Registrar / Court Officer**  
National Company Law Tribunal, Hyderabad Bench

प्रमाणित प्रति  
CERTIFIED TRUE COPY  
केस संख्या  
CASE NUMBER (P/IB) No. 160/7/HDB/22  
निर्णय का तारीख  
DATE OF JUDGEMENT 9/9/22  
प्रति तैयार किया गया तारीख  
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