

**NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH**

35

PRESENT: HON'BLE SHRI K ANANTHA PADMNABHA SWAMY- MEMBER JUDICIAL

PRESENT: HON'BLE SHRI BINOD KUMAR SINHA -MEMBER TECHNICAL

ATTENDANCE-CUM-ORDER SHEET OF THE HEARING HELD ON 20.08.2019 AT 10.30 AM

TRANSFER PETITION NO.	
COMPANY PETITION/APPLICATION NO.	CP(IB) NO. 154/7/HDB/2019
NAME OF THE COMPANY	Sai Rayalaseema Paper Mills Ltd
NAME OF THE PETITIONER(S)	Oriental Bank Of Commerce
NAME OF THE RESPONDENT(S)	Sai Rayalaseema Paper Mills 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

Order pronounced in open court. CP admitted and IRP appointed, vide separate order.



MEMBER TECHNICAL



MEMBER JUDICIAL

Rk

IN THE NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH, HYDERABAD

CP (IB) No.154/7/HDB/2019
U/s. 7 of the Insolvency and Bankruptcy
Code, 2016, Read with Rule 4 of the IB
(Application to Adjudicating Authority),
Rules, 2016.

In the matter of :-
M/s. SAI RAYALASEEMA PAPER MILLS LTD.

Between:

The Oriental Bank of Commerce
Having its Regd. Office at
'E' Block, Harsha Bhavan,
Connaught Place,
New Delhi – 110 001.

...Petitioner/
Financial Creditor

And

M/s. Sai Rayalaseema Paper Mills Ltd
Regd. Office at Plot No.5,
H.No.82603/M/5,
Mithila Nagar, Road No.10,
Banjara Hills, Hyderabad – 500034,
Telangana, India.

... Respondent/
Corporate Debtor

Date of order: 20.08.2019.

Coram: Shri. K. Anantha Padmanabha Swamy, Member (Judicial).
Dr. Binod Kumar Sinha, Member (Technical).

Parties/Counsels present:-

For the Petitioner/Financial creditor:-
Ms. Kalpana Ekbote, Counsel.

For the Respondent/Corporate Debtor:-
Mr. K. Phani Kumar, Counsel.



PER: K. ANANTHA PADMANABHA SWAMY
MEMBER JUDICIAL

O R D E R

1. Under consideration is a Company Petition filed by the Oriental Bank of Commerce (in short, 'Petitioner/Financial Creditor') against M/s. Sai Rayalaseema Paper Mills Limited (in short, 'Respondent/Corporate Debtor') under section 7 of the Insolvency and Bankruptcy Code 2016 (in short, I & B Code 2016) Read with Rule 4 of the Insolvency & Bankruptcy (Application to Adjudicating Authority) Rules, 2016 (for brevity, 'IB Rules 2016').
2. Before proceeding with this matter, it would be appropriate to make a note of background facts for the purpose of determination of this petition.
3. The Petitioner is a Public Sector Bank (PSB), having its Regd. office at E Block, Harsha Bhavan, Connaught Place, New Delhi – 110001, Corporate Office at Plot No.5, Institutional Area, Sector – 32, Gurgaon – 122001 and having one of its Branches at 6-3-865, My Home Jupally, Greenlands, Ameerpet, Hyderabad – 500016. Whereas, the Respondent/Corporate Debtor is a Public Limited Company registered under the Companies Act, 1956 having its registered office at Plot No.5, H.No.82603/M/5, Mithila Nagar, Road No.10 Banjara Hills, Hyderabad – 500034, Telangana, India, and is engaged in the business of manufacturing pulp and paper boards except newsprint. The authorised share capital of the Corporate Debtor is 192,000,000 equity shares of ₹ 10/- each aggregating to ₹ 1,920,000,000/- and 4,00,000 preference shares of ₹ 100/- each aggregating to ₹ 4,00,00,000/- both comprising to ₹ 1,96,00,00,000/-. The issued, subscribed & paid up capital of the Corporate Debtor is 1,75,657,210 Equity shares of ₹ 10/- each aggregating to ₹ 1,756,572,100/- and 357,000 preference shares of ₹ 100/- each aggregating to ₹ 35,700,000/- both comprising to



₹1,792,272,100/-. It is further stated that there are 914 shareholders and Four Directors.

4. It is stated that the Corporate Debtor has availed CDR package of ₹84,30,00,000/- which was sanctioned on 01.03.2012 and the same was accepted and acknowledged by the Corporate Debtor. The following are the dates of disbursement.

a) Sanction of Credit Facilities on 03.10.2007, Cash Credit (Hyp) (sub limit-import LC), TL (existing).

b) Sanction of credit Facilities on 15.12.2007, Term Loan (fresh) Cash Credit (hyp), LC (Import/Inland) (Sub limit of CC (Hyp)).

c) Restructuring of Existing Loans as well as sanction of additional facilities on 20.01.2010. Reschedule of Term Loan – I, Reschedule of Term Loan – II, FITL, WCTL, CC (HYP), LC (import/Inland), Renewal sub-limit of CC (Hyp) Limit.

d) Sanction of CDR Package on 01.03.2012, TL-1 (Restructured), TL-2 (Restructured), TL-3 (Restructured), TL-4 (Restructured), TL-5 (Restructured), WCTL (Restructured), TL (Fresh). Cash Credit Limit: FITL on TL-1, FITL on TL-2, FITL on TL-3, FITL on TL-4, FITL on TL-5 FITL on WCTL, FITL on WC, LC & BG.

5. The total amount claimed by the Petitioner/Financial Creditor and the date on which the default occurred is ₹ 157,36,59,959.43/- as on 05.01.2019.

6. Respondent filed counter stating that the present petition is not maintainable under the IB Code, 2016. It is also stated that the actual amount due is much less than the claimed amount.

7. It is stated that the Respondent Company was started in 1974, became sick in 1985 and closed down in 1989 before it was referred to BIFR for suitable rehabilitation. BIFR sanctioned a rehabilitation scheme changing the

management in favour of Mr. B.V. Satya Prasad (the present promoters) in 1995 after failure of two earlier schemes. However, the scheme could not be implemented due to multiple litigations which went up to the Hon'ble Supreme Court. The promoters successfully fought out all the cases and reopened the company in 2006 after a long closure of over 17 years. The company under the new promoters cleared the dues of erstwhile, lenders consisting of 25 banks/FIs under an OTS and other dues payable to creditors, workers, PF, ESI etc., and made the Company debt free. The Company availed fresh funding requirements from IOB and OBC for refurbishment and working capital. The new promoters infused about ₹ 160 Crores as fresh capital into the Company. The Company resumed production in 2007 after extensive renovation, repairs, additions and modernization to the plant and machinery and huge capital put in by the promoters.

8. It is stated that since, its beginning of the operations in 2006, the Company is constantly affected by one or other problem such as flash floods in June 2007 followed by global economic meltdown and deep recession in 2008-09 and etc., Added to this the unprecedented and massive power cuts up to 60% imposed by the state electricity board restricted the operations of the Company to less than 35% capacity resulting into losses to the Company.
9. It is stated that the Petitioner/Financial Creditor has originally sanctioned OTS on 28.08.2015 to settle the dues at ₹32.50 Crores towards full and final settlement which could not be implemented due to problems created by the workers and the orders of the Hon'ble High Court. The only other lender, Edelweiss ARC also sanctioned an OTS on similar lines. Subsequently the Petitioner/Financial Creditor has sanctioned a revised OTS dated 12.02.2018 extending one year time to clear the OTS amount.

10. It is stated that while accepting the revised OTS dated 12.02.2018, the Company have clearly made an endorsement on the OTS sanction letter stating that "the payment schedule will be submitted soon on receipt of final orders from the Hon'ble High Court". Accordingly, a joint compromise memo was filed before the DRT and as the writ petitions are still pending as on the date of filing the joint memo.
11. It is stated that there are two Writ Petitions, one bearing No.9454 of 2016 filed by S.R.P.M Mazdoor Sangh, Kurnool, A.P and another Writ Petition bearing No.10219 of 2016 filed by M/s. SEL Resources Ltd, Hyderabad pending in the Hon'ble High Court of A.P and the above two WP's have to be disposed of by the Hon'ble High Court and immediately thereafter the Petitioner/Financial Creditor will start the execution the OTS plan offered by them.
12. It is stated that a Joint Lenders Meeting (JLM) was conducted on 12.07.2019 at the office of the Petitioner/Financial Creditor at Banjara Hills, Hyderabad and the Corporate Debtor/Respondent company has requested the lenders to consider the revised OTS as per the request dated 03.01.2019 and further requested time upto 30.09.2019 to close the Writs pending before the High Court by arriving settlement out of the court.
13. Heard both the sides and perused the record.
14. The case of the petitioner is that it has provided various term loans and fund based working capital limit and non-fund based LC limit to the present Corporate Debtor and total amount in default is ₹157,36,59,959.43/- Crores as on 05.01.2019. The Respondent in its counter neither denied nor disputed the amount in default but, has stated various reasons which are untenable grounds for rejections of instant Application. The Petitioner has proved by placing evidence viz, Sanction Letter issued to the Corporate Debtor, Loan Documents,

Guarantee Agreement and copies of entries in Bankers Book in accordance with the Bankers Books Evidence Act, 1891 (18 of 1891) that default has occurred for which the present Corporate Debtor was liable to pay and the present petition is not barred by limitation. In these circumstances, we are satisfied with the submissions put forth by the Petitioner/Financial Creditor. Further, the Financial Creditor has fulfilled all the requirements as contemplated under IB Code, 2016 in the present Company Petition and has also proposed the name of IRP after obtaining his written consent in Form-2.


15. Therefore, CP (IB) No.154/07/HDB/2019 is admitted and the commencement of the Corporate Insolvency Resolution Process against the present Corporate Debtor i.e, Sai Rayalaseema Paper Mills Limited is hereby ordered which ordinarily shall get completed within 180 days, reckoning from the day this order is passed.
16. Mr. Raghu Babu Gunturu, is hereby appointed as IRP as proposed by the Financial Creditor. There is no disciplinary proceedings pending against the IRP as evidenced from Form-2 and his name is reflected in IBBI website. The IRP is directed to take charge of the Respondent/Corporate Debtor's management immediately. He is also directed to cause public announcement as prescribed under Section 15 of the Insolvency and Bankruptcy Code, 2016 within three days from the date the copy of this order is received, and call for submissions of claim in the manner as prescribed.
17. The moratorium is hereby declared which shall have effect from the date of this Order till the completion of Corporate Insolvency Resolution Process, for the purpose referred to in Section 14 of the I & B Code, 2016. It is hereby ordered to prohibit all of the following, namely:-



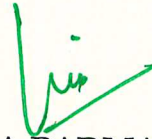
- a) *The institution of suits or continuation of pending suits or proceedings against the Corporate Debtor including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or other authority.*
 - b) *Transferring, encumbering, alienating or disposing of by the Corporate Debtor 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 Corporate Debtor in respect of its property including any action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);*
 - d) *The recovery of any property by an owner or lessor where such property is occupied by or in the possession of the Corporate Debtor.*
18. The Supply of essential goods or services to the Corporate Debtor shall not be terminated or suspended or interrupted during moratorium period. The provision of Sub-section (1) of Section 14 shall not apply to such transaction, as notified by the Central Government.
19. The IRP shall comply with the provisions of Sections 13 (2), 15, 17, & 18 of the Code. The directors of the Corporate Debtor, its promoters or any person associated with the Management of the Corporate Debtor is expected to extend all assistance and cooperation to the IRP as stipulated under Section 19 and for discharging his function under Section 20 of the I & B Code, 2016.
20. The Financial Creditor and the Registry are directed to send the copy of this Order to IRP so that he could take charge of the Corporate Debtor's assets etc., and make compliance with this Order as per the provisions of I & B Code, 2016.
21. The Registry is directed to communicate this Order to the Financial Creditor and the Corporate Debtor.
22. The detailed address of the IRP are as follows:-

Mr. Raghu Babu Gunturu,
Insolvency Resolution Professional,
IP Registration No. IBBI/IPA-002/IP-N00025/2016-17/10053,
T402B, Technopolis,
Chikoti Gardens, Begumpet,
Hyderabad – 500016,
Telangana, India.

23. The present Company Petition is hereby admitted.


20.08.19

Dr. BINOD KUMAR SINHA
MEMBER TECHNICAL



K.ANANTHA PADMANABHA SWAMY
MEMBER JUDICIAL