

NATIONAL COMPANY LAW APPELLATE TRIBUNAL
NEW DELHI

Company Appeal (AT) (Insolvency) No. 191 of 2019

IN THE MATTER OF:

Ms. Lima Rose

...Appellant

Versus

M/s. Air Carnival Pvt. Ltd. & Ors.

...Respondents

Present:

For Appellant : Mr. Kamal Mehta, Advocate

**For Respondent : Mr. S. Ananth and Mr. G. Ananda Selvam, Advocate
for Resolution Profesional**

Mr. G. V. Ravikumar, Advocate

Company Appeal (AT) (Insolvency) No. 192 of 2019

IN THE MATTER OF:

T. Nedumaran

...Appellant

Versus

G.V. Ravikumar, Official Liquidator

M/s. Air Carnival Pvt. Ltd. & Ors.

...Respondents

Present:

For Appellant : Mr. Brijesh Kumar Singh, Advocate

**For Respondent : Mr. S. Ananth and Mr. G. Ananda Selvam, Advocate
for Resolution Profesional**

Mr. G. V. Ravikumar, Advocate

Company Appeal (AT) (Insolvency) No. 193 of 2019

IN THE MATTER OF:

D. Vishnu

...Appellant

Versus

**G.V. Ravikumar, Official Liquidator
M/s. Air Carnival Pvt. Ltd. & Ors.**

...Respondents

Present:

For Appellant : Mr. Brijesh Kumar Singh, Advocate

For Respondent : Mr. S. Ananth and Mr. G. Ananda Selvam, Advocate
for Resolution Profesional

Mr. G. V. Ravikumar, Advocate

ORDER

26.02.2019 These appeals have been preferred by one of the 'Director' / 'Shareholder' of M/s. Air Carnival Pvt. Ltd. (Corporate Debtor) challenging the order dated 20th December, 2018 passed by the Adjudicating Authority (National Company Law Tribunal), Single Bench, Chennai whereby order of Liquidation under Section 33(1) of the Insolvency & Bankruptcy Code (for short, '**the I&B Code**') has been passed.

2. Learned counsel appearing on behalf of the appellant(s) submits that the 'corporate insolvency resolution process' had not proceeded in accordance with law as all the members of the Board of Directors were not directed to attend the meeting of the 'Committee of Creditors'. The Adjudicating Authority had also not extended the time to enable the 'resolution applicant(s)' to file 'resolution plan' to save M/s. Air Carnival Private Limited (Corporate Debtor) from the Liquidation.

3. Learned counsel for the 'Resolution Profesional' submits that there was no 'resolution plan' submitted by any person and thereafter more than 270 days having been passed, the order of Liquidation has been passed by the Adjudicating Authority.

4. In view of the aforesaid fact, we are not inclined to interfere with the impugned order dated 20th December, 2018.

5. At this stage, learned counsel appearing on behalf of the appellant(s) submits that the Liquidator should take steps under Section 230 of the Companies Act, 2013 in the light of the decision of this Appellate Tribunal in **‘S.C. Sekaran vs. Amit Gupta & Ors. – Company Appeal (AT)(Ins.) No. 495 & 496 of 2018’**. In the said case, this Appellate Tribunal by judgment dated 29th January, 2019 observed :

“7. Section 391 of the Companies Act, 1956 has since been replaced by Section 230 of the Companies Act, 2013, which is as follows:

“230. Power to compromise or make arrangements with creditors and members

- (1) Where a compromise or arrangement is proposed—
- (a) between a company and its creditors or any class of them; or
- (b) between a company and its members or any class of them,
- the Tribunal may, on the application of the company or of any creditor or member of the company, or in the case of a company which is being wound up, of the liquidator appointed under this Act or under the Insolvency and Bankruptcy Code, 2016 as the case may be, order a meeting of the creditors or class of creditors, or of the members or class of members, as the case may be, to be called, held and conducted in such manner as the Tribunal directs.

Explanation.— For the purposes of this subsection, arrangement includes a reorganisation of the company's share capital by the consolidation of shares of different classes or by the division of shares into shares of different classes, or by both of those methods.

(2) The company or any other person, by whom an application is made under subsection (1), shall disclose to the by affidavit—

(a) all material facts relating to the company, such as the latest financial position of the company, the latest auditor's report on the accounts of the company and the pendency of any investigation or proceedings against the company;

(b) reduction of share capital of the company, if any, included in the compromise or arrangement;

(c) any scheme of corporate debt restructuring consented to by not less than seventy-five per cent. of the secured creditors in value, including—

(i) a creditor's responsibility statement in the prescribed form;

(ii) safeguards for the protection of other secured and unsecured creditors;

(iii) report by the auditor that the fund requirements of the company after the

corporate debt restructuring as approved shall conform to the liquidity test based upon the estimates provided to them by the Board;

(iv) where the company proposes to adopt the corporate debt restructuring guidelines specified by the Reserve Bank of India, a statement to that effect; and

(v) a valuation report in respect of the shares and the property and all assets, tangible and intangible, movable and immovable, of the company by a registered valuer.

- (3) Where a meeting is proposed to be called in pursuance of an order of the Tribunal under sub-section (1), a notice of such meeting shall be sent to all the creditors or class of creditors and to all the members or class of members and the debenture-holders of the company, individually at the address registered with the company which shall be accompanied by a statement disclosing the details of the compromise or arrangement, a copy of the valuation report, if any, and explaining their effect on creditors, key managerial personnel, promoters and non-promoter members, and the debenture-holders and the effect of the compromise or arrangement on any material interests of the directors of the company or the*

debenture trustees, and such other matters as may be prescribed:

Provided that such notice and other documents shall also be placed on the website of the company, if any, and in case of a listed company, these documents shall be sent to the Securities and Exchange Board and stock exchange where the securities of the companies are listed, for placing on their website and shall also be published in newspapers in such manner as may be prescribed:

Provided further that where the notice for the meeting is also issued by way of an advertisement, it shall indicate the time within which copies of the compromise or arrangement shall be made available to the concerned persons free of charge from the registered office of the company.

- (4) *A notice under sub-section (3) shall provide that the persons to whom the notice is sent may vote in the meeting either themselves or through proxies or by postal ballot to the adoption of the compromise or arrangement within one month from the date of receipt of such notice:*

Provided that any objection to the compromise or arrangement shall be made only by persons holding not less than ten per cent of the shareholding or

having outstanding debt amounting to not less than five per cent. of the total outstanding debt as per the latest audited financial statement.

(5) *A notice under sub-section (3) along with all the documents in such form as may be prescribed shall also be sent to the Central Government, the income-tax authorities, the Reserve Bank of India, the Securities and Exchange Board, the Registrar, the respective stock exchanges, the Official Liquidator, the Competition Commission of India established under sub-section (1) of section 7 of the Competition Act, 2002, if necessary, and such other sectoral regulators or authorities which are likely to be affected by the compromise or arrangement and shall require that representations, if any, to be made by them shall be made within a period of thirty days from the date of receipt of such notice, failing which, it shall be presumed that they have no representations to make on the proposals.*

(6) *Where, at a meeting held in pursuance of sub-section (1), majority of persons representing three-fourths in value of the creditors, or class of creditors or members or class of members, as the case may be, voting in person or by proxy or by postal ballot, agree to any compromise or arrangement and if such compromise*

or arrangement is sanctioned by the Tribunal by an order, the same shall be binding on the company, all the creditors, or class of creditors or members or class of members, as the case may be, or, in case of a company being wound up, on the liquidator appointed under this Act or under the Insolvency and Bankruptcy Code, 2016, as the case may be, and the contributories of the company.

(7) An order made by the Tribunal under sub-section (6) shall provide for all or any of the following matters, namely:—

(a) where the compromise or arrangement provides for conversion of preference shares into equity shares, such preference shareholders shall be given an option to either obtain arrears of dividend in cash or accept equity shares equal to the value of the dividend payable;

(b) the protection of any class of creditors;

(c) if the compromise or arrangement results in the variation of the shareholders' rights, it shall be given effect to under the provisions of section 48;

(d) if the compromise or arrangement is agreed to by the creditors under sub-section (6), any proceedings pending before the Board for

Industrial and Financial Reconstruction established under section 4 of the Sick Industrial Companies (Special Provisions) Act, 1985 shall abate;

- (e) *such other matters including exit offer to dissenting shareholders, if any, as are in the opinion of the Tribunal necessary to effectively implement the terms of the compromise or arrangement:*

Provided that no compromise or arrangement shall be sanctioned by the Tribunal unless a certificate by the company's auditor has been filed with the Tribunal to the effect that the accounting treatment, if any, proposed in the scheme of compromise or arrangement is in conformity with the accounting standards prescribed under section 133.

- (8) *The order of the Tribunal shall be filed with the Registrar by the company within a period of thirty days of the receipt of the order.*
- (9) *The Tribunal may dispense with calling of a meeting of creditor or class of creditors where such creditors or class of creditors, having at least ninety per cent. value, agree and confirm, by way of affidavit, to the scheme of compromise or arrangement.*

- (10) *No compromise or arrangement in respect of any buy-back of securities under this section shall be sanctioned by the Tribunal unless such buy-back is in accordance with the provisions of section 68.*
- (11) *Any compromise or arrangement may include takeover offer made in such manner as may be prescribed: Provided that in case of listed companies, takeover offer shall be as per the regulations framed by the Securities and Exchange Board.*
- (12) *An aggrieved party may make an application to the Tribunal in the event of any grievances with respect to the takeover offer of companies other than listed companies in such manner as may be prescribed and the Tribunal may, on application, pass such order as it may deem fit. Explanation.—For the removal of doubts, it is hereby declared that the provisions of section 66 shall not apply to the reduction of share capital effected in pursuance of the order of the Tribunal under this section.”*
8. *In view of the provision of Section 230 and the decision of the Hon’ble Supreme Court in ‘Meghal Homes Pvt. Ltd.’ and ‘Swiss Ribbons Pvt. Ltd.’, we direct the ‘Liquidator’ to proceed in accordance with law. He will verify claims of all the creditors; take into custody and control of all the assets, property,*

*effects and actionable claims of the ‘corporate debtor’, **carry on the business of the ‘corporate debtor’ for its beneficial liquidation** etc. as prescribed under Section 35 of the I&B Code. The Liquidator will access information under Section 33 and will consolidate the claim under Section 38 and after verification of claim in terms of Section 39 will either admit or reject the claim, as required under Section 40. Before taking steps to sell the assets of the ‘corporate debtor(s)’ (companies herein), the Liquidator will take steps in terms of Section 230 of the Companies Act, 2013. The Adjudicating Authority, if so required, will pass appropriate order. Only on failure of revival, the Adjudicating Authority and the Liquidator will first proceed with the sale of company’s assets wholly and thereafter, if not possible to sell the company in part and in accordance with law.”*

6. In view of the aforesaid decision, we are of the view that the liquidator should act in terms of the aforesaid directions of the Appellate Tribunal and take steps under Section 230 of the Companies Act. If the members of the ‘Corporate Debtor’ or the ‘creditors’ approach the company through the liquidator for compromise or arrangement by making proposal of payment to all the creditor(s), the Liquidator on behalf of the company will move an application under Section 230 of the Companies Act, 2013 before the National Company Law Tribunal, in

terms of the observations as made in ‘S.C. *Sekaran (Supra)*’. On failure, as observed above, steps should be taken for outright sale of the ‘corporate debtor’ so as to enable the employees to continue in service on such outright sale.

7. The appeal(s) are disposed of with aforesaid observations and directions.

No cost.

[Justice S.J. Mukhopadhaya]
Chairperson

[Justice Bansilal Bhat]
Member (Judicial)

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