

# Successful Insolvency Resolution of Rite Bultec Private Limited

Rite Bultec Private Ltd., the Corporate Debtor (CD), along with Rite Developers Private Ltd. (Co-Borrower) secured ₹60 Crores credit facility in 2018 from Piramal Capital & Housing Finance Ltd. (PCHFL), erstwhile DHFL, for development of Mahakali Nagar CHS Slum Project in Mumbai. However, the CD soon landed into a financial crisis which led to the commencement of its CIRP via an NCLT order dated August 25, 2023.

The multiplicity of stakeholders including over 750 slum dwellers were main hurdles in the successful resolution of the CD. However, transparent dialogue and proactive engagement by the RP were instrumental in addressing concerns, mitigating conflicts, and maintaining trust of stakeholders. Finally, the CD was revolved through a Resolution Plan amounting ₹37 crores plus rent to be paid to the eligible slum dwellers as determined by the Slum Redevelopment Authority (SRA), Mumbai. Thus, the value of Resolution Plan is over 150% of the liquidation value of the CD, which would be even higher if the rent to be paid by the SRA to the eligible slum dwellers is considered. In addition to that the transaction audit uncovered PUFEE transactions exceeding ₹60 Crores, which, if clawed back would further enhance the recovery.

In the present case study, Mr. Amit Karia, the RP of the CD, has highlighted the challenges faced during the resolution of Rite Bultec Private Ltd and the measures he adopted to conclude the resolution.

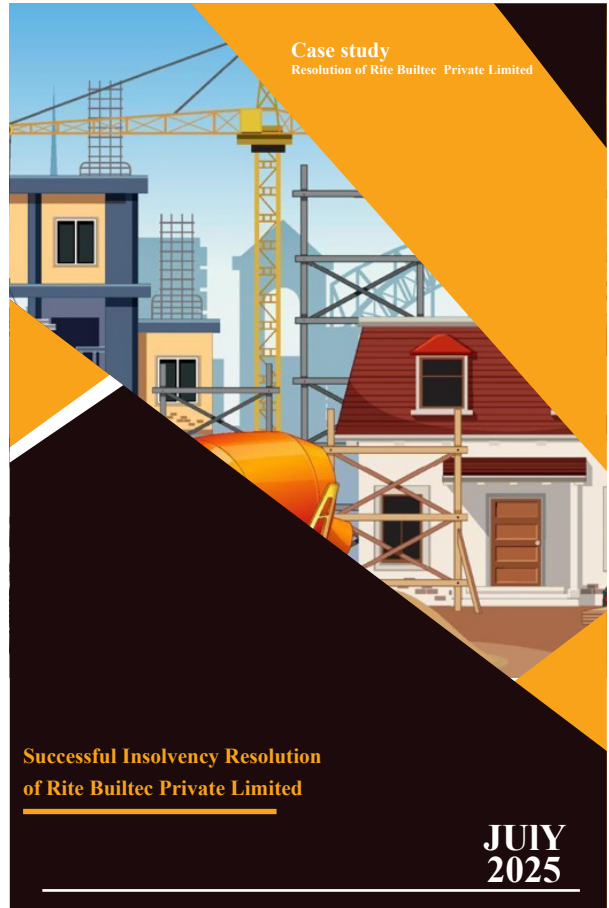
**Read on to know more...**



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## 1. Introduction

Rite Bultec Private Ltd. (Rite Bultec) is a company incorporated under the Companies Act, 1956, with specialization in residential construction and real estate development. The company focused on redevelopment projects of Slum Rehabilitation Authority, Mumbai (Authority).

Rite Bultec, the Corporate Debtor (CD), along with its parent company Rite Developers Private Ltd. (Co-Borrower / Rite Developers), sought financial assistance from the lender Piramal Capital & Housing Finance Ltd. (PCHFL), formerly, Dewan Housing Finance Corporation Ltd. (DHFL) to develop a Slum Rehabilitation Project namely “Mahakali Nagar CHS Slum Project” (the Project) at Magathane, Devipada, Borivali, Mumbai (Maharashtra). While Rite Developers had multiple projects across Mumbai’s western suburbs - including Rite Aspire, Rite Celesta, Rite Skyluxe, Rite Divine, Rite Advent, Rite Bliss, Rite Luxuria, Rite Perinto, and

others while Mahakali Nagar CHS Slum Project under the Authority was the sole project of Rite Buildec.

To fund the project, the company secured ₹60 Crores credit facility, of which ₹52.25 Crores were disbursed. However, financial distress emerged when the company defaulted on its first payment on July 11, 2018, failing to pay the pre-equated monthly instalment (PEMI) interest. Subsequent defaults followed, with non-payment of monthly interest from April 2019 onwards. As a result, PCHFL in its capacity of financial creditor filed a petition under Section 7 of the Insolvency & Bankruptcy Code, 2016 (IBC) before the NCLT, Mumbai. The Adjudicating Authority (AA) admitted Rite Buildec into the Corporate Insolvency Resolution Process (CIRP) on August 25, 2023.

## 2. Reasons that lead to initiation of CIRP

The reasons that lead to financial crisis of the CD and initiation of the CIRP are as under:

- (a) **Failure to Pay Monthly Interest & Principal:** The CD defaulted on its loan obligations starting in July 2018, initially failing to pay the PEMI interest. From April 2019 onwards, there were continuous defaults on monthly interest payments, leading to a severe financial crisis.
- (b) **Project Delays & Execution Challenges:** Project faced significant execution delays, affecting both revenue generation and financial viability.
- (c) **Denial of Additional Funding:** The lender, PCHFL, refused further disbursements due to non-compliance with loan terms. Key reasons for this decision included:
  - (i) **Misuse of Loan Funds:** The CD failed to utilize the sanctioned loan amount for project development.
  - (ii) **Diversion of Funds:** Financial transactions revealed the diversion of funds to related parties, raising concerns over financial mismanagement.
  - (iii) **Non-Maintenance of Escrow Account:** A mandatory escrow account for fund management was not maintained, which violated key loan conditions.
  - (iv) **Unauthorized Loan Repayments:** The company repaid unsecured loans without obtaining prior approval from its lenders thereby breaching financial agreements.

- (d) **Preferential, Undervalued, Fraudulent, and Extortionate (PUFE) Transactions:** The transaction audit uncovered PUFE transactions exceeding ₹60 Crores, which severely impacted the company's financial position. These transactions involved related-party dealings, fund siphoning, and mismanagement, leading to a significant liquidity crunch.

Additionally, Rite Developers Private Ltd., the parent company of Rite Buildec, was found to have over 60 bank accounts with multiple banks and was also undergoing CIRP with admitted debts exceeding ₹1,500 Crores. The final Transaction Audit Report presented conclusive evidence of financial misconduct, highlighting:

- (i) Fraudulent diversion of loan funds.
- (ii) Preferential transactions favouring specific creditors and related parties.
- (iii) Multiple violations of the provisions of the IBC.

**The findings of the Transaction Audit Report became key legal evidence in proceedings against the former directors and associated entities, further strengthening the case for financial mismanagement and insolvency.**

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## 3. Challenges during the CIRP

- (a) **Violation of Moratorium by Suspended Directors:** The suspended directors of Rite Buildec continued to conduct unauthorized transactions through the bank accounts of the CD even after CIRP was initiated, till the debit freeze was imposed & the change of signatory was updated by the banks. Despite the moratorium, funds were diverted, complicating the financial situation and raising legal concerns. Urgent applications had to be filed by the Resolution Professional (RP) with the AA.
- (b) **Non-existent registered office:** The registered office

of the CD as per the records of Ministry of Corporate Affairs (MCA) was non-existent. The premises were owned and occupied by some other entity, unrelated to the CD.

**(c) Absence of Essential Financial Records:** The company's books of accounts, balance sheets, and financial records & registers were missing and not even a single document was received from the erstwhile management. The Section 19(2) application against the suspended directors did not help in any manner. The RP faced challenges in reconciling debts and verifying creditor claims due to the lack of proper documentation. The CIRP was run by the RP with no books, registers, records, documents at all, except those publicly available.

**(d) Difficulty in valuation of 'Land and Building':** Though the registered valuers were appointed within the timelines prescribed under the IBC, but in the absence of project related documents, there was a lot of difficulty in undertaking the valuation exercise in relation to the project of the CD. The RP had to explain and convince the Committee of Creditors (CoC) to grant the approval for a third-party agency to be appointed to do the project appraisal and share the detailed project appraisal report, which was then provided to the registered valuers as a base for their valuation exercise. The appraisal evaluated the financial viability, regulatory compliance, construction timelines, and the overall infrastructure impact. Multiple site visits were conducted with the team of the project appraisal agency, based on which the report was prepared & submitted.

**“The CIRP commenced on August 25, 2023, but on an appeal filed by the suspended directors, the NCLAT imposed a stay on September 14, which continued for almost two months.”**

**(e) NCLAT-Imposed Stay on CIRP:** The CIRP commenced on August 25, 2023, but due to an appeal filed by the suspended directors, the National Company Law Appellate Tribunal (NCLAT) imposed a stay on September 14, 2023, which continued for almost two months up to November 06, 2023. This

led to significant delays in conducting the resolution process. Post vacation of the court-stay and dismissal of the appeal, the CoC was constituted and the first CoC meeting was held in November 2023. On November 23, 2023, the Interim Resolution Professional (IRP) was confirmed as the Resolution Professional (RP) by the CoC. Subsequently, an application was filed before the NCLT, Mumbai for exclusion of the time lost due to stay imposed by the NCLAT. The NCLT allowed the exclusion of 54 days from the CIRP of the CD.

**(f) Agitated Slum Dwellers' Intrusion & Protests:** The stalled project at Devipada had been incomplete for around 15 years, leaving 750+ slum dwellers in the lurch. Some of these affected slum dwellers stormed into the RP's office, demanding clarification on their pending homes and unpaid rent compensation. The RP had to engage with local authorities and law enforcement agencies to ensure the safety of office staff and maintain order while addressing the grievances of slum dwellers. Subsequently, a series of meetings were held regularly with the slum dwellers at the project site to bring a humane touch to the process by explaining them the various steps of the process in simple terms and assured to keep them informed at each stage.

**(g) Threats from Local and Other Interest Groups:** Various local groups and vested interest parties began interfering with the resolution process, seeking control over the project. The RP faced direct threats and acts of intimidation, resulting in a hostile and unsafe working environment. To safeguard the process and ensure that the RP could discharge his duties without external pressure, the matter was brought to the attention of local police authorities. Following visits to the concerned police stations and necessary briefings, the police authorities were requested to maintain order and provide necessary protection.

**(h) Unauthorized Constructions at the Project Site:** In the first week of September 2024, several illegal structures were erected at the project site. The CoC was promptly informed via email, accompanied by images of the structures. On September 20, 2024, the RP visited the local police station and the Authority to report these developments and request necessary actions against the illegal constructions. There was no security deployment at the project site, since there

were no funds available with the RP and the CoC did not grant the necessary approvals for security deployment. Even the resolution for raising interim finance was discussed in detail but ultimately rejected by the CoC.

**“Assignment of debt by PCHFL in favour of Omkara Assets Reconstruction Private Ltd. led to reconstitution of the CoC to reflect the change in creditor composition.”**

- (i) **Frivolous Applications Filed by Vested Interests:** Entities with hidden agendas filed baseless applications before the AA especially when the resolution plan application was about to be reserved for orders. These attempts were apparently made to derail the CIRP and delay the approval of the resolution plan.
- (j) **Assignment of Debt by the sole CoC member:** There was assignment of debt by PCHFL in favour of Omkara Assets Reconstruction Private Ltd. (OARPL). The assignment agreement was executed on February 13, 2024, but the RP was informed about the same on February 26, 2024, by the assignor & assignee. This transfer of debt ownership led to complexities in the resolution process, impacting the composition and decision-making of the CoC. This transition led to reconstitution of the CoC to reflect the change in creditor composition. The necessary application was filed by the RP with the AA to bring on record the revised list of creditors and reconstitution of the CoC.

#### 4. Synopsis of the project

The Mahakali Nagar CHS Slum Project (the project) has been Authority's redevelopment project located in Devipada. It involved a Joint Development Agreement between the CD and two other developers, M/s Amogh Enterprises and M/s GSP Developers. The total plot area comprises 9,675.20 square meters of privately owned land, along with an additional 3,000 square meters of land under Maharashtra Housing and Area Development Authority (MHADA). This land has been earmarked for Authority for redevelopment project, aimed at providing housing to displaced residents while also allowing for commercial and residential development. The development is planned

as per Regulation 33(10) of the DCPR 2034, facilitating both rehabilitation housing for slum dwellers and saleable residential units. The project requires approvals from Authority, MHADA, Municipal Corporation of Greater Mumbai (MCGM), Maharashtra Pollution Control Board (MPCB), Chief Fire Officer (CFO), Airport Authority of India (AAI), and State Environment Impact Assessment Authority (SEIAA), among others. Certain approvals, including environmental clearance and building layout plans, are still pending.

#### 4.1 Complicated History of the Project

The project has undergone a complex and lengthy legal process, involving multiple developers, agreements, and approvals. Initially, on May 9, 2005, a Development Agreement was signed between M/s Nagji Motiji & Co. (Landowners) and M/s Amogh Enterprises (Developers), granting development rights. This was followed by a Joint Venture Agreement on February 6, 2010, between M/s Amogh Enterprises and M/s Nirman Developers, effectively adding a co-developer. To confirm these arrangements, a Deed of Confirmation was executed on the same day among M/s Nagji Motiji & Co., M/s Amogh Enterprises, and M/s Nirman Developers.

Following these legal agreements, the project obtained official approvals. The Authority issued an original Letter of Intent (LoI) on December 16, 2010, in favour of Architect Sanjay Neve, M/s Amogh Enterprises, and the Mahakali Nagar Co-Operative Housing Society Ltd. Shortly thereafter, the housing society was officially registered on October 4, 2011, under the Maharashtra Co-Operative Societies Act, 1960. In the following months, M/s Amogh Enterprises secured an Intimation of Approval (IOA) from the Authority on November 24, 2011, and "Consent to Establish" from the Maharashtra Pollution Control Board (MPCB) on December 1, 2011, allowing the project to move forward.

Over time, the project saw the entry of additional developers. On January 28, 2013, a Joint Venture Agreement was signed between M/s Amogh Enterprises and M/s GSP Developers, introducing another partner. This led to a Revised Letter of Intent (LoI) being issued on July 8, 2015, in favor of the original developers and the housing society. By August 3, 2016, a Memorandum of Understanding (MOU) was executed between M/s Amogh Enterprises, M/s GSP Developers, and Rite Developers Private Ltd., bringing in yet another development entity.



However, a year later, on August 3, 2017, a supplementary MOU was signed in which Rite Developers Private Ltd. exited, and Rite Builtec Private Ltd. stepped in as the new developer.

Subsequently, General Body of the housing society passed a resolution on September 10, 2017, formally appointing Rite Builtec as the project's new developer. However, the legal restructuring continued. On March 31, 2018, a Cancellation Deed was executed between M/s Nagji Motiji & Co., M/s Amogh Enterprises, and M/s Nirman Developers, effectively terminating their earlier agreements. That same day, a Deed of Conveyance cum Joint Development Agreement was signed, officially transferring the development rights from M/s Nagji Motiji & Co. to Rite Builtec Private Ltd., with M/s Amogh Enterprises and M/s GSP Developers listed as confirming parties.

Despite these transitions, legal challenges persisted. On June 15, 2020, an order was passed under Section 13(2) of Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971 against M/s Amogh Enterprises. An order Section 13(2) order under the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971, is an order issued by the Chief Executive Officer (CEO) of the Authority when a slum redevelopment project is not being carried out as per the approved scheme or within the specified time. It allows the Authority to intervene and redevelop the land, potentially terminating the original developer and appointing a new one to ensure timely project completion. Thus, the order marked the end of M/s Amogh Enterprises' involvement in the project, leaving 'Rite Builtec Private Ltd.' as the sole developer.

The legal battles, regulatory hurdles, and multiple shifts regarding control on development on this project, highlight the complexities associated with slum redevelopment

projects in Mumbai, where land ownership, legal rights, and project execution often undergo extensive negotiations before reaching finalization.

### 5. Claims filed and Admitted Claims

The RP received the total claim amounting about ₹172 crores out of which approximately ₹153 crores were admitted which comprised of Secured Financial Creditors (SFCs), Operational Creditors (OCs) and Other Creditors.

The "Other Creditors" involved the unpaid rent arrears

**The RP received the total claim amounting about ₹172 crores out of which approximately ₹153 crores were admitted.**

due and payable to the eligible slum dwellers of the project. Since very limited information was available, the RP admitted the amount to the extent of ₹14,500 per month for 551 eligible slum dwellers (out of total 750+ slum dwellers) for the period of 52 months and 24 days for which the rent was unpaid on the part of the CD. The claim was admitted as 'Contingent Claim' and under the head 'Other Creditors'.

The determination of the eligibility of slum dwellers to receive rent falls within the purview of the Authority. The initial number of eligible beneficiaries was derived from the original Letter of Intent (LoI) issued in connection with the project. Upon issuance of a fresh Letter of Intent (LoI) and the appointment of a new developer, the Authority is expected to undertake a re-verification process to determine the final number of eligible slum dwellers. Given that only limited documentation was available in support of the claim, the RP, exercising abundant caution. Besides, a disclaimer was used in the email acknowledging the claim that "admission of the above amount of claim by the RP does not guarantee

**Table 1: Claims received and Admitted by the RP**

Category of Claimants	Claims Received in ₹	Claims Admitted in ₹
Secured Financial Creditors (SFCs)	1,05,36,59,153	1,05,36,59,153
Operational Creditors (OCs)	5,62,80,240	5,62,80,240
Other Creditors	61,00,00,000	42,16,39,419
<b>Total</b>	<b>171,99,39,393</b>	<b>153,15,78,812</b>

or imply that the amount would be paid to the eligible members. The actual payment depends upon whether there is any resolution plan by the resolution applicant, which is approved by the Committee of Creditors & then by the Hon'ble NCLT, Mumbai. Hence, the payment & the quantum thereof is contingent in nature."

## 6. Expressions of Interest (EoI) and Approval of Resolution Plan

During the CIRP of Rite Build, multiple "Form G" publications were required due to various challenges faced in attracting viable resolution applicants. The first "Form G" was issued on January 10, 2024, inviting Expressions of Interest (EoI) from Potential Resolution Applicants (PRAs). However, due to limited response and delay in process, a first addendum was issued on January 29, 2024, followed by a second addendum on March 1, 2024, extending deadlines and modifying eligibility criteria to encourage broader participation. Despite these efforts, the initial round of resolution plans was found to be unsatisfactory, leading to the rejection by the CoC of two resolution plans in July 2024 - one from "Oberoi Realty Ltd." and the other one from "Ashdan Properties Private Ltd.". Consequently, a fresh "Form G" was issued on July 10, 2024, initiating a second round of invitation for resolution plans. This reissuance resulted in the participation of several resolution applicants, with final time to submit revised resolution plans being given to five resolution applicants out of which three resolution applicants submitted their revised proposals while one of them continued with his originally submitted plan. Subsequently, one resolution applicant withdrew from the process and accordingly, three resolution plans were put for voting before the CoC. They are as under:

- Romell Real Estate Private Ltd.
- LJK Construction India Private Ltd. in consortium with Evanka Construction India Private Ltd. and Arpit Rastogi.
- Aspect Global Ventures Private Ltd.

### 6.1. Key Parameters of the Evaluation Matrix

A detailed discussion ensued in the CoC meeting for voting on resolution plans, including the following key parameters of the Evaluation Matrix:

- Upfront Cash Payment to the SFCs.
- Tenure of upfront cash payment to the SFCs.
- Fresh fund in the form of equity / quasi-equity

proposed for improvement of business operation within the first 12 months after approval of resolution plan by the NCLT.

- Net Present Value of future cash recovery to the SFCs.
- Payment to other stakeholders such as Operational Creditors, Other Creditors, Government Dues, Employees, Workmen etc.
- Financial strength of Resolution Applicant / Group (Applicant Net Worth, Group Net Worth, revenue of the Group and EBIDTA of the Group), Experience of Resolution Applicant.
- Group in Real Estate Sector in which CD is engaged, tenure of completion of development.

### 6.2. Voting on Resolution Plan

Eventually, the CoC voted in favour of the Resolution Plan submitted by "Aspect Global Ventures Private Ltd." which obtained a scoring of 84 marks out of 100, against 48 marks and 32 marks of the other two resolution plans. The resolution applicant Aspect Global Ventures Private Ltd. was declared as the Successful Resolution Applicant (SRA), and a Letter of Intent (LoI) was issued by the RP, immediately post declaration of the voting result.

The Resolution Plan was approved unanimously by the CoC with 100% voting share. The resolution applicant had confirmed its eligibility under Section 29A of the IBC, ensuring compliance with all statutory requirements. An external agency, appointed with the CoC's approval, also conducted a due diligence exercise to verify and confirm the applicant's eligibility. The electronic voting results on the Resolution Plan were published on October 21, 2024, and the application for approval of Resolution Plan was promptly filed with the NCLT on October 23, 2024, which received AA's approval on January 16, 2025. The RP went out of the way to ensure that valuable time in the process is saved, and the entity is revived without any further delay.

The Application for approval of Resolution Plan filed by the RP on October 23, 2024, was heard at length by the AA across five hearings including clarification sought. Thereafter, the Plan approval application was 'Reserved for Orders'. The final order for approval of the Resolution Plan application was passed on January 16, 2025, whereas the order copy was received on January 17, 2025.

Table 2: Relevant timelines relating to the approval of Resolution Plan

Sr.	Particulars	Date
1	Date of the 14th (Fourteenth) CoC meeting (for voting on resolution plans)	16.10.2024
2	Date of circulation of minutes of the meeting	16.10.2024
3	E-Voting Start Date	16.10.2024
4	E-Voting End Date	21.10.2024
5	Issue of Letter of Intent to the SRA by the RP	21.10.2024
6	Receipt of Countersigned LoI and Performance Security from the SRA	23.10.2024
7	Filing of the Application before NCLT for approval of resolution plan by the RP	23.10.2024

## 7. Outlay under the Resolution Plan and Implementation

As per the approved Resolution Plan, the total resolution amount stood at ₹37 crores plus amounts payable to the eligible slum dwellers of project, as may be determined by the Authority. The specific amount of such rent arrears has not been included within the Resolution Plan as it remains currently undetermined and shall be finalized by the Authority.

**The resolution plan value is more than 150% of the liquidation value, which would be even higher if the rent to be paid by the SRA to the eligible slum dwellers is considered.**

The fair value of the CD (for land and building with securities or financial assets) had been estimated at ₹38.89 crores, while its liquidation value was ₹24.42 crores. Hence, the Resolution Plan value is more than 150% of the liquidation value, which would be even higher if the rent to be paid by the SRA to the eligible slum dwellers is considered. The SFC, being the sole member of the CoC, was offered a total consideration of ₹36 crores

under the Resolution Plan. Of this, an upfront amount of ₹3.50 crores was deposited by the SRA as “Performance Security Deposit” in form of refundable “Fixed Deposit” which was to be paid to the CoC post approval of the Resolution Plan by the AA. In the event the Resolution Plan was rejected, the secured deposit would be refunded back to the Resolution Applicant. The remaining balance of ₹32.50 crores was to be paid upon the approval of the Resolution Plan by the AA.

The implementation of the Resolution Plan followed a structured timeline. Upon the AA’s approval, a Monitoring Committee was formed within 15 days, which comprised of One Representative of the CoC / SFC, Two Representatives of the SRA, and Erstwhile RP as the Managing Agent. The operations of the CD were handed over to the Monitoring Committee and, to ensure the effective implementation of the resolution plan, the committee was tasked with overseeing its execution and submitting quarterly reports. The SRA subsequently infused the balance amount, in addition to the earlier deposit of ₹3.50 crores. The balance amount was allocated towards the CIRP costs and other financial outlays as stipulated in the Resolution Plan. Following this, the CD’s Board of Directors was reconstituted, and

a selective capital reduction was implemented in accordance with the approved Plan.

The approval order stated that the Plan complied with Section 30(2) of the IBC, and Regulations 37, 38, 38(1A), and 39(4) of the CIRP Regulations. The AA had emphasized that the statutory obligations of the CD remained unaffected, and all claims not included in the Resolution Plan stood extinguished. The moratorium under Section 14 of the IBC ceased to be in effect from the approval date.

### **8. Issue relating to Rent Arrears due to slum dwellers**

A significant issue raised during the AA's review and consideration was the payment of rent arrears to the slum dwellers, a condition imposed by the Authority in its original Letter of Intent (LoI). Since the Resolution Plan was silent on this matter, the AA first directed the RP to submit an additional affidavit having an undertaking by the SRA to unconditionally pay the amount as may be determined by the Authority. After the needful was done, the AA had taken the undertaking on record and reserved the Plan application for order. Subsequently, the matter was called for clarification, and the RP was directed to get an addendum to the Resolution Plan from the SRA, get it approved by the CoC and then file with the AA.

Consequently, an addendum to the Resolution Plan was approved in the 16th CoC meeting on January 8, 2025, confirming that the SRA would be responsible for settling the outstanding rent arrears, as and when determined by the Authority. It was also undertaken by the SRA that they shall unconditionally pay the amount as determined and directed by the Authority within the time specified by the Authority or 90 days of the determination, whichever is earlier. In this manner, the AA attempted to reconcile the objectives of the IBC and a welfare legislation like the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971.

### **9. Conclusion**

The successful resolution of Rite Bultec reaffirms the effectiveness of India's insolvency framework in balancing creditor interests with economic revival. The resolution underscores the critical role of open and constant communication by the RP with various stakeholders in navigating the complexities of the CIRP. Throughout the process, the RP had to engage with multiple stakeholders, including financial creditors, operational creditors, regulatory authorities, slum dwellers, the Authority and local interest groups. Transparent dialogue and proactive engagement were instrumental in addressing concerns, mitigating conflicts, and maintaining trust in the resolution process.

