Resolution of D.K. Realty (India) Private Limited: A Triumph of the IBC Framework for a Slum Rehabilitation Authority (SRA) Project

This resolution is unique as it was initiated and steered by homebuyers through their duly registered association, which not only acted as petitioning financial creditors but also submitted and implemented the Resolution Plan.

D. K. Realty, a Mumbai-based real estate company, had envisioned a large-scale residential project named "LIVSMART" on 18,564 square meters of land in Kurla (West), Mumbai. Construction came to a halt in 2017, prompting the homebuyers to file a CIRP application, which was admitted by the NCLT on November 15, 2022. AAA Insolvency Professionals LLP, acting as RP, undertook the challenging task of reviving the project amid significant hurdles, including the absence of directors, employees, and key records, and alleged fund diversion linked to the DHFL investigation.

The LIVSMART Welfare Association, in collaboration with a reputed developer, submitted a Resolution Plan amounting to ₹161 crore, ensuring the delivery of completed homes to more than 600 allottees within a defined timeframe, without any additional financial burden. The CoC approved the plan with a 100% voting share. The case exemplifies the IBC's effectiveness in resolving distressed real estate projects while balancing the interests of all stakeholders and restoring confidence among homebuyers.

In the present case study, Mr. Anil Goel and Mr. Ankit Goel, who represented the RP on different times, have highlighted the challenges faced during the resolution of DK Reality and the measures he adopted for successful resolution. ***Read on to know more…***

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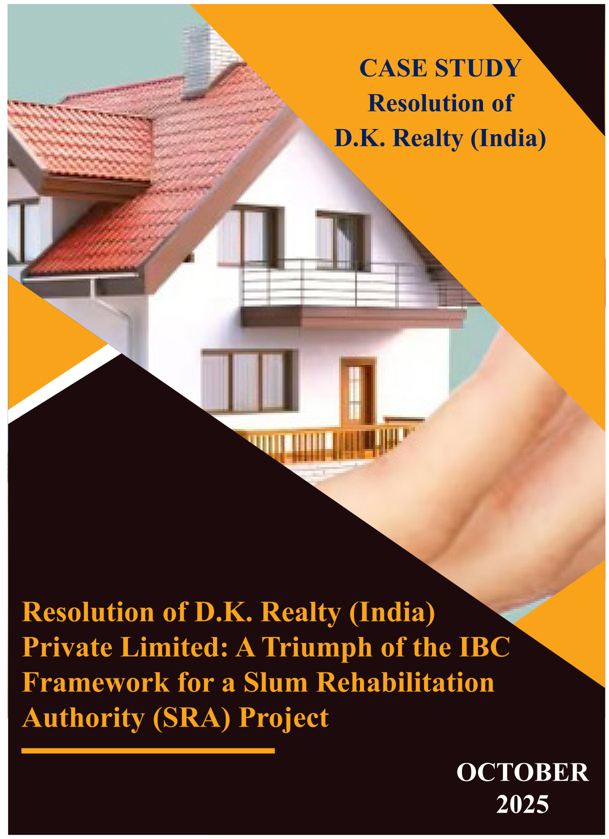

1. Introduction

D.K. Realty (India) Private Limited, also known as Dheeraj Realty (hereinafter referred to as "DK Realty" or "the Corporate Debtor"), is a Mumbai-based real estate development company incorporated in 2012. The Corporate Debtor (CD) envisioned a large-scale residential project named "LIVSMART," proposed to be developed on a strategically located land parcel measuring 18,564 square meters in Kurla (West), Mumbai. The development plan encompassed 28 residential towers, comprising 1,694 housing units and 9 commercial establishments, positioning the project as a major urban housing initiative.

The site previously housed the manufacturing facility of Premier Automobiles Limited, renowned for producing the iconic Premier Padmini. The Premier Padmini, a four-seat saloon manufactured in India from 1964 to 2001, became a cultural symbol—particularly in Mumbai, where it dominated the taxi fleet for decades. This industrial land was later approved for redevelopment into a residential complex under the Slum Rehabilitation Authority (SRA) scheme, with an obligation to construct thousands of flats, Balwadis, and society offices for the rehabilitation of families living in Mumbai's slums.

DK Realty acquired development rights for the said land from Housing Development and Infrastructure Limited (HDIL) for a consideration of approximately ₹656.07 crore. Further, to fund the construction and project execution, DK Realty secured an additional financial assistance amounting to nearly ₹300 crore from Dewan Housing Finance Corporation Limited (DHFL). However, the execution of the LIVSMART project came to a standstill around 2017, primarily due to allegations of financial mismanagement, diversion of project funds, and serious operational inefficiencies. Consequently, the project remained incomplete for several years, leaving hundreds of homebuyers aggrieved and in a state of prolonged uncertainty.

The project, which was once considered a landmark affordable housing development in central Mumbai, had nearly 7.43 lakh sq. ft. of saleable carpet area and over 11.5 lakh sq. ft. of super built-up area. Despite a high level of booking and advances collected from allottees, progress on site was abandoned for years. Financial linkages between DK Realty and DHFL, which was under separate investigation for financial irregularities, further complicated fund tracing and title ownership issues. HDIL, as the original holder of the development rights, had also been entangled in legal and enforcement proceedings and admitted for CIRP Application on August 20, 2019, thereby affecting project legitimacy.

Faced with an indefinite delay and lack of redress, a group of homebuyers invoked the provisions of Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC). Pursuant to their application, the Corporate Insolvency Resolution Process (CIRP) was admitted against DK Realty on November 15, 2022, by the National Company Law Tribunal (NCLT), Mumbai Bench.

> **Faced with an indefinite delay and lack of redress, a group of homebuyers invoked the provisions of Section 7 of the IBC.**

This case marks a watershed moment where homebuyers, acting collectively through a welfare association, successfully navigated the IBC process to protect their investments, rebuild a long-stalled project, and re-instill public trust in the insolvency resolution mechanism for the real estate sector.

2. Background of the Company and Project

Incorporated on August 25, 2012, DK Realty was established with the purpose of developing residential real estate in Mumbai. The company's flagship project, LIVSMART, aimed to provide high-quality housing with advanced amenities. The land for this project, located at Premier Road, Club Complex, Kurla West, Mumbai, was originally developed by HDIL as an SRA project, which transferred a part of development rights to DK Realty under an agreement dated December 11, 2015. The agreement granted DK Realty:

(a) Floor Space Index (FSI) of 85,000 square meters, giving exclusive rights to develop, construct, and sell buildings on the plot.

(b) Three basements for parking and utility spaces, along with provisions for constructing 14 residential floors per building.

(c) Exclusive rights to sell, lease, or transfer units, ensuring the company's financial returns from the project.

The project promised modern urban living spaces with strategic location advantages, aiming to cater to middle-class families. However, the project's financial and operational challenges derailed its progress.

3. Collapse of the Project

Despite its promising inception, construction of the LIVSMART project stalled due to severe financial mismanagement, alleged fund diversion, and a lack of operational oversight. The following issues contributed to the project's downfall:

(a) Financial Irregularities:

i. DK Realty borrowed ₹968 crore from DHFL for acquiring development rights from HDIL and for construction but failed to channel the funds effectively towards construction.

ii. Investigations revealed significant fund diversion to associated entities, further depleting resources.

(b) Operational Negligence:

i. The absence of robust project management practices resulted in delays and cost overruns.

ii. Construction progress was minimal despite substantial funds being disbursed.

(c) External Challenges:

i. HDIL, which had received development rights from Slum Rehabilitation Authority, entered insolvency proceedings, adding complexities to DK Realty's financial and legal position.

ii. The project faced regulatory delays due to lapses in approvals and compliance with statutory requirements.

(d) Stakeholder Impact:

Over 600 homebuyers, who booked flats and made substantial payments to DK Realty, were left in distress, with no clarity on project completion timelines or refund mechanisms.

Creditors faced substantial losses, with no immediate prospects for recovery.

> **By the time CIRP commenced on November 15, 2022, DK Realty's assets had deteriorated, and all operations, including construction, had remained stalled since 2017.**

By the time the CIRP was initiated on November 15, 2022, DK Realty's assets had significantly deteriorated, and the company had ceased all operations, with construction activities remaining stalled since 2017. On commencement of CIRP, the NCLT appointed AAA Insolvency Professionals LLP, an Insolvency Professional Entity (IPE) registered with the Insolvency and Bankruptcy Board of India (IBBI) as an Insolvency Professional (IP), to act as the Interim Resolution Professional (IRP), that was subsequently confirmed as the Resolution Professional (RP) by the Committee of Creditors (CoC). AAA Insolvency Professionals LLP (hereinafter, the RP) was represented by Mr. Anil Goel and Mr. Ankit Goel, both registered as Insolvency Professionals (IPs) with the IBBI, at different stages of the process.

4. Challenges faced during the CIRP

The CIRP of D. K. Realty was one of the most complex real estate resolutions under the IBC, owing to the scale of the project, absence of internal management and regulatory entanglements. Upon commencement of the CIRP, the Resolution Professional (RP) was confronted with an abandoned project site, entirely devoid of physical staff or representatives of the corporate management. The directors and key managerial personnel of the CD were found to be absconding, and multiple attempts to establish communication—including the issuance of statutory notices, letters, and electronic correspondences—proved futile, as no responses were received.

Furthermore, no employee was available to assist in locating the statutory, technical, or financial records. All physical and digital records at the registered office were either absent or abandoned. Even critical ledgers and agreements, including those with homebuyers and vendors, were missing. The RP was forced to rely entirely on third-party sources like statutory auditors, RERA (Real Estate Regulatory Authority) filings, and information obtained from the Central Bureau of Investigation (CBI), which had seized certain financial data in connection with the DHFL fund diversion case.

Due to the complete breakdown of institutional infrastructure, RP had to recreate the corporate memory from scratch—contacting former vendors, tracking public databases, and even visiting the project site to collect firsthand intelligence. The site itself was unguarded, and illegal occupants and hawkers had entered the partially constructed premises. With the CoC's approval, immediately arranged for round-the-clock security deployment to safeguard the remaining physical assets.

Amidst these hurdles, the RP had to verify over 500 homebuyer claims filed via NeSL and direct submissions, reconcile discrepancies without official books, and liaise with public authorities to obtain compliance records such as GST, PAN, bank account details, and Tally data from 2015–2019. Despite multiple setbacks, the CIRP was conducted in a litigation-free, efficient, and transparent manner, showcasing the capabilities of a professionally driven resolution process.

The CIRP for DK Realty presented numerous challenges, including:

(a) Absence of Management and Records:

i. The directors, shareholders, and employees were untraceable, leaving no institutional memory to assist in the resolution process.

ii. Essential records, including financial statements and customer data, were unavailable at the registered office.

(b) Allegations of Fund Diversion:

i. Investigations linked to DHFL revealed that a substantial portion of the borrowed funds had been diverted to related parties, raising questions of fraud.

ii. Records confiscated by the CBI further complicated access to critical information.

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(c) Regulatory and Legal Barriers:

i. Approvals and licenses from RERA and other regulatory bodies were either expired or missing, delaying the restart of construction.

ii. Legal disputes over land title and compliance obligations of SRA added to the complexities. The land was conveyed in the name of SRA and only FSI was sold to the CD. Therefore, in the case of liquidation, the CD would not have any asset.

(d) Stakeholder Management:

i. The CoC, comprising financial creditors, and homebuyers, required consistent engagement and updates to maintain trust.

ii. Over 500 homebuyers, represented by an authorized representative, demanded immediate clarity on project delivery timelines.

(e) Technical and Financial Assessments:

i. Structural assessments identified deficiencies in the partially completed buildings, necessitating additional investments for rectification, structural stability and retro-fitting measures such as carbon fiber wrapping for beam-column junctions, epoxy injection grouting to address concrete cracks, steel jacketing for columns with reduced load-bearing capacity, and water-proofing of basement and podium areas.

ii. Financial viability was difficult to establish without complete records, requiring extensive reconstruction of accounts.

(f) **NCLT Order Dated June 21, 2023: Re-publication of Form G in the CIRP of DK Realty:** On June 21, 2023, the NCLT, Mumbai Bench, passed a significant order in the ongoing CIRP of D.K. Realty. Recognizing the complexities and procedural impediments in the earlier stages of the resolution process, the Tribunal permitted to re-publish Form G for the third time, thereby inviting fresh Expressions of Interest (EOIs) from prospective resolution applicants (PRAs).

The NCLT also directed the Government of Maharashtra and its concerned authorities, such as the Slum Rehabilitation Authority (SRA) and RERA, to expedite the provision of certified copies of approvals, licenses, and NOCs. These actions removed significant bottlenecks in the resolution process and enabled the RP to enhance the project's feasibility for PRAs.

This order underscored the judiciary's proactive role in facilitating the resolution process, ensuring procedural compliance, and safeguarding stakeholder interests.

5. Role of the RP

Despite overwhelming challenges, the RP undertook several critical initiatives to drive the resolution process:

(a) Data Reconstruction:

i. Collaborated with statutory auditors, chartered accountants, and consultants to retrieve scattered financial records.

ii. Accessed public platforms such as the Ministry of Corporate Affairs (MCA), RERA, and income tax portals to gather additional information.

iii. Retrieved documents from the CBI, which had seized records during investigations into DHFL.

(b) Recovery of Funds Held in HDFC Bank:

i. Discovered and recovered funds held in a dormant HDFC Bank account, bolstering liquidity for CIRP costs.

ii. Secured court orders to unlock the funds in HDFC Bank account ensuring the funds were transferred into the CIRP account.

(c) Engagement with Authorities:

i. Filed applications with the NCLT to secure co-operation from regulatory bodies, including RERA and SRA.

ii. Worked closely with statutory authorities to understand the process to regularize pending approvals and licenses for guiding the prospective resolution applicants.

> **"The RP engaged homebuyers through their authorized representative and observers taken from the Association of Allottees to address grievances and align expectations."**

(d) Stakeholder Communication:

i. Conducted regular CoC meetings to ensure transparency and seek necessary approvals.

ii. Engaged homebuyers through their authorized representative and observers taken from the Association of Allottees to address grievances and align expectations.

(e) Marketing the Real Estate Project:

i. Re-issued Form G for EOIs multiple times, resulting in active interest from PRAs.

ii. Engaged technical consultants to ensure potential applicants had complete clarity about project viability and regulatory compliance.

6. Resolution Plan

In the first two releases of Form G, no market interest was received due to lack of adequate information. The order of NCLT directing all Real Estate Authorities of Maharashtra to provide the copies of all sanctions, licenses and approvals kick started the resolution. The RP then engaged a consultant to obtain all the copies and documents which were required by the prospective resolution applicants for their due diligence. In total eight investors and builders expressed interest and submitted EOI along with ₹1 Crore of EMD each. The PRAs included all known builders of Maharashtra and from other cities. Due diligence was done by all in detail, but the fear of pending SRA obligation kept them away and only two resolution plans were received, out of which one was from Association of Allottees. The resolution plan submitted by LIVSMART Welfare Association, representing the homebuyers, was ultimately approved by the CoC, consisting predominantly of secured financial creditors and homebuyers, approved the Plan with a 100% voting share.

The Key highlights of the approved resolution plan are as follows:

(a) Financial Proposal:

i. Total Plan value was ₹161 Crores, comprising ₹160 Crores towards financial creditors out of which ₹25 crore as upfront payment to creditors and ₹1 Crore towards operational creditors.

ii. Allocation of funds for completing the remaining construction and Admitted Allottees being offered duly completed units/ flats booked by them along with the amenities and internal specifications without any additional cost despite escalation in the construction cost since last 7 years.

iii. A builder /Contractor was also engaged who agreed to invest funds also as per requirement and all the financial projections were made and approved by CoC with detailed due diligence.

(b) Implementation of Framework:

i. Collaboration with reputed contractor to ensure quality construction within stipulated timelines.

ii. Milestone-based tracking systems to monitor progress.

iii. The implementation has started by way of payment of first tranche of ₹25 Crores to secured financial creditors, full payment of CIRP Cost, full payment of operational creditors and commencement of construction at project site.

(c) Relief for Homebuyers:

i. Clear roadmaps for the delivery of units to admitted allottees.

ii. Mechanisms for addressing grievances and ensuring compliance with RERA guidelines.

(d) Regulatory Compliance:

i. Renewal of licenses and clearances was awaited from various real estate authorities, but work had already started at the site under Section 31(4) of the Insolvency and Bankruptcy Code, 2016.

7. Impact of the Resolution

The successful resolution of DK Realty had significant positive outcomes:

(a) Revitalization of the Project: Construction resumed under strict monitoring, restoring confidence among stakeholders.

(b) Relief for Stakeholders:

i. Over 600 homebuyers now have a clear timeline for project completion (the claimants increased later and condonation for delayed submission of claims by them was obtained under 13(1C)(b)(ii) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016.

ii. Creditors received partial recovery of dues, mitigating financial losses.

(c) Precedent for Future Cases: The case demonstrates the IBC's potential to resolve distressed real estate projects while balancing stakeholder interests.

> **"Over 600 homebuyers now have a clear timeline for project completion, while creditors have received partial recovery of their dues, thereby mitigating financial losses."**

8. Lessons Learned

The revival of DK Realty provides several key insights:

(a) **Effective Role of the CoC in Driving Resolution:** The CoC, comprising primarily of secured financial creditors and homebuyers in the form of a financial creditors' class, demonstrated the power of collective decision-making. Transparent discussions and timely voting on key agenda items ensured the CIRP moved forward without undue delay, making the resolution efficient and representative of stakeholder interests.

(b) **Significance of Class Representation and Observers:** Appointment of an Authorized Representative (AR) under Section 21(6A) ensured that the large class of homebuyers was effectively heard and represented in the CoC. Additionally, the voluntary nomination of observers from among the allottees promoted transparency, communication, and trust in the process.

(c) **Transparency in Claim Collation and Verification:** With no co-operation from the promoters and no books of account available, the RP adopted a transparent and participative approach by relying on claimants' documents, NeSL filings, RERA records, and third-party audit reports. This demonstrates how the CIRP can proceed even amidst significant data gaps if managed diligently.

(d) **Community-Driven Resolution through Welfare Association:** The LIV Smart Welfare Association, as a resolution applicant, embodied a unique model where aggrieved allottees took charge of their project's revival. Their proactive participation and submission of a compliant resolution plan were instrumental in ensuring that homebuyers' interests were protected while achieving commercial feasibility.

(e) **CoC's Commercial Wisdom and Judicial Endorsement:** The Resolution Plan received overwhelming approval from the CoC, reaffirming its balanced approach toward financial recovery and project revival. The NCLT's endorsement of the plan reaffirmed the judicial deference to the commercial wisdom of creditors under Section 30(4) of IBC.

(f) **Legal Strategy and Regulatory Coordination during CIRP:** The RP's correspondence with regulators like RERA, SRA, GST Department, and ROC during the CIRP ensured that legal hurdles and legacy liabilities were addressed or accounted for in the Resolution Plan. This demonstrates that proactive legal engagement during CIRP can help reduce post-resolution litigation risks.

(g) **Judicial Support in Absentee Promoter Cases:** The ex-parte admission of the CIRP due to non-appearance of promoters, and the Tribunal's swift approval of the Resolution Plan, reinforce the judiciary's supportive role in enabling resolution where promoters are defunct or non-cooperative.

9. Lessons for Revival of stalled Real Estate Projects

The success of this case, despite near-total promoter abdication and asset-level complexity, provides a practical roadmap for reviving similarly placed real estate projects. It emphasizes the importance of stakeholder unity, committed RP, and an empowered CoC.

(a) **Real Estate CIRP as a Tool for Consumer Justice**: The outcome of this CIRP affirms that the IBC can be used not just for recovery but also for consumer redressal. The allottees, who were both victims and financial creditors, found a resolution platform that was structured, time-bound, and legally enforceable.

(b) **Lessons for Policymakers and Sectoral Reform:** The case illustrates how the legal framework under the IBC, when combined with judicial efficiency and community action, can address systemic real estate distress. It paves the way for further policy support for homebuyer-led insolvency proceedings and faster approvals of consumer-backed plans.

10. Conclusion

The resolution of D.K. Realty stands as a landmark achievement in India's insolvency regime. Through the dedicated efforts of the RP and the collaborative spirit of stakeholders, a stalled project was revived, delivering justice to homebuyers and creditors alike. This case exemplifies IBC's role as a powerful tool for resolving distressed assets and restoring faith in the real estate sector.

Moreover, this case underscores the effectiveness of the IBC mechanism even in the most challenging circumstances—where records were lost, management had abdicated responsibility, and the project was deeply mired in legal and regulatory entanglements. The need to reconstruct records from third-party sources, secure cooperation from investigative agencies, and coordinate with multiple authorities such as RERA, SRA, and NCLT underscores the resilience and resourcefulness required for effective insolvency resolution in the modern context.

The successful culmination of the CIRP, achieved without major litigation and with significant stakeholder consensus, demonstrates the strength of transparent processes, proactive engagement, and professional competence. The inclusion of homebuyers through their association, and their emergence as the Successful Resolution Applicant, is also a notable shift toward inclusive resolution models under the IBC.

From a broader perspective, the revival of the LIVSMART project offers renewed hope to countless homebuyers affected by stalled housing projects across the country. It provides a replicable template for other real estate insolvency cases, where timely regulatory support, stakeholder co-operation, and judicial supervision can lead to successful outcomes.

In essence, the D.K. Realty resolution not only brings closure to a long-pending dispute but also affirms the judiciary's and regulator's commitment to safeguarding consumer interest and promoting economic rehabilitation through structured insolvency processes. It is a true testament to what the IBC can accomplish when leveraged effectively.