

# **INSOLVENCY AND BANKRUPTCY BOARD OF INDIA**

## **(Disciplinary Committee)**

No. IBBI/DC/280/2025

31<sup>st</sup> March 2025

### **ORDER**

This Order disposes of the Show Cause Notice (SCN) No. IBBI/C/2023/010109/902/835 dated 24.10.2024, issued to Mr. Vakati Balasubramanyam Reddy, an Insolvency Professional registered with the Insolvency and Bankruptcy Board of India (IBBI/Board) with Registration No. IBBI/IPA-001/IP-P00662/2017-2018/11131, who is a Professional Member of the Indian Institute of Insolvency Professionals of ICAI.

#### **1. Background**

- 1.1. The National Company Law Tribunal, Mumbai Bench (AA) vide its order dated 23.06.2023, admitted the application filed under Section 9 of the Code by M/s. Sunflag Iron & Steel Company for initiating Corporate Insolvency Resolution Process (CIRP) of M/s. Adico Forge Private Limited (Corporate Debtor / CD). Mr. Vakati Balasubramanyam Reddy was appointed as the IRP vide the same order and subsequently continued as the deemed RP. Mr Vakati Balasubramanyam Reddy was replaced by Ramchandra Dallaram Choudhary as the RP of the CD vide order dated 08.11.2023.
- 1.2. The Board in exercise of its powers conferred under Section 218 of the Code read with Regulation 7(1) and 7(2) of the IBBI (Inspection and Investigation) Regulations, 2017 (Inspection and Investigation Regulations), appointed an Investigating Authority (IA) to conduct investigation in the matter of CIRP of the CD.
- 1.3. The investigation notice was issued by the Investigating Authority to Mr. Vakati Balasubramanyam Reddy on 28.11.2023 and in response thereof, Mr. Vakati Balasubramanyam Reddy sought time to reply to the said notice vide e-mail dated 28.11.2023 and 08.12.2023. Mr. Vakati Balasubramanyam Reddy submitted his reply on 15.12.2023 wherein specific reply to the allegations in the complaint as sought by the IA was not given. Accordingly, another opportunity was given to Mr. Vakati Balasubramanyam Reddy by the IA vide email dated 12.06.2024 to reply to the allegations contained in the complaint. The reply of Mr. Vakati Balasubramanyam Reddy on the same was received by the IA on 18.06.2024 wherein he raised several objections with respect to the procedure not being followed. However, no response was given by

him on the specific issues sought by the IA. After considering Mr. Vakati Balasubramanyam Reddy's reply, the IA submitted the Investigation Report (IR) to the Board.

1.4. Based on the findings in the IR and material otherwise available on record, the Board issued SCN dated 24.10.2024 to Mr. Vakati Balasubramanyam Reddy, on forming a *prima facie* view that Mr. Vakati Balasubramanyam Reddy has made following contraventions:

- a) **Non- appointment of Registered Valuers** – Contravention of Section 208(2)(a) & (e) of the Code, Regulation 27 of the CIRP Regulations, Regulation 7(2)(a) and 7(2)(h) of IP Regulations read with Clause 13 and 14 of the Code of Conduct for Insolvency Professionals provided under First Schedule to IP Regulations (Code of Conduct).
- b) **Non-filing of CIRP Forms.** – Contravention of Section 208(2)(a) and (e) of the Code, Regulation 40B of CIRP Regulations, Regulation 7(2)(a) and 7(2)(h) of IP Regulations read with Clause 13 of the Code of Conduct.
- c) **Non-cooperation with IA.** – Contravention of Section 208(2)(a) & (e) of the Code, Regulation 8(4) and 8(8) of Inspection Regulations, Regulation 40B of CIRP Regulations, Regulation 7(2)(a) and 7(2)(h) of IP Regulations read with Clause 18 and 19 of the Code of Conduct.
- d) **Non- ratification of fee of Registered Valuers by the CoC** - Contravention Section 208(2)(a) and (e) of the Code, Regulation 34 of CIRP Regulations, Regulation 7(2)(a) and 7(2)(h) of IP Regulations read with Clause 27 of the Code of Conduct.

1.5. The Board *vide* the SCN provided time of 15 days i.e. till 08.11.2024 to submit his response to the allegations made in the SCN. The reply of Vakati Balasubramanyam Reddy on the SCN was received by the Board on 08.11.2024.

1.6. Mr. Vakati Balasubramanyam Reddy had challenged the issuance of the SCN dated 24.10.2025 before the Hon'ble High Court of Bombay in W.P.(L) No. 5385 of 2025. The Hon'ble High Court of Bombay vide order dated 10.03.2025 had disposed of the given

writ petition with the liberty to Mr. Vakati Balasubramanyam Reddy to raise all contentions while answering the SCN.

- 1.7. The SCN and the reply to the SCN from Mr. Vakati Balasubramanyam Reddy were referred to the Disciplinary Committee (DC) for disposal of the SCN. Mr. Vakati Balasubramanyam Reddy availed the opportunity of personal hearing before the DC through virtual mode on 20.03.2025 and 21.03.2025 wherein he appeared with the advocate Mr. Prateek Sarkar. Pursuant to the personal hearing, Mr. Vakati Balasubramanyam Reddy submitted the additional documents vide email dated 25.03.2025 and 26.03.2025.

## **2. Submissions of Mr. Vakati Balasubramanyam Reddy**

- 2.1. Mr. Vakati Balasubramanyam Reddy in his response to the SCN and also during the personal hearing has raised certain preliminary objections on the procedure leading to issuance of SCN. He has challenged that Regulation 7, 10, 11 and 12 of Inspection and Investigation Regulations have not been followed. Further, he has challenged that Regulation 7 of the IBBI (Grievance and Complaint Handling Procedure) Regulations, 2017 has also not been followed.
- 2.2. He has contended that because of the same, the principles of natural justice have not been followed, and he has been denied the opportunity of proper hearing before issuance of the SCN. He has also relied on several judgments of the Hon'ble Supreme Court and various High Courts to contend that if initial action is not in consonance with law, all subsequent and consequential proceedings would fall through.

## **3. Analysis of the DC**

- 3.1. The DC is of the opinion that before going into the merits of the allegations made in the SCN, it is important to address the preliminary submissions regarding the procedures being not followed before issuance of SCN as raised by Mr. Vakati Balasubramanyam Reddy. After considering the submissions of Mr. Vakati Balasubramanyam Reddy that the principles of natural justice have not been followed, the DC deems it fit to refer back the matter to the Board for re-examination of the complaint in accordance with the provisions of the applicable Regulations.

#### **4. Order**

- 4.1. In view of the foregoing, the DC, in exercise of the powers conferred under Section 220 of the Code read with Regulation 11 of the IBBI (Insolvency Professionals) Regulations, 2016 and Regulation 13 of the IBBI (Inspection and Investigation) Regulations, 2017, disposes of the SCN by referring back the matter to the Board for re-examination of the complaint in accordance with the provisions of the applicable Regulations. It is however made clear that the DC has not examined the contraventions made in the SCN and therefore has not expressed any opinion on the same.
- 4.2. This Order shall come into force immediately in view of para 4.1 of the order.
- 4.3. A copy of this order shall be forwarded to the Insolvency Professional Agency of Indian Institute of Insolvency Professionals of ICAI where Mr. Vakati Balasubramanyam Reddy is enrolled as a member.
- 4.4. A copy of this order shall also be forwarded to the Registrar of the Principal Bench of the National Company Law Tribunal, New Delhi, for information.
- 4.5. Accordingly, the show cause notice is disposed of.

Sd/-

(Sandip Garg)

Whole Time Member

Insolvency and Bankruptcy Board of India

Dated: 31<sup>st</sup> March 2025

Place: New Delhi