

**NATIONAL COMPANY LAW TRIBUNAL
AMARAVATI BENCH
(Video Conference)**

**PRESENT: JUSTICE TELAPROLU RAJANI – MEMBER JUDICIAL
ATTENDANCE-CUM-ORDER SHEET OF THE HEARING HELD ON 26.04.2022 AT 10.30 AM**

TC/CP. Nos.	CA/IA No.	Section/ Rule	Name of Parties
CP(IB) No. 18/95/AMR/2022	IA(IBC)/68/2022	95 of IBC	Bank of Baroda Vs. Venkata Sujatha Penmetsa & Veda Biofuel Limited

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

Orders pronounced, IRP is appointed, vide separate orders. List the matter on 31.05.2022.

IA(IBC)/68/2022:

This application is filed seeking to receive counter on behalf of the Respondents on the ground that when the matter was called, the Counsel for the Applicant, appearing virtually, due to technical issues, was not able to make his representation. But however for the reasons mentioned in the main CP, this application is dismissed.

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**JUSTICE TELAPROLU RAJANI
MEMBER JUDICIAL**

**NATIONAL COMPANY LAW TRIBUNAL
AMARAVATI BENCH AT HYDERABAD**

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CP (IB) No. 18/95/AMR/2022

Under Section 95 read with 60(2) of the Insolvency and Bankruptcy Code, 2016 and Read with Insolvency and Bankruptcy (Application to Adjudicating Authority for Insolvency Process for Personal Guarantors to Corporate Debtors) Rules, 2019

AND

**In the matter of
M/s. VEDA BIOFUEL LIMITED**

BETWEEN:

Bank of Baroda,
Rep. by its Chief Manager Mr. Deepak Arora,
its Head Office at Baroda House,
Mandvi, Vadodara-39006, Gujarat
and branches inter alia called
Stressed Assets Management Branch at 4th Floor,
JBAS Building No.45, Moore Street,
Chennai – 600001.

...Petitioner/ Financial Creditor

AND

1. Smt. Venkata Sujatha Penmetsa,
W/o. Penmetsa Vijaya Kumar,
Aged about 52 years, Ameerpet,
Hyderabad – 500016.

Also at: 20059, Mattingly Terrace,
Gaithersberg, Maryland – 20879.

... Respondent No.1/Personal Guarantor

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2. M/s. Veda Biofuel Limited (in Liquidation),
Rep. by its Liquidator Dr.K.V.Srinivas,
Its registered office of Company at D.No.50-50-15/2,
Seethammadra behind Gurudwara,
Visakhapatnam – 530013.

R/o. #402, 4th Floor, 6-3-249/6,
Alcazar Plaza & Towers, Road No.1,
Bamjara Hills, Hyderabad – 500 034.

... Respondent No.2/Corporate Debtor

Date of Order: 26.04.2022

CORAM:

Justice Telaprolu Rajani, Member Judicial.

Appearance:

For Petitioner/Financial Creditor : Mr.V.V.S.N.Raju, Advocate.

ORDER

1. This Petition is filed by the Bank of Baroda (Financial Creditor) against the Personal Guarantor/Respondent No.1 & Corporate Debtor/Respondent No.2 seeking to initiate Corporate Insolvency Resolution Process (CIRP). But the application is filed under Section 95 of IBC, 2016 and the prayer is also against the Personal Guarantor of the Corporate Debtor. Hence, this Application can be treated as having been filed only against Respondent No.1 and that Respondent No.2 is only formally added.
2. The facts as stated in the Synopsis are as follows:

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The Bank of Baroda, Petitioner herein is a lead Banker of Consortium, on request of Respondent No.2/Corporate Debtor sanctioned Rupee Term Loan of Rs.24 Crores vide its sanctioned letter dated 02.01.2014 for establishing a 2.3 MW Co-Generation Power Plant for captive consumption at Nadipalli (Village), Poosapatirega (M), Vizayanagaram District, Andhra Pradesh, India with estimated total cost of Rs.101 Crores of which total debt of Rs.64 Crores and the Promoter Contribution of Rs.37 Crores were to be brought in by way of equity capital.

Respondent No.1 the Personal Guarantor and Respondent No.2 the borrower for the above credit facilities, executed necessary documentation including the lenders Agent Agreement, Inter Creditor Agreement, Common Rupee Loan Agreement, Deed of Hypothecation, Security Trust Agreement, Trust and Retention Agreement, Sponsor Support Agreement to secure said credit facilities.

Subsequent to the issue of said sanctioned letter, the Consortium of Bankers led by the Petitioner with Bank of India and Central Bank of India as members herein had sanctioned additional Rupee Term Loan II of rs.13,30,00,000/- and further sanctioned working Capital of Rs.14 Crores of which Petitioner Bank share in Term Loan II is Rs.5 Crores and Working Capital is Rs.8 Crores for which Respondent No.1 & 2 executed necessary documentation

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dated 03.07.2014, 18.12.2015 & 25.03.2016. Respondent No.2 also executed a Deed of Hypothecation dated 03.07.2014 and 18.12.2015 in favour of the consortium bankers, creating in their favour, first charge over the Plant and Machinery along with Current assets of Respondent No.2.

Respondent No.2 was sanctioned various credit facilities by the Financial Creditor and Respondent No.1 stood as Guarantor for the said credit facilities, to an extent of Rs.91,30,00,000/-. Respondent No.1 stood as a Personal Guarantor by executing a Personal Guarantee Deed dated 03.07.2014 and 25.03.2016, guaranteeing the repayment of the aforesaid credit facilities. Respondent No.2, after fully availing the said credit facilities, failed to adhere to the repayment terms of the sanctioned credit facilities. As a result, the account of Respondent No.2 has become a Non-Performing Asset (NPA) on 29.10.2018. A Company Petition was filed against the Corporate Debtor and the same was admitted to CIRP vide order dated 12.02.2019. The Resolution Professional filed an application for Liquidation of the Corporate Debtor and the said application was allowed. The outstanding due amount as on 25.05.2020 is Rs.43,10,94,480.18/-. The cause of action for this Petition arose first on 31.12.2018 when legal notice was issued by the Petitioner to the Respondents, demanding the repayment of debt and when the Respondents failed to pay the said amount. Hence, this Application seeking to initiate CIRP against Respondent No.1.

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3. Notices were issued to the Respondents and Advocate on behalf of Respondent No.1 made his appearance. When the matter was posted for orders, Respondent No.1 came up with an Application I.A.No.67/2022 seeking permission to file counter, but when he was questioned about his right to file counter and the right of audience at this stage of the matter, the Counsel could not provide any satisfactory answer, except seeking the court to take his counter on file.
4. No right of audience is provided under the relevant provisions of Section 95 or 97. After the application under Section 95 is filed, under Section 97 the Adjudicating Authority, if the application is filed through a Resolution Professional, shall direct the Board within seven days of the date of the application to confirm that there are no disciplinary proceedings pending against Resolution Professional and the Board shall within seven days of receipt of directions under sub-section (1) of Section 97 of IBC, communicate to the Adjudicating Authority in writing either;
 - (a) *Confirming the appointment of the resolution professional; or*
 - (b) *Rejecting the appointment of the resolution professional and nominating another resolution professional for the insolvency resolution process.*

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Under Sub-Section (3) of Section 97 of IBC “*Where an application under section 94 or 95 is filed by the debtor or the creditor himself, and not through the resolution professional, the Adjudicating Authority shall direct the Board, within seven days of the filing of such application, to nominate a resolution professional for the insolvency resolution process.*”

Under Sub-Section (4) of Section 97 of IBC “*The Board shall nominate a resolution professional within ten days and then the Adjudicating Authority under Sub-Section (5) shall by order appoint the Resolution Professional.*”

Under Section 99 such Resolution Professional shall submit his report and based on that report, under Section 100, the Adjudicating Authority, shall pass an order either admitting or rejecting the Application. It is only under Section 100(3) that the Adjudicating Authority shall provide a copy of the order passed under Subsection (1) to the Creditors. Hence, in terms of Section 97 & 100 of IBC, 2016 no right of audience cannot be given to the Respondents at a stage before appointing the IRP. In support of the said reasoning, a judgment of the Bombay High Court in *Writ Petition (L.) No.21271 & 21272 of 2021 between Surendra B. Jiwrajka vs Omkara Assets Reconstruction* can be looked into. It was held by the Bombay High Court that from an analysis of the provisions contained in sections 95 to 100 of IBC, it can be seen that a definite time-line has been provided at each stage of the

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proceeding. That apart, the interim moratorium in terms of Section 96 which commences from the date of the Application, remains in force till the date of admission of such application under section 100 of IBC. Though time-lines have been prescribed at each stage of the proceeding, leading to acceptance or rejection of the application under section 100, no such time-line has been prescribed for submission of report by the resolution professional though section 100 provides that the adjudicating authority shall take a decision either admitting or rejecting the application within 14 days from the date of submission of the report. That apart on a careful examination of section 100, before the adjudicating authority takes a decision to either admit or reject the application upon receipt of report from the resolution professional, the parties to the insolvency resolution process are required to be heard.

It was further held that though the legislature itself has provided in Section 99 (10) that a copy of the report of the Resolution Professional to furnish the debtor or creditor thus complying with the requirement of the principles of natural justice, it would be in the fitness of things and in furtherance of principle of natural justice that the parties are also heard before the decision is taken by the Adjudicating Authority one way or the other under Sub-section (1) of Section 100 of IBC, 2016. It can be noted that the Bombay High Court did not interfere with the order of the Adjudicating Authority therein appointing the Interim Resolution



Professional which was without notice. The NCLAT common judgment in *Company Appeal (AT) (Insolvency) No. 316 of 2021 between Mr. Ravi Ajit Kulkarni vs. State Bank of India and Company Appeal (AT) (Insolvency) No. 317 of 2021 between Mr. Mr. AjitBhagwan Kulkarni vs. State Bank of India dated 12.08.2021* was also relied upon by the Respondent's Counsel therein, in support of the contention that no notice is required to be given to the Personal Guarantor at the stage of appointment of Interim Resolution Professional (IRP). Considering that the legislature has provided in Section 99 (10) of IBC, that a copy of report of the IRP be furnished to the Debtor has complying with the requirement of the principles of natural justice the High Court of Bombay felt that an opportunity need to be given under Section 100 (1) of IBC, 2016 in furtherance of the principles of natural justice. Since no notice is mandated under Section 100, Bombay High Court observed that notice before admission under Section 100(1) would serve the principles of natural justice, but it did not say that notice before admission is required. The NCLAT judgment in Mr. Ravi Ajit Kulkarni's case considered the contention raised therein that the debtor did not get opportunity to seek replacement of IRP since he did not have notice of the fact of appointment of IRP. The Supreme Court considered the vires and validity of a notification dated 15.11.2019, in *Lalit Kumar Jain Vs. Union of India and others in transferred case (Civil No.245/2020) dated 21.05.2021*. The said judgment was relied upon by the NCLAT and it was

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observed that the Supreme Court discussed in Para 81 of the judgment in Lalit Kumar Jain, that it was evident that the method adopted by the Central Government to bring into force different provisions of IBC had a specific design which was to fulfil the objectives underline the code, having regard to its priorities. The NCLAT has considered Section 95 (5) of IBC, 2016 which requires the Creditor to provide copy of the application under subsection (1) to the debtor and felt that it has to be read with Rule 3 (1) (g) which is as under:

“Rule 3 (1)(g): “serve” means sending any communication by any means, including registered post, speed post, courier or electronic means, which is capable of producing or generating an acknowledgement of receipt of such communication:

Provided that where a document cannot be served in any of the modes, it shall be affixed at the outer door or some other conspicuous part of the house or building in which the addressee ordinarily resides or carries on business or personally works for gain.”

It held that, it is evident from a reading of the Section along with the Rule that what Creditor has to serve is copy of the application “made under sub-section (1)” to the Debtor. Reading Rule 7(2) with Rule 3 shows that the application filed under sub-section (1) of Section 95 shall be submitted in Form -C and the

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- Creditor will serve forthwith “a copy of the application” to the Guarantor and the Corporate Debtor for whom the Guarantor is a Personal Guarantor. Thus, what has to be served is the copy of application which has been “submitted”. What is contemplated is that the application in Form C should be “submitted” and then the Creditor should serve forthwith a copy of the application to the Guarantor and the Corporate Debtor for whom the Guarantor is a Personal Guarantor. The procedure thus prescribed will give the Personal Guarantor notice of the application already filed before the Adjudicating Authority. Section 95(5) requires Creditor to provided copy of the application “made under sub-section (1)”, to the Debtor. Thus, serving advance copy is not contemplated.
4. The arguments that Section 98 provides for replacement of the Resolution Professional and hence the Guarantor should have an opportunity to seek replacement of Resolution Professional and hence he should be heard before appointment of IRP was also considered and held that going through Section 98 of IBC, 2016, it is found that Section 98 is not stage specific. Section 98 itself shows that the section could be resorted to even on stages like implementation of repayment plan which would be a stage beyond Section 116, where implementation and supervision of repayment plan is provided for. It was held that the argument that before report of Resolution Professional the Debtor must get a chance to seek replacement of Resolution Professional and thus notice was

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required to be given, has no substance. It is clearly held that, it is only after the Resolution Professional is appointed by the Adjudicating Authority under Section 97(5), that the step under Section 98 is contemplated. From the judgement of the NCLAT, it is clear that notice before appointment of IRP is not required to be given to the Respondents. That a part of the principles of natural justice, which was considered by the Bombay High Court in the above cited judgment, are not violated by not providing for a notice before appointment of IRP, as can be seen from Section 99 of IBC. Any amount of audience is provided to the debtor before the Resolution Professional submits a report. Section 99 (2) of IBC gives an opportunity to the debtor to prove repayment of debt claimed as unpaid by the creditor. Section 99 (4) of IBC, empowers the Resolution Professional to seek further information or explanation in connection with the application as may be required from the Debtor or the Creditor or any other person, who, in the opinion of the Resolution Professional, may provide such information. Hence it is not as if, the Debtor is not provided an audience before the submission of the report. Hence I do not see any violation of principles of natural justice by not giving an opportunity to the Debtor for making his submissions before the appointment of IRP. As observed by the Supreme Court in the judgment of *Lalit Kumar Jain* case, it is in its wisdom that the legislature has enacted various provisions which are unambiguous and do not leave any scope for interpretation, with regard to the

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issuance of notice and giving the right of audience to the Debtor at the stage of appointment of IRP. It can be noted that the judgment of Bombay High Court in ***Surendra B. Jiwrajka vs Omkara Assets Reconstruction*** case was carried to the Supreme Court and is pending. The Supreme Court has ordered for the Resolution Professional not to submit the report till the finality of the judgment. However, as things stand as on today and going by the law which is settled as on today I conclude that no notice is required for the Respondent at the stage of appointment of IRP.

5. Considering the said facts, this Tribunal is of the considered opinion that there is no hurdle to entertain this application under Section 95 of IBC, 2016, since the application is found to be complete. The Petitioner did not suggest any name as Insolvency Resolution Professional (IRP) and sought the Tribunal to appoint an IRP. Hence Mr. Yannamsetti Muralikrishna, (Registration No. IBBI/IPA-001/IP-P-02526/2021-2022/13884) is appointed as Insolvency Resolution Professional (IRP).

ORDER

- A. Mr. Yannamsetti Muralikrishna, (Registration No. IBBI/IPA-001/IP-P-02526/2021-2022/13884), having office at 17-28-15, ESI Hospital Road, Sriramnagar, East Godavari, Andhra Pradesh-533105; e-mail: yannamsetti@gmail.com; Mobile: **+91 8985001069** is appointed as the Interim Resolution

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Professional. No disciplinary proceeding is pending against him as per the IBBI website. He is directed to file his written consent in Form No. 2 forthwith.

- B. In terms of the Section 99 of the IBC, 2016, the IRP shall submit his report within 10 days on receipt of the date of this order and submit a report to the Tribunal recommending for approval or rejection of the Application.
- C. The Registry shall communicate the order to the Petitioner and the Financial Creditor forthwith.
- D. The Petitioner and the Registry shall send the copy of this order to IRP for necessary compliance.


**JUSTICE TELAPROLU RAJANI
MEMBER JUDICIAL**

Swamy Naidu