



**NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH, COURT – II
CHENNAI**

**ATTENDANCE CUM ORDER SHEET OF THE HEARING OF NATIONAL
COMPANY LAW TRIBUNAL, CHENNAI BENCH, HELD ON 24.02.2026 AT
10.30 A.M. THROUGH VIDEO CONFERENCING:**

**PRESENT: SHRI. JYOTI KUMAR TRIPATHI, HON'BLE MEMBER (JUDICIAL)
SHRI. RAVICHANDRAN RAMASAMY, HON'BLE MEMBER (TECHNICAL)**

APPLICATION NUMBER : --
PETITION NUMBER : CP/IB/186/CHE/2023
NAME OF THE PETITIONER : Rajtharun Textiles India Pvt Ltd
NAME OF THE RESPONDENT(S) : --
UNDER SECTION : Sec 10 of IBC, 2016

ORDER

Present : Ld. Counsel Mr.A.G.Sathyanarayana for the Petitioner.

Vide separate order pronounced in open court, Petition is Allowed.

**Sd/-
RAVICHANDRAN RAMASAMY
Member (Technical)**

**Sd/-
JYOTI KUMAR TRIPATHI
Member (Judicial)**



**IN THE NATIONAL COMPANY LAW TRIBUNAL,
DIVISION BENCH – II, CHENNAI**

CP (IB) / 186 (CHE) / 2023

(Filed under Section 10 of the Insolvency and Bankruptcy Code, 2016)

M/s Rajtharun Textiles India Private Limited,

CIN: U17111TZ2009PTC015326

No. 6/159-B, Puluwapalayam,

Odderpalayam Post, Annur-(Via),

Coimbatore – 641 653.

...Corporate Debtor/Applicant

Order Pronounced on 24th February 2026

CORAM

SHRI JYOTI KUMAR TRIPATI, MEMBER (JUDICIAL)

SHRI RAVICHANDRAN RAMASAMY, MEMBER (TECHNICAL)

For Petitioners :- A. G. Satyanarayana, Advocate

*For Respondent No.1:- Vinithra Srinivasan, Varun Srinivasan, Rangesh S.R.M,
Advocates*

*For Respondent No.2:- Surya Teja SS Nala, Aishwarya S Nathan, Tulesh Balaje
R, Advocates*

For Respondent No.3:- Shivoakumar and Suresh, Advocate

For Respondent No.4:- Avinash Krishnan Ravi, Advocate

ORDER

(Heard Through Hybrid Mode)

1. The present application has been filed by Rajtharun Textiles Private Limited (“the Corporate Applicant” or “the Corporate Debtor”) under Section 10 of the Insolvency and Bankruptcy Code, 2016 (“the Code”), seeking initiation of the Corporate Insolvency Resolution Process (CIRP)



against it. The application has been filed through one of its Directors, Mr. A.V. Duraisamy, duly authorised by a Board Resolution dated 11.11.2023 annexed as Annexure VII (a) to the petition.

2. Part-I of the Petition sets out of the details of the Corporate Applicant. It is averred that the M/s Rajtharun Textiles India Private Limited, incorporated on 09.07.2009, is engaged in the business of cotton yarn or textiles and with an Authorized Share Capital of Rs. 7,00,00,000/- and the Paid-up Share Capital of Rs. 7,00,00,000/- which is represented by Mr. A.V. Duraisamy with its registered office situated at No. 6/159-B, Puluwapalayam, Odderpalayam Post, Annur-(Via), Coimbatore – 641 653.

3. In Part-II of the Petition the Corporate Applicant has proposed Mr. CA. S. Prabhu, with Reg.no. IBBI/IPA-001/IP0P01275/2018-2019/11948 to act as a Resolution Professional and therefore, prayed the Tribunal to make a reference to the board for appointment of Interim Resolution professional.

3. Part-III of the Petition sets out the details of the Financial or Operational Creditor, with Canara Bank being the Financial Creditor with a debt of Rs. 23,19,45,570.26/- and the List of Operational Creditors is enclosed as Annexure II. It also states the particulars of the Operational Debt, documents, records and evidence of the default as below:

- Notice dated 31.10.2023 issued by the Canara Bank, Financial Creditor and MODT documents including loan sanction letter - Annex I;



- Notice dated 30.10.2023 and 02.11.2023 issued by the Operational Creditor (M/s. Samunnati Agro Solutions Private Limited) - Annex II;
- Copy of relevant books of accounts of the Corporate Debtor evidencing default to creditors - Annex IV;
- Copies of audited financial statements of the Corporate Debtor for the last two financial years and provisional unaudited financial statement for the period from 01.04.2023 up to 31.10.2023 - Annex V;
- Updated statement of affairs as on 31.10.2023 - Annex VI.

4. SUBMISSIONS OF THE PETITIONERS:

4.1 It is submitted that the Corporate Applicant convened an EGM dated 11.11.2023 wherein a resolution was passed approving the initiation of the Corporate Insolvency Resolution Process (CIRP).

4.2 It is submitted that the Petitioner had availed credit facilities from Canara Bank and stated that the Corporate Applicant was classified as a Non-Performing Asset on 07.11.2023 with an outstanding debt of Rs. 23,19,45,570.26/-.

4.3 It is submitted that the Applicant had an outstanding debt of Rs. 1,35,46,138 and Rs. 24,39,245 payable to Samunnati Agro Solutions Private Limited.

4.4 It is also submitted that the Corporate Applicant owed certain amounts to M/s. Maruthi Oil Mills. In the course of bona fide settlement negotiations, the Corporate Applicant had issued post-dated cheques in July 2023 towards discharge of the said liability. However, the said cheques were



dishonoured upon presentation. It is further submitted that, by the time the cheques were presented for encashment, the Petitioner was facing an acute liquidity crisis and, consequently, issued instructions to stop payment in order to avert proceedings under Section 138 of the Negotiable Instruments Act, 1881. However, it is stated that proceedings under Section 138 had been initiated and the Managing Director, Mr. Duraisamy, has been remanded for 15 days and subsequently released on bail.

4.5 It is submitted that the filing of the Petition after receipt of a SARFAESI demand notice and classification of the account as a Non-Performing Asset (“NPA”) is entirely consistent with the statutory framework. It is also stated that the mere availability or preference of alternative remedies such as SARFAESI does not extinguish or override the corporate debtor’s statutory right under Section 10.

4.6 It is submitted that the profitability reflected in the profit and loss account is not synonymous with liquidity. It is further submitted that the balance sheet discloses substantial liabilities, bank overdrafts and erosion of reserves, which adequately explain the Petitioner’s inability to service matured obligations.

5. SUBMISSIONS MADE BY RESPONDENTS:

5.1 It is submitted that the Corporate Debtor had availed financial assistance from Canara Bank for an amount of Rs. 34,77,69,307/-. It is further



submitted that the CD had created a security in the form of immovable property in the nature of land.

5.2 It is submitted that the CD committed a default and its accounts were classified as NPA on 07.11.2023 and a demand notice dated 08.11.2023 under Section 13(2) of SARFEASI Act, 2002 was issued to pay the outstanding amount of Rs. 23,19,45,570.26/- (Twenty-Three Crore Nineteen Lakh Forty Five Thousand Five Hundred Seventy Rupees and Twenty-Six Paise Only).

It is further submitted that the immovable assets mortgaged to the bank were linked with the Personal Guarantors and hence, the bank prefers to realize the security interest by way of SARFAESI Act and hence raised objections for the CIRP initiated by the Applicant. It is submitted that the decision taken by the Canara Bank is purely a commercial decision.

5.3 It is submitted that M/s. Maruthi Oil Mills is a registered Partnership Firm, which is in the business of cotton ginning, pressing and oil mill. It is also registered as a MSME enterprise under the MSMED Act, 2006. It is also submitted that it has been supplying cotton for the CD's business on short term credit basis.

5.4 It is submitted that out of the invoice amount of Rs. 2,57,08,620/- raised by M/s. Maruthi Oil Mills towards its supply of cotton, the Corporate Applicant paid a meagre sum of Rs. 18,00,000/-, and the balance outstanding is a sum of Rs. 2,39,08,620/-. Further, it is stated that, as per the invoices, the



Corporate Applicant was required to pay interest at 15% p.a. for all delayed payments.

5.5 It is submitted that the Corporate Applicant had been persistently seeking time to repay its outstanding dues. Upon repeated demands for repayment, the Corporate Applicant issued 15 post-dated cheques on 27.07.2023, coupled with an undertaking that the entire outstanding amount would be remitted at the earliest. However, when the said cheques were presented for realization on 04.01.2024, they were dishonoured with the endorsement "Payment Stopped by Drawer."

5.6 It is further submitted that, consequent to the dishonour of the cheques, the Creditor caused a statutory legal notice to be issued to the Corporate Applicant. Despite receipt of the said notice, the Corporate Applicant failed to make payment of the cheque amounts within the prescribed period of 15 days. Accordingly, the Creditor initiated proceedings under Section 138 of the Negotiable Instruments Act, 1881 by filing a complaint before the Hon'ble Magistrate Court at Warangal.

5.7 It is submitted that the present petition is filed with the intention to evade its liabilities to the Operational Creditors and stated that the Applicant had financial revenue of Rs. 43,17,43,837/- from its operations and a profit of Rs. 5,07,79,690/-.

5.8 It is further submitted that the following can be observed from the financial statements of the Corporate Applicant:



- i. The sales of the Corporate Applicant increased from FY 2021-22 to FY 2022-23 and has a significant Gross Profit.
- ii. The Inventory and Trade Receivables have reduced, which indicates there is good amount of cash flow for FY 2022-23. Further, the Corporate Applicant has purchased some assets in the same financial year.
- iii. The Corporate Applicant has paid all the Statutory dues (like PF, Tax requirement etc.).
- iv. The Bank charges have been significantly increased showing there is an abnormal transaction (to show increased expenses directly relating to less profit or no profit).
- v. Bad Debts, Loading Charges, General Expenses, Purchase Expenses and Travelling Expenses had increased abnormally.
- vi. Unwarranted advance and deposit to suppliers and in GST Cash Ledger affecting the cash flow.
- vii. However, on a Comparison of financial statements of the last three years, the Corporate Applicant is in the positive trend both in revenue as well as in turnover.

5.9 It is submitted that Corporate Applicant's Working Capital is not in short flow and stated that there was no significant outstanding dues under the statutory requirement and others, which indicates the company has enough funding.



5.10 It is submitted that the Secured Financial Creditor viz., Canara Bank had classified the account of the Corporate Applicant as Non-Performing Asset (NPA) only on 07.11.2023 and issued a Demand Notice under the SARFAESI Act, 2002 on 08.11.2023 to the Corporate Applicant. The Corporate Applicant within three (3) days from the receipt of the said Demand Notice and called for an extra-ordinary general meeting of the Shareholders on 11.11.2023 and passed a resolution to file the present Application u/s. 10 of IBC, 2016 to initiate CIR Process against the Corporate Applicant. Strangely, on the very same day i.e., 11.11.2023, the present Application came to be executed by the authorized signatory of the Corporate Applicant and was filed with this Hon'ble Tribunal on 12.11.2023.

5.11 It is submitted that the Corporate Applicant had availed various credit facilities from Small Industries Development Bank of India since 2020. It is further submitted that the bank had sanctioned a term loan of Rs. 2,95,00,000/- to Purchase Machinery and other equipment and the sanction was conveyed to the Corporate Applicant through a Letter of Intent on 09.03.2020 and also sanctioned a term loan of Rs.45 Lakh for Purchase of Machinery and Equipment's which was conveyed to the Corporate Applicant through a Letter of Intent dated 09.03.2020.

5.12 Accordingly, the Loan Agreement / Deed of Hypothecation for Term Loan cum Hypothecation were executed on 09.03.2020 in order to secure the loan amounts.



5.13 Further, the Corporate Applicant was also sanctioned working capital term loan of Rs. 100 Lakh under Emergency Credit Line Guarantee Scheme (ECLGS) which was conveyed to the Corporate Applicant herein through a Letter of Intent dated 13.01.2023 and subsequently, the Term Loan cum Hypothecation agreement were executed on 13.01.2023 in order to secure the loan amount. It is also stated that the Corporate Applicant had become NPA on 09.04.2024.

5.14 The total outstanding amount due to this Bank from the Corporate Applicant is sum of Rs.3,21,45,409/- (Rupees Three Crores Twenty-One Lakhs Forty-Five Thousand Four Hundred and Nine Only). It is further submitted that Respondent had classified the account of the Corporate Applicant as Non-Performing Assets on 09.04.2024. Thereafter, on 22.05.2024 issued the recall notice and later a modified recall notice was issued on 30.07.2024 demanding the payment.

5.15 It is further submitted that the Applicant failed to bring on record the dues of the respondent. It is also submitted that during the visit to the unit of the Corporate Applicant machines financed by the Respondents kept in the unit did not match with the available machines.

5.16 It is submitted that the Samunnati Financial Intermediation & Services Pvt Ltd and Samunnati Agro Solutions Pvt Ltd had initially extended a credit facility to the Corporate Applicant with a trade limit of Rs. 2 crores in the capacity of the operational creditor. This facility was subsequently



renewed and modified over time, with the limit most recently revised to Rs. 1 crore as of 06.09.2022. It is submitted that on 22.11.2022, the Corporate Debtor also applied for an additional short-term credit facility for a financial limit of Rs. 50 lakhs, which was sanctioned by the Creditor in the capacity of financial creditor.

5.17 The Applicant had defaulted in the payment and the creditor had issued two recall notices dated 30.10.2023 in capacity of both financial and operational creditor. It is submitted that the Corporate Debtor has intentionally failed to disclose its complete financial records and true financial position, omitting significant transactions and statements that would exhibit its solvency and ability to meet its financial obligations.

5.18 It is submitted that from a mere perusal of the audited financial statement of the Corporate Applicant, it can be seen that despite a significant increase in turnover from Rs. 45.79 crores in FY 2021-22 to Rs. 66.25 crores in FY 2022-23, but the Applicant had reported a massive loss of Rs. 16.13 lacs for FY 2022-23 as against a profit of Rs. 26.81 lakhs for the previous fiscal year. It is submitted that this drastic swing from the profit to loss despite increased revenue raises serious questions regarding the authenticity and accuracy of the financial statements submitted by the Applicant.

5.19 It is submitted that there had been unusual and unexplained spikes in certain categories that can be seen in the audited balance sheet for FY 2022-23 wherein Employee Benefits expenses have surged from Rs.84.20 lakhs in FY



2021-22 to Rs. 350.52 lakhs in FY 2022-23, showing an unexplained rise of Rs. 266.32 lacs, with no clear rationale or supporting documentation provided. Additionally, Miscellaneous Expenses under Bad Debts, previously recorded as "nil" in FY 2021-22, now show a dramatic increase to Rs. 741.66 lakhs in FY 2022-23, suggesting potential write-offs or irrecoverable amounts that have not been transparently explained.

5.20 Additionally, it is submitted that the trade receivables recorded as outstanding for more than six months were marked as "nil" as of 31.03.2022 as seen in Volume 1 Page 110 of the Application Paper book. However, in the auditor's report as seen in Volume 1 Page 118 of the Application Paper book, the auditor emphasized that the company has written off "sundry debtors which were outstanding substantially for a longer period." This contradictory statement casts doubt on the accuracy of the company's financial reporting and suggests potential manipulation to inflate losses and justify the initiation of CIRP.

5.21 It is submitted that the that there seems to be a significant and unusual volumes of transactions with related parties as reflected in purchases, sales, and receivables as seen in Volume 1 Page 119 of the Application Paper book which suggest possible siphoning of funds through group companies and directorial influence, deliberately weakening the financial health of the Corporate Debtor and contributing to its stated losses.



FINDINGS OF THE TRIBUNAL

6. We have heard the learned Counsels for both the parties and perused the documents on record.

7. It is observed that an Extraordinary General Meeting dated 11.11.2023 of the Corporate Applicant was convened, and a special resolution approving the filing of the present Application was passed in compliance with Section 10(3)(c) of the Code.

8. It is apparent that the Petitioner had a debt of amount Rs. 23,19,45,570.26/- towards Canara Bank and Rs. 1,35,46,138, Rs. 24,39,245 towards Samunnati Agro Solutions Private Limited, which is above the minimum threshold required. From the material placed on record, including financial statements and records, this Tribunal is satisfied that a **financial debt** exists and that **default** has occurred.

9. Section 10 of IBC, 2016 provides as under:

“Section 10. Initiation of corporate insolvency resolution process by corporate applicant.

(1) Where a corporate debtor has committed a default, a corporate applicant thereof may file an application for initiating corporate insolvency resolution process with the Adjudicating Authority.

(2) The application under sub-section (1) shall be filed in such form, containing such particulars and in such manner and accompanied with such fee as may be prescribed.



(3) *The corporate applicant shall, along with the application furnish the information relating to-*

(a) its books of account and such other documents relating to such period as may be specified; and

(b) the resolution professional proposed to be appointed as an interim resolution professional.

(c) the special resolution passed by shareholders of the corporate debtor or the resolution passed by at least three-fourth of the total number of partners of the corporate debtor, as the case may be, approving filing of the application.

(4) *The Adjudicating Authority shall, within a period of fourteen days of the receipt of the application, by an order--*

(a) admit the application, if it is complete; 2[and no disciplinary proceeding is pending against the proposed resolution professional]; or

(b) reject the application, if it is incomplete: 2[or any disciplinary proceeding is pending against the proposed resolution professional:]

Provided that Adjudicating Authority shall, before rejecting an application, give a notice to the applicant to rectify the defects in his application within seven days from the date of receipt of such notice from the Adjudicating Authority.

(5) The corporate insolvency resolution process shall commence from the date of admission of the application under sub-section (4) of this section."

10. The Hon'ble National Company Law Appellate Tribunal (hereinafter, Hon'ble NCLAT), New Delhi in *M/s. Unigreen Global Private Limited vs. Punjab National Bank and others (Company Appeal (AT) (Insolvency) 81/2017)*, held that if an application under Section 10 is complete and in absence of any ineligibility of Corporate Applicant, the Adjudicating Authority is bound to admit the application. The relevant portion of the judgement is reproduced hereunder,



“22. Section 10 does not empower the Adjudicating Authority to go beyond the records as prescribed under Section 10 and the informations as required to be submitted in Form 6 of the Insolvency and Bankruptcy (Application to the Adjudicating Authority) Rules, 2016 subject to ineligibility prescribed under Section 11. If all informations are provided by an applicant as required under Section 10 and Form 6 and if the Corporate Applicant is otherwise not ineligible under Section 11, the Adjudicating Authority is bound to admit the application and cannot reject the application on any other ground”

11. Upon perusal of the material on record, including the petition and the accompanying documents, this Adjudicating Authority is satisfied that a default has occurred and that the application is complete with the minimum threshold of default and the special resolution approving filing of the Application has been duly passed making it fit for admission under Section 10 of the Code.

12. This Tribunal is satisfied that there is a default in the repayment of debt and the application filed under Section 10 is complete with all the necessary information. Further, the Corporate Applicant is not ineligible to make an application as per Section 11 of IBC, 2016.

13. Therefore, we are of the view that this Company application is required to be admitted u/s 10 of the Code. The circumstances justify the initiation of CIRP against the Corporate Debtor so that an effective resolution plan can be explored in the larger interest of all stakeholders.

14. Accordingly, this Application is admitted.



15. We order accordingly.

The Corporate Applicant has proposed the name of Mr. CA. S. Prabhu, having Regn. No. IBBI/IPA-001/IP-P01275/2018-2019/11948 as the Interim Resolution Professional (IRP) and we appoint **Mr. CA. S. Prabhu**, having Regn. No. IBBI/IPA-001/IP-P01275/2018-2019/11948 *E-mail ID: carpprabhu@gmail.com (AFA Valid till 31-12-2026)* forming part of the Panel of IPs recommended by IBBI in accordance with, “Insolvency Professionals to act as Interim Resolution Professionals, Liquidators, Resolution Professionals and Bankruptcy Trustees (Recommendation) Guidelines, 2024”, as the IRP in the present application. The IRP who is appointed shall take forward the process of Corporate Insolvency Resolution of the Corporate Debtor. The IRP appointed shall take in this regard such other and further steps as are required under the Statute, more specifically in terms of Section 15, 17, 18 of the Code and file his report within 20 days before this Bench. The powers of the Board of Directors of the Corporate Debtor shall stand superseded as a consequence of the initiation of the CIRP in relation to the Corporate Debtor in terms of the provisions of IBC, 2016.

16. As a consequence of the Application being admitted in terms of Section 10 of the Code, moratorium as envisaged under provisions of Section 14(1) and as extracted hereunder shall follow in relation to the Corporate Debtor;



- a. The institution of suits or continuation of pending suits or proceedings against the respondent including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or other authority;*
- b. Transferring, encumbering, alienating or disposing of by the respondent any of its assets or any legal right or beneficial interest therein;*
- c. Any action to foreclose, recover or enforce any security interest created by the respondent in respect of its property including any action under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;*
- d. The recovery of any property by an owner or lessor where such property is occupied by or in the possession of the respondent.*

17. For the purposes of this sub-section, it is hereby clarified that notwithstanding anything contained in any other law for the time being in force, a licence, permit, registration, quota, concession, clearance or a similar grant or right given by the Central Government, State Government, local authority, sectoral regulator or any other authority constituted under any other law for the time being in force, shall not be suspended or terminated on the grounds of insolvency, subject to the condition that there is no default in payment of current dues arising for the use or continuation of the license or a similar grant or right during moratorium period;

18. However, during the pendency of moratorium period in terms of Section 14(2) and 14(3) as extracted hereunder;

- (2) The supply of essential goods or services to the Corporate Debtor as may be specified shall not be terminated or suspended or interrupted during moratorium period.*



(2A) Where the interim resolution professional or resolution professional, as the case may be, considers the supply of goods or services critical to protect and preserve the value of the Corporate Debtor and manage the operations of such Corporate Debtor as a going concern, then the supply of such goods or services shall not be terminated, suspended or interrupted during the period of moratorium, except where such Corporate Debtor has not paid dues arising from such supply during the moratorium period or in such circumstances as may be specified.

(3) The provisions of sub-section (1) shall not apply to

(a) such transactions, agreements or other arrangement as may be notified by the Central Government in consultation with any financial sector regulator or any other authority;

(b) a surety in a contract of guarantee to a corporate debtor.

The duration of period of moratorium shall be as provided in Section 14(4) of the Code which is reproduced below for ready reference;

(4) The order of moratorium shall have effect from the date of such order till the completion of the Corporate Insolvency Resolution Process:

Provided that where at any time during the Corporate Insolvency Resolution Process period, if the Adjudicating Authority approves the Resolution Plan under sub-Section (1) of Section 31 or passes an order for liquidation of Corporate Debtor under Section 33, the moratorium shall cease to have effect from the date of such approval or Liquidation Order, as the case may be.

19. The Corporate Applicant is directed to pay a sum of **Rs.2,00,000/- (Rupees Two Lakh only)** to the Interim Resolution Professional to meet out the expenses and to perform the functions assigned to him in accordance to Regulation 6 of Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016.



20. Based on the above terms, the Petition stands **admitted** in terms of Section 10 of the Code and the Moratorium shall come into effect as of this date.

A copy of the Order shall be communicated to the Corporate Debtor above named by the Registry. In addition, a copy of the Order shall also be forwarded to IBBI for its records. Further, the Interim Resolution Professional above named shall also be furnished with copy of this Order forthwith by the Registry, who will communicate the initiation of the CIRP in relation to the Corporate Debtor to the Registrar of Companies concerned.

21. Accordingly, Company Petition CP (IB) / 186 (CHE) / 2023 is **allowed** and disposed of.

-Sd-

RAVICHANDRAN RAMASAMY
MEMBER (TECHNICAL)

-Sd-

JYOTI KUMAR TRIPATHI
MEMBER (JUDICIAL)