

IN THE NATIONAL COMPANY LAW TRIBUNAL

HYDERABAD BENCH – I, HYDERABAD

CP (IB) No. 153/7/HDB/2024

(Under Section 7 IBC, 2016 R/w Rule 4 of the Insolvency and Bankruptcy  
(Application to Adjudicating Authority) Rules, 2016)

**IN THE MATTER OF M/s. YYY Industries Private Limited.**

**Between:**

**ANDHRA PRADESH STATE FINANCIAL CORPORATION,**

Vijayavandana Towers, Opp: Maruti Show Room,

Mettugadda, Mahabubnagar – Telengana-509001.

.... Financial creditor

**VERSUS**

**M/s. YYY Industries Private Limited.,**

Sy.No. 38/B, 38/C, Narayanapur Village,

Manopad Mandal, Jogulamba Gadwal District - 509128

Having its registered office at

3-12-93/138/102, Tummabowli,

Road No.2 L B Nagar, Saroor Nagar Hyderabad,

Hyderabad - 500074.

..... Corporate Debtor

**Date of order: 25.02.2026**

**Coram:**

**Sri Rajeev Bhardwaj, Hon'ble Member (Judicial)**

**Sri Sanjay Puri, Hon'ble Member (Technical)**



**Parties/Counsels:**

For Financial creditor : R. Rajendra Prasad, Advocate  
For Corporate debtor : Peri Prabhakar, Advocate  
Peri Viswajith, Advocate

1. The present Application is filed by the Andhra Pradesh State Financial Corporation <sup>1</sup> against M/s. YYY Industries Private Limited<sup>2</sup> corporate debtor under section 7 of the Insolvency and Bankruptcy Code, 2016<sup>3</sup> r/w Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016, seeking to initiate Corporate Insolvency Resolution Process in respect of corporate debtor under the code, 2016.

**Case of the Financial Creditor:**

2. The Financial Creditor is a statutory corporation incorporated under the State Financial Corporations Act, 1951. The Corporate Debtor, a company approached the Financial Creditor seeking financial assistance for its project.
3. Pursuant to the said request, the Financial Creditor, vide Sanction Letter dated 16.06.2016, sanctioned a Term Loan facility of Rs. 7,50,00,000/-, out of which an amount of Rs. 746.55 lakhs was disbursed to the Corporate Debtor.
4. In consideration of the said financial assistance, the Corporate Debtor executed the necessary loan and security documents in favour of the Financial Creditor, including the Deed of Hypothecation dated 13.07.2016, the Registered Memorandum of Deposit of Title Deeds

<sup>1</sup> Financial creditor/ Applicant  
<sup>2</sup> Corporate Debtor/Respondent  
<sup>3</sup> Code



dated 12.07.2016, with the estimated value of the secured assets stated at Rs. 11,30,60,000/-.

5. The Corporate Debtor committed default in repayment of the principal and interest as per the agreed loan terms, and on account of persistent irregularities, the loan account was classified as Non-Performing Asset (NPA) on 12.04.2018.
6. Consequent upon the classification of the account as NPA, the Applicant issued Demand Notice dated 08.11.2018 calling upon the Corporate Debtor to pay a sum of Rs. 1006.18 lakhs, inclusive of interest as on 31.10.2018; however, despite receipt of the said notice, the Corporate Debtor failed to liquidate the outstanding dues.
7. It is further averred that subsequent to the issuance of the Demand Notice, the Corporate Debtor admitted and acknowledged its liability vide letters dated 07.01.2019 and 07.11.2022. It is also stated that the Corporate Debtor forwarded a covering letter dated 23.06.2022 along with cheques towards part payment, and the last payments were credited to the loan account on 18.07.2022 and 26.07.2022.
8. It is submitted that the present Application is complete in all respects, the existence of financial debt and occurrence of default stand established, and the threshold prescribed under Section 4 of the Code is duly satisfied. Accordingly, the Applicant prays for admission of the Application and initiation of the Corporate Insolvency Resolution Process against the Corporate Debtor.
9. The Financial creditor recommended Mr. Kalvakolanu Murali Krishna Prasad, having Registration No. IBBI/IPA-001/IP-P00967/2017-2018/11588 as Interim Resolution Professional, whose contact details are: kmk123ip@gmail.com Address: 8-27, Jillelguda, Mythripuram Colony, Vyshalinagar, PO, Hyderabad, West Marredpally, Telangana-500079 along with the consent form.



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**Case of the corporate debtor:**

10. It is submitted that the Corporate Debtor was incorporated on 26.12.2014, having an authorized share capital of Rs. 3,75,00,000/- and a paid-up share capital of Rs. 2,75,00,000/-, with the main object of establishing and running a cold storage facility for stocking, storing and preserving agricultural produce, vegetables and fruits.
11. It is further submitted that a cold storage unit was constructed during the year 2016-17 at a total cost of Rs. 22,00,00,000/- and has a total storage capacity of 1,50,000 bags, equivalent to 60,000 quintals of agricultural produce.
12. It is submitted that for establishment of the said unit, financial facilities were obtained from the Applicant under Sanction Letter dated 16.06.2016 for a sum of Rs. 7,50,00,000/-, and the project was also eligible for subsidy from the National Horticulture Board to the extent of Rs. 2,38,00,000/-.
13. It is submitted that as per Clause 7 of the Sanction Letter, repayment of the loan was to commence after two years from the date of disbursement of any part of the loan and was to be made in 25 equal quarterly instalments of Rs. 30,00,000/- each.
14. It is submitted that the first disbursement was made on 16.07.2016 and, accordingly, the moratorium period was to operate up to 15.07.2018. The Respondent contends that the classification of the account as NPA on 12.04.2018, prior to expiry of the moratorium period, is contrary to the terms of sanction and applicable guidelines, and therefore illegal and invalid.

15. It is submitted that the statement of account filed by the Applicant is incorrect and includes excessive and penal interest. The Respondent states that under the demand notices dated 08.11.2018 and 28.08.2019, the Applicant claimed Rs. 11,42,28,299/- as outstanding as on 31.07.2019, with a break-up of Rs. 7,46,37,322/- towards



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principal, Rs. 3,90,75,686/- towards interest and Rs. 5,15,291/- towards OE, which is not clearly explained. It is further submitted that the amount of Rs. 25,81,20,683/- claimed as on 31.05.2024 is excessive, disputed and does not represent the actual amount due.

16. It is submitted that the term loan is adequately secured by collateral securities, including the plant and machinery and the land on which the unit is situated; the value of the plant and machinery alone is stated to be more than Rs. 25,00,00,000/- as on date, apart from other properties of the promoters offered as security, and therefore the loan is stated to be fully secured.
17. It is submitted that the present application, filed during the pendency of SARFAESI proceedings, amounts to initiating parallel proceedings before two forums and is stated to be an arm-twisting measure for recovery of amounts allegedly claimed without entitlement. It is further stated that S.A. No. 79 of 2021, filed before the Debts Recovery Tribunal-I challenging the sale notice, is pending consideration.
18. It is submitted that the cold storage unit located in Mahbubnagar District has good business prospects. As on date, 46,263 bags of produce, equivalent to 18,400 quintals of mirchi valued at Rs. 2,20,08,000/- and 1,380 quintals of Bengal gram pulses valued at Rs. 8,30,000/-, belonging to farmers, are stored in the unit. Rentals amounting to Rs. 76,02,800/- are stated to be due to the Respondent. It is further submitted that 15 employees directly and about 75 persons indirectly depend on the unit, and the Respondent incurs monthly salary expenses of Rs. 3,00,000/- and maintenance expenses between Rs. 2,50,000/- and Rs. 3,50,000/-.

19. It is submitted that the promoters are contemplating infusion of fresh capital or sale of certain properties and clearing of the amount due subject to reconciliation and scaling down to a realistic figure and not claiming speculative amounts. The Respondent is seeking one-time settlement and there are no other creditors except the applicant.



20. It is submitted that the applicant is keen on liquidating the Corporate Debtor which is not the objective of the Code and that the Tribunal is not a recovery forum and resorting to wrongful means instead of considering the request for OTS and is trying to take unfair advantage of the provisions of the Code.

21. In view of the above, the point that arises for consideration before this Tribunal are as follows:

- I. **Whether a 'Financial Debt' of a sum exceeding rupees one crore due and payable by the Corporate Debtor to the Financial Creditor? If so, whether the Corporate Debtor has committed default in repayment of the same?**

22. We have heard Mr. R. Rajendra Prasad, Learned Counsel for the Financial Creditor/Applicant, and Mr. Peri Prabhakar along with Mr. Peri Viswajith, Learned Counsel for the Corporate Debtor, and perused the record.

**Point I**

**Whether a 'Financial Debt' of a sum exceeding rupees one crore due and payable by the Corporate Debtor to the Financial Creditor? If so, whether the Corporate Debtor has committed default in repayment of the same?**

23. Now coming to the essential statutory requirements of a petition filed under Section 7 of the Code, 2016, it is incumbent upon the Financial Creditor to establish the existence of a financial debt of a sum of Rs. 1 crore is due and payable by the Corporate Debtor to the Petitioner and that the Corporate Debtor had defaulted in repayment of the said financial debt.

**On existence of Financial Debt**

24. On perusal of the material available on record, we observe that the Financial Creditor sanctioned a Term Loan of Rs. 7,50,00,000/- to the

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- Corporate Debtor vide Sanction Letter dated 16.06.2016. In furtherance of the said sanction, the Financial Creditor has placed on record the relevant loan and security documents, including the Deed of Hypothecation, Agreement of Guarantee and the Registered Memorandum of Deposit of Title Deeds dated 12.07.2016.
25. On perusal of the Statement of Account<sup>4</sup> relating to Loan Account No. MB62262801 submitted by the Financial Creditor, we observe that an amount of Rs. 7,46,55,000/- (Rs. 746.55 lakhs) was disbursed to the Corporate Debtor in tranches commencing on 16.07.2016.
26. Moreover, in the counter filed by the Corporate Debtor, it is admitted that financial facilities were obtained from the Financial Creditor under the Sanction Letter dated 16.06.2016 for a sum of Rs. 7,50,00,000/- and that the amount was disbursed to the Corporate Debtor
27. Thus, we hold that there is no dispute regarding the availed loan facility and therefore, there exists a valid financial debt.

***On Default of debt:***

28. The Learned Counsel for the Financial Creditor submitted that the Corporate Debtor defaulted in repayment of the availed loan facilities as per the terms of the Sanction Letter<sup>5</sup> dated 16.06.2016. As a consequence thereof, the loan account of the Corporate Debtor was classified as a Non-Performing Asset (NPA) on 12.04.2018.
29. In corroboration of the default, the Financial Creditor submitted the Record of Default (Form D)<sup>6</sup> maintained by the National e-Governance Services Limited (NeSL), an Information Utility, dated 08.06.2024, which records that M/s. YYY Industries Private Limited defaulted in respect of the financial debt bearing Unique Debt Identifier

<sup>4</sup> Page no.94 to 116 of the Petition

<sup>5</sup> Page No. 42 to 47 of the Petition

<sup>6</sup> Page no. 125 to 131 of the Petition



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AABCA9106B\_MB62262801, with the date of default being 13.05.2017.

30. The Learned Counsel for the Corporate Debtor has contended that the classification of the loan account as NPA on 12.04.2018 is invalid and illegal, inasmuch as Clause 7 of the Sanction Letter provides that repayment of principal shall commence after two years from the date of the first disbursement, in 25 equal quarterly instalments of Rs. 30,00,000/- each.
31. Since the first disbursement was admittedly made on 16.07.2016, it is contended that the moratorium period for principal repayment would extend up to 15.07.2018, and therefore the classification of the account as NPA prior to the expiry of such period is contrary to the terms of sanction.
32. However, The Learned counsel for the financial creditor submitted that as per Clause 8 of the Sanction Letter separately and expressly stipulates that *interest* shall be paid on a monthly basis at the rate of 16.50% p.a. The relevant portion of Clause 8 is extracted below:

*"Rate of Interest:*

*Interest shall be paid on monthly basis at 16.50% p.a.*

*However, in case the Corporation's lending rates undergo change before the initial disbursement is obtained by the borrower, the rate of interest prevailing on the date of such initial disbursement will be charged, subject to the other terms and conditions.*

*Special interest rebate / Concession:*

*The special interest rebate @ 2% p. will be allowed as per the rules of the Corporation, for each month subject to the loan account being regular at the end of each quarter i.e. 31 March, 30th June, 30th September, & 31st December.*

*Default clause:*

*Penal interest @2% p.a. shall be levied on the defaulted extent of principal, interest and other expenses for the period during which such default continued."*

33. On perusal of Clause 8 of the Sanction Letter and the Statement of Loan Account No. MB62262801, we observe that monthly interest was accrued on the disbursed amount. The Statement of Account reflects that the Corporate Debtor failed to service such monthly interest obligations from an early stage. The NeSL Record of Default further



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records the date of default as 13.05.2017, which falls squarely within the period during which interest was contractually due and payable. Therefore, even if the moratorium on principal repayment is accepted, the Corporate Debtor was in default of its interest obligations well before the expiry of any such moratorium.

34. Furthermore, the Corporate Debtor, vide letter<sup>7</sup> dated 07.01.2019, admitted that an amount of Rs. 60 lakhs towards principal and Rs. 288.50 lakhs towards interest were due to the Financial Creditor. Thus, a total sum of Rs. 348.50 lakhs is admittedly in default as per the letter dated 07.01.2019, which amount far exceeds the threshold limit of Rs. 1 Crore prescribed under the Code.
35. It is settled law that for the purpose of determining the threshold, both the principal and interest components are to be taken into account. The Hon'ble NCLAT in ***Netafirm Agricultural Financing Agency Pvt. Ltd. v. Baliraja Sakhar Karkhana Ltd., (2023) ibclaw.in 288 (NCLAT)***, has held that for finding out the threshold, both the principal and interest amounts must be computed together.
36. Thus, we hold that the Corporate Debtor has defaulted in repayment of the financial debt in an amount exceeding Rs. 1 Crore.

**On Limitation:**

37. On perusal of the material on record, it is evident that the loan account of the Corporate Debtor was classified as NPA on 12.04.2018. The Corporate Debtor, acknowledged arrears amounting to Rs. 348.50 lakhs, as on 07.01.2019.
38. Further, the Corporate Debtor issued a covering letter<sup>8</sup> dated 23.06.2022, forwarding cheques bearing Nos. 000010 and 000011 for Rs. 15,00,000/- each, totalling Rs. 30,00,000/-, towards the loan account. The Statement of Account relating to Loan Account No.

<sup>7</sup> Page no. 87 of the Petition

<sup>8</sup> Page No. 89 to 93 of the Petition



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MB62262801 reflects that multiple payments were received in July 2022 towards the outstanding dues.

39. The part-payments made towards the loan account in July 2022 amount to an acknowledgment of debt and give rise to a fresh period of limitation from the date of such payments, i.e., from 23.06.2022. The present application having been filed on 02.07.2024 is therefore within the period of limitation.
40. Further, the Respondent has submitted that the cold storage unit is commercially viable, with substantial stock belonging to farmers, rentals receivable, and several employees dependent on its operations. and the term loan is fully secured by plant, machinery, and land, the value of which allegedly exceeds the outstanding dues.
41. The Hon'ble Supreme Court of India, in ***M. Suresh Kumar Reddy v. Canara Bank & Ors. (MANU/SC/0561/2023)***, has categorically held that once the existence of a financial debt and the occurrence of default are established, and the debt has become due and payable, the Adjudicating Authority is left with no discretion but to admit an application filed under Section 7 of the Code.
42. The Hon'ble Supreme Court in *M. Suresh Kumar Reddy (supra)* also settled the apparent dichotomy between *Innoventive (supra)* and *Vidarbha (supra)* clarifying that the observations in *Vidarbha (supra)* were made in the peculiar facts of that case and cannot be read as laying down a contrary principle. The relevant excerpt is reproduced below:

"10. Thus, once NCLT is satisfied that the default has occurred, there is hardly a discretion left with NCLT to refuse admission of the application Under Section 7. Default is defined Under Sub-section 12 of Section 3 of the IB Code which reads thus:

3. Definitions: In this Code, unless the context otherwise requires, -

.....  
(12) "default" means non-payment of debt when whole or any part or instalment of the amount of debt has become due and payable and is not [paid] by the debtor or the corporate debtor, as the case may be;



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Thus, even the non-payment of a part of debt when it becomes due and payable will amount to default on the part of a Corporate Debtor. In such a case, an order of admission Under Section 7 of the IB Code must follow. If the NCLT finds that there is a debt, but it has not become due and payable, the application Under Section 7 can be rejected. Otherwise, there is no ground available to reject the application.

....  
13. Thus, it was clarified by the order in review that the decision in the case of *Vidarbha Industries MANU/SC/0874/2022: 2022 (8) SCC 352* was in the setting of facts of the case before this Court. Hence, the decision in the case of *Vidarbha Industries MANU/SC/0874/2022 : 2022 (8) SCC 352* cannot be read and understood as taking a view which is contrary to the view taken in the cases of *Innoventive Industries MANU/SC/1063/2017 : (2018) 1 SCC 407* and *E.S. Krishnamurthy MANU/SC/1249/2021 : (2022) 3 SCC 161*. The view taken in the case of *Innoventive Industries MANU/SC/1063/2017 : (2018) 1 SCC 407* still holds good.”

43. In light of the ratio in *M. Suresh Kumar Reddy (supra)* there is no cavil that the ratio in *Innoventive (supra)* lays down the correct proposition of law and the observations in *Vidarbha (supra)* were made in the facts of the case and do not operate as binding precedent<sup>9</sup>.
44. At *praesenti*, the Respondent has also failed to bring the case within the narrow factual contours of *Vidarbha Industries Power Limited vs Axis Bank Limited (MANU/SC/0874/2022)*. Accordingly, we find that the contentions raised by the Respondent are devoid of merit.
45. The Learned Counsel for the Corporate Debtor has further contended that the present application, filed during the pendency of SARFAESI proceedings and the Securitisation Application (S.A. No. 79 of 2021) before the Debts Recovery Tribunal-I, amounts to initiation of parallel proceedings before two forums and is an arm-twisting measure.
46. The Hon'ble NCLAT in ***State Bank of India v. Abhijeet Ferrotech Ltd., (2024) ibclaw.in 428 NCLAT***, has held that pending proceedings before the DRT or proceedings under SARFAESI cannot be a ground to hold a Section 7 application under the Code as barred. The relevant para is extracted below:

“We, thus, are of the considered opinion that order of DRT dated 17.06.2022 and the proceedings under Section 19, which are still inconclusive, cannot be a ground to hold Section

<sup>9</sup> Hon'ble Supreme court in Para 38 of Civil Appeal No. 2211/ 2024 in the case of *Power Trust (Promoter of Hiranmaye Energy Ltd.) Versus Bhuvan Madan (Interim Resolution Professional of Hiranmaye Energy Ltd.) & Ors* order dated 18.02.2024. (2026 INSC 166)

*7 Application as barred. The Adjudicating Authority committed error in holding Section 7 Application as barred in view of the order dated 17.06.2022 passed by DRT."*

47. Following the ratio laid down by the Hon'ble NCLAT, we hold that the pendency of SARFAESI proceedings or the Securitisation Application before the DRT does not, in any manner, bar the maintainability of the present application under Section 7 of the Code.
48. Accordingly, as we are satisfied that there exists a financial debt and that the Corporate Debtor has defaulted in repayment of the same in an amount exceeding Rs. 1 Crore, the present application is liable to be admitted. The present Petition i.e., CP(IB) No. 153/7/HDB/2024 is admitted and the Corporate Insolvency Resolution Process stands initiated against the Corporate Debtor, **M/s. YYY Industries Private Limited**, the Respondent herein. We hereby direct as follows;

**ORDER**

- a) The Corporate Debtor, **M/s. YYY Industries Private Limited**, is admitted into the Corporate Insolvency Resolution Process under Section 7 of the Insolvency and Bankruptcy Code, 2016.
- b) The Bench hereby prohibits institution of suits or continuation of pending suits or proceedings against the Corporate Debtor including execution of any judgment, decree or order in any court of law, Tribunal, arbitration panel or other authority; transferring, encumbering, alienating or disposing of by the Corporate Debtor any of its assets or any legal right or beneficial interest therein; any action to foreclose, recover or enforce any security interest created by the Corporate Debtor in respect of its property including any action under Securitization and Reconstruction of Financial Assets and Enforcement of Security interest Act, 2002 (54 of 2002); the recovery of any property by an owner or lessor where such property is occupied by or in possession of the corporate Debtor;



- c) That the supply of essential goods or services to the Corporate Debtor, if continuing, shall not be terminated or suspended or interrupted during the moratorium period.
- d) Notwithstanding anything contained in any other law for the time being in force, a license, permit, registration, quota, concession, clearances 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, permit, registration, quota, concessions, clearances or a similar grant or right during the moratorium period.
- e) That the provisions of sub-section (1) of Section 14 shall not apply to such transactions as may be notified by the Central Government in consultation with any financial sector regulator.
- f) That the order of moratorium shall have effect from the date of this order till the completion of the Corporate Insolvency Resolution Process or until this Bench approves the Resolution Plan under Sub-Section (1) of Section 31 or passes an order for liquidation of Corporate Debtor under Section 33, whichever is earlier.
- g) That the public announcement of the initiation of Corporate Insolvency Resolution Process shall be made immediately as prescribed under section 13 of Insolvency and Bankruptcy Code, 2016.
- h) The Financial Creditor has proposed the name of **Mr. Kalvakolanu Murali Krishna Prasad** as the Interim Resolution Professional in Part-III of the Petition. That this Bench hereby appoints Mr. Kalvakolanu Murali Krishna Prasad having Registration No. IBBI/IPA-001/IP-P00967/2017-2018/11588 as



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Interim Resolution Professional, whose contact details are:  
**Address:** 8-27, Jilleguda, Mythripuram Colony, Vyshalinagar,  
PO, Hyderabad ,West Marredpally ,Telangana ,500079, E mail :  
kmk123ip@gmail.com, Mobile No: 9866512532 as Interim  
Resolution Professional (IRP) to carry the functions as mentioned  
under the Insolvency & Bankruptcy Code.

- i) Proposed IRP has filed written communication that his Authorisation for Assignment is valid till 30.06.2027. This information is available on the IBBI Website. Thus, there is compliance of Regulation 7A of IBBI (Insolvency Professionals) Regulations, 2016, as amended. Therefore, the proposed IRP is fit to be appointed as IRP since the relevant provision is complied with.
- j) The Registry is directed to furnish certified copies of this order to the parties as per Rule 50 of the NCLT Rules, 2016.
- k) The petitioner is directed to communicate this order to the proposed Interim Resolution Professional.
- l) Registry of this Tribunal is directed to send a copy of this order to the Registrar of Companies, Hyderabad for making appropriate remarks against the Corporate Debtor on the website of the Ministry of Corporate Affairs as being under Corporate Insolvency Resolution Process.
- m) Accordingly, this Petition is admitted.

  
Sanjay Puri

Member (Technical)




  
Rajeev Bhardwaj

Member (Judicial)

प्रमाणित प्रति  
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केस संख्या  
CASE NUMBER CPCRB/NO.153/7/HDB/2024  
निर्णय का तारीख  
DATE OF JUDGEMENT 25/02/2026 14  
प्रति तैयार किया गया तारीख  
COPY MADE READY ON 26/02/2026

  
26/02/2026  
Deputy Registrar / Assistant Registrar / Court Officer  
National Company Law Tribunal, Hyderabad Bench