IN THE NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH – II
VC AND PHYSICAL (HYBRID) MODE

ATTENDANCE CUM ORDER SHEET OF THE HEARING HELD ON
23.07.2026 AT 10:30 A.M.

IA (IBC)/306/2026
CP (IB) No.10/7/HDB/2023
U/s 7 of IBC

IN THE MATTER OF:
Canara Bank **…Petitioner/s**

Vs

Ananda Bharathi Fertilize Limited **…Respondent/s**

C O R A M:-
SHRI. RAJEEV BHARDWAJ, HON'BLE MEMBER (JUDICIAL)
SHRI. SANJAY PURI, HON'BLE MEMBER (TECHNICAL)

O R D E R

IA (IBC)/306/2026

Orders pronounced, recorded vide separate sheets. In the result, the IA(IBC)/306/2026 is dismissed.

Sd/-
MEMBER(T)

Sd/-
MEMBER(J)

Vamsi

IN THE NATIONAL COMPANY LAW TRIBUNAL

HYDERABAD BENCH, COURT-II

I.A (IBC) No. 306 of 2026

IN

C.P (IB) No. 10/07/HDB/2023

[under Section 35(1)(n) read with Sections 14, 43, 44, 66 and 60(5) of the Insolvency and Bankruptcy Code, 2016, read with Regulation 9 of the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016, and Rule 11 of the National Company Law Tribunal Rules, 2016.]

IN THE MATTER OF M/S. ANANDA BHARATHI FERTILIZERS (INDIA) PRIVATE LIMITED.

Between:

1. **MS. MANO RANJANI**
Liquidator of Ananda Bharathi Fertilizers (India) Private Limited
Unit No. 208, Fairmount Fortune One,
Near Erragadda Metro Station, Czech Colony, Sanathnagar,
Hyderabad, Telangana – 500018.

.... Applicant/Liquidator

Versus

1 RAJASEKHARA RAO NARAYANAM
Member of the Suspended Board of Directors of
M/s. Ananda Bharathi Fertilizers (India) Private Limited

.... Respondent No. 1/R1

2 K. MURALI KRISHNA PRASAD
Erstwhile Resolution Professional of
M/s. Ananda Bharathi Fertilizers (India) Private Limited
IBBI Registration No. IBBI/IPA-001/IP-P00967/2017-2018/11588

..... Respondent No. 2/R2

Date of Order:23.07.2026

<u>Coram:</u>

Hon'ble Shri Rajeev Bhardwaj, Member (Judicial)

Hon'ble Shri Sanjay Puri, Member (Technical)

<u>Counsels Present</u>

For Applicant : Ms. Mano Ranjani, Ld. Liquidator.

For Respondent : Ex-parte

[PER: BENCH]

<u>ORDER</u>

1. The present Interlocutory Application is filed by **Ms. Mano Ranjani**, Liquidator of M/s. Ananda Bharathi Fertilizers (India) Private Limited (hereinafter referred to as the "**Applicant**"), against **Mr. Rajasekhara Rao Narayanam**, Member of the Suspended Board of Directors of M/s. Ananda Bharathi Fertilizers (India) Private Limited, and **Mr. K. Murali Krishna Prasad**, erstwhile Resolution Professional of M/s. Ananda Bharathi Fertilizers (India) Private Limited (hereinafter referred to as the "**Respondents**"), seeking the following reliefs:

    i) To declare that the transactions identified herein constitute preferential transactions under **Section 43** of the Insolvency and Bankruptcy Code, 2016.

    ii) To declare that the said transactions were carried out during the subsistence of the moratorium and are liable to be examined under **Section 14** of the Insolvency and Bankruptcy Code, 2016

iii) To direct Respondent No. 1 to contribute and refund sums aggregating to **Rs. 28,83,575/-, Rs. 8,01,215/- and Rs. 14,15,475.12**, or such other amount as may be determined by this Tribunal, to the estate of the Corporate Debtor.

CASE OF THE APPLICANT

2. The Applicant submits that CIRP against the Corporate Debtor commenced pursuant to the order dated 14.02.2024 passed under Section 7 of the Code, whereupon the management of the affairs of the Corporate Debtor stood vested in the Interim Resolution Professional/Resolution Professional under Section 17, the powers of the Board of Directors stood suspended, and a moratorium under Section 14 came into effect. It is submitted that, notwithstanding the above statutory position, the Suspended Board of Directors, particularly Respondent No. 1, continued to exercise operational and financial control over the Corporate Debtor after commencement of CIRP.

3. It is submitted that Respondent No. 1 continued to exercise control over the operations, bank accounts, cheque-signing authority and receivables of the Corporate Debtor, while the minutes of the CoC record transactions carried out after commencement of CIRP, delay and non-cooperation in handing over custody and records. That custody of the industrial unit was handed over only on 10.05.2024. The Applicant further submits that no CoC resolution authorised such control, that sale proceeds and debtor collections were routed through Respondent No. 1's personal bank accounts and other accounts not under the effective control of the RP, and that payments were made towards pre-CIRP liabilities and expenses.

4. The Applicant submits that, in view of concerns regarding transactions carried out during CIRP, the RP appointed a Transaction Auditor with the approval of the CoC. The Transaction Audit Reports comprised an initial report dated 10.12.2024 covering the pre-CIRP period and a subsequent report dated 08.02.2025 covering the CIRP period; the present application is about transactions during the CIRP period. It is submitted that the

Applicant examined the bank statements, books of account, financial statements, the Transaction Audit Report and CIRP records, corroborated the Transaction Audit Report with the contemporaneous financial and CIRP records, and thereafter filed the present application.

5. According to the Applicant, the CoC minutes record the continuation of operations, routing of receipts and payments, initiation of the transaction audit, and the RP apprising the CoC of the conduct and non-cooperation of the Suspended Board of Directors and the difficulties in assuming effective control during CIRP. It is further submitted that the CoC neither approved nor ratified the impugned transactions and, in the 9th CoC meeting, recorded that the transactions were carried out without approval of the RP or the CoC, involved diversion of funds, prima facie constituted preferential transactions, directed Respondent No. 1 to remit the identified amounts, and, upon non-compliance, advised initiation of appropriate proceedings.

6. It is submitted that, upon examination of the bank statements, accounting records and records about the CIRP, operational collections aggregating to Rs. 1,58,67,745/- during the CIRP period were received partly through the personal bank accounts of Respondent No. 1 and partly through the bank account of the Corporate Debtor. It is further submitted that, upon commencement of CIRP, control over the funds and bank accounts of the Corporate Debtor vested in the RP under Section 17 of the Code and a moratorium under Section 14 came into effect. The Applicant submits that routing operational collections through the personal bank accounts of Respondent No. 1 constituted a deviation from the statutory framework, evidencing exercise of control over the funds of the Corporate Debtor during CIRP and warranting consideration under Section 66 of the Code.

7. The Applicant alleges that payments aggregating to Rs. 28,83,575/- were made during the CIRP period towards liabilities that had arisen before the commencement of CIRP. It is submitted that the said amount was determined after identifying only those payments made during the CIRP period towards pre-CIRP liabilities, while excluding CIRP costs and

identifiable post-CIRP operational expenses. The Applicant alleges that the aforesaid payments were effected during the subsistence of the moratorium and are subject to examination as preferential transactions under Section 43 read with Section 14 of the Code. It is further alleged that, having regard to the circumstances in which such payments were made during CIRP, including the absence of authority and continuation of control by the Suspended Board of Directors, the transactions also warrant consideration under Section 66 of the Code, as noted on examination of the Transaction Audit Report along with the contemporaneous financial and CIRP records.

8. Moreover, the Applicant alleges that, during the CIRP period, amounts aggregating to Rs. 8,01,215/- were paid out of collections received from the debtors of the Corporate Debtor towards expenses classified as personal or non-business in nature, including legal expenses, stay charges and remuneration paid to Respondent No. 1. It is alleged that the said expenses were identified after excluding expenses qualifying as CIRP costs and identifiable post-CIRP operational expenses. The Applicant submits that the payments were made during the subsistence of the moratorium and are subject to examination under Sections 14 and 43 of the Code. Further, it is submitted that the utilization of the Corporate Debtor's funds for personal or non-business purposes during CIRP warrants examination under Section 66 of the Code. It is further submitted that Respondent No. 1 continued to exercise control.

9. The Applicant further alleges that payments aggregating to Rs. 14,15,475.12 were made during the CIRP period to certain operational creditors towards dues outstanding as on the CIRP commencement date. It is alleged that the said payments were made during the subsistence of the moratorium, without the approval of the Resolution Professional or the Committee of Creditors, and are subject to examination under Sections 14 and 43 of the Code. Further, the transactions warrant consideration under Section 66 of the Code.

10. As per the Applicant, the transactions identified during the CIRP attract examination under Sections 14(1)(b), (c) and (d), 17, 43 read with 44, and 66 of the Code. It is submitted that payments were made towards pre-CIRP liabilities, receivables and sale proceeds of the Corporate Debtor were dealt with and routed through personal bank accounts, and assets of the Corporate Debtor were dealt with during the moratorium. It is further averred that Respondent No. 1 continued to exercise management and financial control over the affairs, funds and receivables of the Corporate Debtor despite statutory vesting of such control in the Resolution Professional.
11. As per the Applicant, preferential transactions were carried out during the CIRP by effecting payments towards antecedent debts in favour of certain creditors and conferring a benefit on the suspended management, thereby placing such parties in a more beneficial position than they would have been in liquidation. It is submitted that, before filing the present application, an email was addressed to Respondent No. 2 seeking his views on the Transaction Audit Reports. The Applicant further submits that, upon considering the said communication, the Transaction Audit Reports, the CIRP records and the Committee of Creditors' minutes, and in view of the transactions identified and the absence of recovery or adjudication thereof during the CIRP, the present application has been filed.

FINDINGS AND DECISION

12. The Corporate Debtor was admitted into CIRP vide order dated 14.02.2024 passed in C.P. (IB) No. 10/7/HDB/2023 under Section 7 of the Code. Upon commencement of CIRP, Mr. K. Murali Krishna Prasad was appointed as the Interim Resolution Professional and was subsequently confirmed as the RP. Thereafter, a Transaction Auditor was appointed on 17.10.2024, who submitted an initial Transaction Audit Report dated 10.12.2024 for the pre-CIRP period and an Additional Transaction Audit Report dated 08.02.2025 for the CIRP period. As no resolution plan was approved, this Tribunal, vide

order dated 03.12.2025, ordered liquidation of the Corporate Debtor and appointed Ms. Mano Ranjani as the Liquidator.

13. It is the case of the Liquidator that, upon her appointment, she examined the Additional Transaction Audit Report dated 08.02.2025, the minutes of the Committee of Creditors ("CoC"), and the financial records of the Corporate Debtor, and, on the basis thereof, filed the present Application seeking appropriate reliefs in respect of certain transactions allegedly undertaken by Respondent No. 1, the Suspended Director, during the CIRP.

14. The questions that arise for consideration are whether the impugned transactions constitute preferential transactions within the meaning of Section 43 of the Code, whether they were undertaken during the subsistence of the moratorium under Section 14 of the Code, and whether the facts and circumstances of the case warrant grant of relief under Sections 44 and 66 of the Code.

15. Section 43 of the Code applies where the Corporate Debtor transfers its property or an interest therein for the benefit of a creditor, surety or guarantor in respect of an antecedent debt, thereby placing such person in a more beneficial position than it would have occupied in the event of distribution under Section 53. Equally, upon commencement of the CIRP, Sections 14 and 17 prohibit dealings with the assets and funds of the Corporate Debtor except in accordance with the statutory framework, and vest the management of the affairs of the Corporate Debtor exclusively in the Resolution Professional.

Transactions relating to the amount of Rs. 28,83,575/- (inclusive of Rs. 14,15,475.12) and the separate amount of Rs. 8,01,215/-.

16. It is observed from the Audit Report dated 08.02.2025 that, under the head "**Preferential Payments during CIRP Period,**" the Auditor has recorded the following particulars in respect of the sum of Rs. 28,83,575/-

1) Preferential Payments done during CIRP Period

Particulars	**Amount Paid**	**Remarks**
Kasa Latha	12,73,100.00	Preferential Payment
Ch Pavan	55,000.00	Preferential Payment
KND Prasad - Remuneration	1,40,000.00	Paid to Suspended Director
Bhoom Shakti Agro Industrial Solutions	3,85,108.12	Creditors Outstanding balance payable prior to commencement of CIRP paid after the commencement of CIRP without approval of RP / COC.
Maheshwari Saw Mill and Timber Depot	3,97,100.00	
Mohammad Abdul Salam Wood Suppliers	1,68,785.00	
Z K R L K T Roadways	4,64,482.00	
	28,83,575.00	

17. It is further observed that, under Item 7 of the Audit Report dated 08.02.2025, the Auditor has recorded that the Corporate Debtor made payments to certain operational creditors, aggregating Rs. 14,15,475.12.

Name of Creditor	**Amount paid after commencement of CIRP**
Bhoom Shakti Agro Industrial Solutions	3,85,108.12
Maheshwari Saw Mill and Timber Depot	3,97,100.00
Mohammad Abdul Salam Wood Suppliers	1,68,785.00
Z K R L K T Roadways	4,64,482.00
Total	**14,15,475.12**

18. The payments reflected in the above table to **Bhoom Shakti Agro Industrial Solutions** (Rs. 3,85,108.12), **Maheshwari Saw Mill and Timber Depot** (Rs. 3,97,100.00), **Mohammad Abdul Salam Wood Suppliers** (Rs. 1,68,785.00), and **Z K R L K T Roadways** (Rs. 4,64,482.00), aggregating **Rs. 14,15,475.12**, correspond exactly to four of the entries already included under the head "**Preferential Payments done during CIRP Period**" forming part of the aggregate sum of Rs. 28,83,575/-. The amount of Rs. 14,15,475.12 is, therefore, only a further breakdown of payments

already included in the said aggregate amount and does not represent an independent set of transactions. Accordingly, Rs. 14,15,475.12 is treated as forming part of Rs. 28,83,575/-, and not as an amount in addition thereto. Consequently, no separate finding is required in respect of the said amount, as doing so would amount to duplication of the very same transactions.

19. It is further observed that, under the head "**Personal/Non-Business Expenses Paid**," the Auditor has recorded the following particulars in respect of the sum of Rs. 8,01,215/-

2) Personal / Non-Business Expenses Paid

Particulars	Amount Paid	Remarks
DRT HYD	4,00,000.00	Legal Expenses of Suspended Director
NCLT Advocate Charges	2,50,000.00	
Stay Charges	1,51,215.00	
	8,01,215.00	

20. It is the case of the Applicant that, during the CIRP, Respondent No. 1, the Suspended Director, received amounts on behalf of the Corporate Debtor through his personal ICICI Bank and State Bank of India accounts, as well as through the unauthorised Union Bank of India account maintained in the name of the Corporate Debtor. It is alleged that the amounts so received were utilised for making payments to Kasa Latha, Ch. Pavan and K.N.D. Prasad towards remuneration, certain creditors, and towards legal and other expenses, including DRT, Hyderabad, NCLT Advocate Charges, and Stay Charges, without the approval of the Resolution Professional.

21. It is further the case of the Applicant that, while forming the opinion to institute the present proceedings, the bank statements, books of account and financial statements of the Corporate Debtor, the minutes of the Committee of Creditors ("CoC"), the Transaction Audit Report and the CIRP records were examined and analysed before filing the present Application.

22. The Additional Transaction Audit Report dated 08.02.2025, under the head "Documents and Information", records that the personal bank statements

of Respondent No. 1 maintained with State Bank of India and ICICI Bank were verified, wherein amounts were received, and payments were made by Respondent No. 1 on behalf of the Corporate Debtor. The Report further records that Respondent No. 1 furnished the details of the parties against each receipt and payment entry and bifurcated the receipts and payments into company and personal transactions. However, as the narrations appearing in the bank statements were not sufficiently clear, the Auditor could not verify the correctness of the particulars furnished by Respondent No. 1 against each entry and accordingly relied upon the particulars furnished by Respondent No. 1 after correlating the same with the books of account of the Corporate Debtor.

23. The Audit Report itself, therefore, records that the particulars furnished by Respondent No. 1 could not be verified solely from the narrations contained in the bank statements and that the conclusions recorded therein were based upon the particulars furnished by Respondent No. 1 as correlated with the books of account of the Corporate Debtor. The Transaction Audit Report is undoubtedly a relevant piece of material; however, the findings recorded therein require corroboration from the underlying primary records relied upon for arriving at such conclusions.

24. However, the Applicant has placed on record only the Transaction Audit Report dated 08.02.2025. The underlying primary records, including the bank statements, books of account, vouchers, ledger extracts and other contemporaneous documents relied upon by the Auditor in arriving at the findings recorded therein, have not been produced. In the absence of such material, the conclusions recorded in the Transaction Audit Report cannot be independently verified.

25. The Applicant has also relied upon the minutes of the Committee of Creditors ("CoC"), which record concerns regarding the continuation of control by the Suspended Board of Directors, routing of receipts through personal bank accounts, and the recommendation to initiate appropriate proceedings. However, the CoC Minutes merely record the deliberations

and decisions of the Committee during the CIRP and do not, by themselves, establish that the impugned transactions satisfy the statutory requirements of Sections 43 or 66 of the Code.

26. Insofar as the amount of Rs. 28,83,575/- is concerned, the Applicant contends that the same represents preferential payments made during the subsistence of the moratorium, including payments towards pre-CIRP liabilities and payments made to the Suspended Director. However, in the absence of the underlying primary records and transaction-wise documentary evidence establishing the nature of each payment, it cannot be verified whether the impugned transactions satisfy the requirements of Section 43 of the Code. Consequently, we are unable to conclude that the said transactions constitute preferential transactions within the meaning of Section 43 of the Code.

27. Similarly, in respect of the amount of Rs. 8,01,215/-, the Applicant contends that the same represents personal or non-business expenditure incurred by Respondent No. 1. However, the primary records necessary to establish the nature and purpose of the said expenditure have not been placed on record. In the absence of such material, it cannot be verified whether the expenditure was incurred for the personal benefit of Respondent No. 1 or for the affairs of the Corporate Debtor. Consequently, this Bench is unable to conclude that the said amount represents personal or non-business expenditure solely based on the Transaction Audit Report.

28. The allegations under Section 66 of the Code require a higher degree of proof. Before directing contribution by a director or holding that the business of the Corporate Debtor was carried on fraudulently or with wrongful intent, we must be satisfied based on cogent and reliable evidence. Mere suspicion arising from routing of transactions through personal accounts or the observations contained in the Transaction Audit Report, without supporting primary records demonstrating the utilisation of the Corporate Debtor's funds, would not by themselves be sufficient to invoke the provisions of Section 66.

29. Insofar as the allegation of contravention of Section 14 of the Code is concerned, although the Applicant alleges that the impugned transactions were carried out during the subsistence of the moratorium, the underlying primary financial records have not been placed on record. In the absence of such material, we are unable to verify whether the impugned transactions constitute a violation of Section 14 of the Code.

30. Accordingly, while the material placed on record raises circumstances warranting scrutiny regarding the manner in which certain collections and payments were dealt with during the CIRP period, the Applicant has failed to place sufficient documentary evidence establishing that the impugned transactions satisfy the requirements of Sections 14 and 43, 44 and 66 of the Code. In the absence of the underlying primary financial records and transaction-wise documentary evidence corroborating the conclusions recorded in the Transaction Audit Report, the reliefs sought in the present Application cannot be granted.

Accordingly, I.A. IBC No. 306 of 2026 stands **dismissed.**

Sd/-	**Sd/-**
SANJAY PURI	**RAJEEV BHARDWAJ**
MEMBER (TECHNICAL)	**MEMBER (JUDICIAL)**