

IN THE NATIONAL COMPANY LAW TRIBUNAL  
HYDERABAD BENCH – 1  
VC AND PHYSICAL (HYBRID) MODE  
ATTENDANCE CUM ORDER SHEET OF THE HEARING HELD ON  
18-06-2026 AT 12:45 PM

CP (IB) No. 325/7/HDB/ 2020  
AND  
IA (IBC) 788/2022 in CP (IB) No. 325/7/HDB/ 2020  
u/s. 7 of IBC, 2016

**IN THE MATTER OF:**

LIC Housing Finance Ltd

...Financial Creditor

AND

M/s. Butta Infrastructure Pvt Ltd

...Corporate Debtor

**C O R A M:-**

SH. RAJEEV BHARDWAJ, HON'BLE MEMBER (JUDICIAL)

SH. SANJAY PURI, HON'BLE MEMBER (TECHNICAL)

**ORDER**

**IA (IBC) 788/2022**

**Present:** Mr. Sachin Sharma, Ld. Counsel for the Applicant.

Mr. Niyatha, Ld. Counsel for Respondents No.1 to 3, 5 to 13 & 14.

Mrs. Sarvani Desiraju, Ld. Counsel for Respondent No.4.

Mr. DVAS Ravi Prasad, Ld. Counsel for Respondent No.15.

Mr. G. Murali, Liquidator.

**Orders pronounced, recorded vide separate sheets.**

**In the result, this application is allowed and disposed of.**

**Sd/-**

**MEMBER (T)**

**Sd/-**

**MEMBER (J)**

**NATIONAL COMPANY LAW TRIBUNAL  
HYDERABAD BENCH-1**

**IA No. 788/2022  
In  
CP(IB) No. 325/7/HDB/2020**

[Under Section 66 of Insolvency and Bankruptcy Code, 2016, r/w Section 213 of Companies Act, 2013 and Rule 11 of National Company Law Tribunal Rules, 2016]

**IN THE MATTER OF BUTTA INFRASTRUCTURE PRIVATE LIMITED**

**Mr. Gonugunta Murali**

Liquidator of Butta Infrastructure Private Limited

Having its registered office at:

House No. 4/14, Butta House, KPHB Road,

Madhapur, Hyderabad,

Telangana - 500081

**...Applicant**

**AND**

1. **Siva Neelakanta Butta,**  
Plot No-110, Road No-72,  
Prashansan Nagar, Jubilee Hills,  
Hyderabad, Telangana- 500033
2. **Butta Naga Raju,**  
Plot No-110, Road No-72,  
Prashansan Nagar, Jubilee Hills,  
Hyderabad, Telangana- 500033
3. **Butta Renuka,**  
Plot No-110, Road No-72,  
Prashansan Nagar, Jubilee Hills,  
Hyderabad, Telangana- 500033.
4. **Meridian Educational Society,**  
8-2-541, Road No. 7, Banjara Hills,  
Hyderabad, Telangana- 500034

5. **Butta Automotive Private Limited,**  
Butta House 2nd floor,  
4-14 KPHB Road, Madhapur,  
Hyderabad, Telangana- 500081
6. **Butta Convention Services Private Limited,**  
Butta House 2nd floor,  
4-14 KPHB Road, Madhapur,  
Hyderabad, Telangana- 500081
7. **Butta Hospitalities Private Limited,**  
Butta House 2nd floor,  
4-14 KPHB Road, Madhapur,  
Hyderabad, Telangana- 500081
8. **Meridian Eductech Solutions Private Limited,**  
Butta House 2nd floor,  
4-14 KPHB Road, Madhapur,  
Hyderabad, Telangana- 500081
9. **Tejaswi Jewellers Private Limited,**  
Butta House 2nd floor,  
4-14 KPHB Road, Madhapur,  
Hyderabad, Telangana- 500081
10. **Tejaswi Motors Private Limited,**  
Butta House 2nd floor,  
4-14 KPHB Road, Madhapur,  
Hyderabad, Telangana- 500081
11. **Butta Tejaswi,**  
Plot No-110, Road No-72,  
Prashansan Nagar, Jubilee Hills,  
Hyderabad, Telangana- 500033
12. **Pratul Butta,**  
Plot No-110, Road No-72,  
Prashansan Nagar, Jubilee Hills,  
Hyderabad, Telangana- 500033
13. **Dande Nagamma,**  
Butta House 2nd floor,  
4-14 KPHB Road, Madhapur,  
Hyderabad, Telangana- 500081

14. **Jagadeesh Gangundi,**  
Butta House 2nd floor,  
4-14 KPHB Road, Madhapur,  
Hyderabad, Telangana- 500081
15. **RK Reddy and Associates,**  
Flat No. C-306, Vijaya Hills,  
11-4-646, A.C Guards,  
Hyderabad, Telangana- 500004

**...Respondents**

**Date of Order: 18.06.2026**

**Coram:**

Hon'ble Shri Rajeev Bhardwaj, Member (Judicial)

Hon'ble Shri Sanjay Puri, Member (Technical)

**Counsels Present**

For the Applicant : Mr. Y. Suryanarayana, Ld. Counsel,  
Mr. Gonugunta Murali, Liquidator

For the Respondents No.1 to 3 & 5 to 13: Ms. Niyatha, Ld. Counsel

For the Respondents No. 4: Ms. Sarvani Desi Raju, Ld Counsel

For the Respondent No.15: Mr. DVAS Ravi Prasad, Ld Counsel

The present Application is filed by **Mr. Gonugunta Murali (Applicant)**, in his capacity as the Liquidator of **Butta Infrastructure Private Limited (Corporate Debtor/CD)**, under Section 66 of the Insolvency and Bankruptcy Code, 2016 (Code/IBC), r/w Section 213 of Companies Act, 2013 and Rule 11 of National Company Law Tribunal Rules, 2016, seeking appropriate directions against the Respondents on account of fraudulent and wrongful transactions carried out in relation to the affairs of the Corporate Debtor.

**APPLICANT'S SUBMISSIONS**

1. Respondent Nos. 1 and 2 are members of the Suspended Board of Directors of the Corporate Debtor, and Respondent No. 3 is the spouse of Respondent No. 1, who was previously a director of the Corporate

Debtor and had resigned from the Board on 01.04.2019. Respondent No. 4, namely Meridian Educational Society, is an entity which had entered into lease agreements with the Corporate Debtor and is presently in possession of immovable properties owned by the Corporate Debtor, wherein it is running a school under the name “Meridian School”. Respondent Nos. 5 to 12 are entities and individuals who are related parties of the Corporate Debtor and to whom loans were advanced, which remain outstanding. Respondent Nos. 11 and 12 are also directors of Respondent Nos. 5, 8 & 9. Respondent Nos. 13 is the director of Respondent No. 7, and Respondent No. 14 is the director of Respondent No. 10. Respondent No. 15 is the Statutory Auditor of the Corporate Debtor since its incorporation.

2. It is submitted that this Adjudicating Authority, vide order dated 01.03.2021, admitted the application filed by LIC Housing Finance Limited under Section 7 of the Code, thereby initiating the Corporate Insolvency Resolution Process (CIRP) of the Corporate Debtor. Pursuant thereto, Mr. Krishna Komaravolu was appointed as the Interim Resolution Professional, who was subsequently confirmed as the Resolution Professional. Upon failure of the CIRP, this Adjudicating Authority, vide order dated 24.02.2022, ordered liquidation of the Corporate Debtor and appointed the Applicant herein as the Liquidator.
3. It is submitted that the Corporate Debtor was incorporated on 24.01.2017 under Chapter XXI of the Companies Act, 2013 upon conversion of the erstwhile partnership firm “M/s. Butta Infrastructure” into a private limited company. The Corporate Debtor was primarily engaged in the business of real estate. As per the Auditor’s Report for the Financial Year 2017-18, all properties of the erstwhile partnership firm stood legally transferred to the Corporate Debtor, although mutation of such properties in the records of the Sub-Registrar was stated to be pending.

4. It is submitted that upon taking charge, the Applicant Liquidator examined the financial statements of the Corporate Debtor for the financial years 2016-17, 2017-18, 2018-19 and 2019-20, along with the provisional financial statements for the financial year 2020-21, and found that Respondent Nos. 1 to 3 had carried out certain fraudulent transactions in relation to the Corporate Debtor.
5. It is submitted that two Lease Deeds were executed between the Corporate Debtor and Respondent No. 4, Meridian Educational Society, on 15.02.2017 in respect of immovable properties belonging to the Corporate Debtor, which are as follows:
  - i. All that land and building premises bearing No. 8-2-541, 8-2-540/1, 8-2-540/2, 8-2-438/4, Road No. 4 & 7, Banjara Hills, Hyderabad totally admeasuring 7321.12 Sq. Yards with a building thereon admeasuring 1,20,000 Sq. Ft.
  - ii. All that land in Plot Nos. 4/20, 4/21, 4/36, 4/37, 4/22, 4/23, 4/34, 4/35, 4/26, 4/27, 4/30, 4/31, 5/1, 5/2, 5/3, 5/4, 5/11, 5/19, 5/10 in S.Y No. 11/4 and 11/5, Khanmet Village, Madhapur, Serilingampalli Mandal, Ranga Reddy District totally admeasuring 22,795 Sq. yards and building thereon admeasuring 1,20,000 Sq. Ft
6. It is submitted that as per the terms of the said Lease Deeds, Respondent No. 4, being the lessee, was liable to pay monthly lease rentals as specified therein. Upon verification of the records of the Corporate Debtor, it was found that Respondent No. 4 had failed to pay lease rentals from February 2017 onwards in respect of both the properties. The Applicant submits that the total outstanding lease rentals payable by Respondent No. 4 to the Corporate Debtor, as on 31.05.2022, amounts to Rs. 281,67,10,552/-. It is further submitted that the financial statements of the Corporate Debtor for the Financial Years 2017-18, 2018-19 and 2019-20 disclose that substantial lease

rentals, ranging from Rs. 36 Crores to over Rs. 41 Crores annually, were waived off and no income was recognized in respect thereof.

7. It is submitted that Respondent No. 4 is a related party of the Corporate Debtor, as disclosed in the financial statements, and the waiver of such substantial lease rentals was effected by the management of the Corporate Debtor with a deliberate intent to defraud its creditors. The Applicant contends that such waiver directly contributed to the inability of the Corporate Debtor to service its debts, thereby leading to its insolvency, and the same squarely falls within the ambit of Section 66 of the Code.
8. It is further submitted that the Applicant had earlier filed I.A. No. 643 of 2022 seeking payment of lease rentals. The said IA is still pending adjudication; wherein Respondent No. 4 raised contentions that the Lease Deeds were cancelled vide deeds dated 06.09.2019 and that earlier lease arrangements dated 11.03.1999 and 20.03.2010 prevails. It was also contended that the Lease Deeds relied upon by the Applicant were tampered with. The Applicant submits that a bare comparison of the Lease Deeds dated 15.02.2017 and 23.02.2017 indicates that multiple documents were executed for the same properties with variations, which clearly establishes a deliberate attempt to create confusion and evade liability.
9. It is submitted that the properties in question were mortgaged to LIC Housing Finance Limited and were subject to a charge registered on the MCA portal. As per the sanction terms, any modification of lease arrangements required prior approval of the lender, which was not obtained. It is further submitted that despite alleged cancellation of lease deeds, Respondent No. 4 continues to remain in possession of the properties and is therefore liable to pay lease rentals to the Corporate Debtor.

10. It is submitted that the Corporate Debtor had also advanced substantial loans to related parties and directors. As per the records, loans amounting to Rs. 99.66 Crores were advanced to related party entities, and loans amounting to Rs. 177.68 Crores were advanced to directors and their relatives. These amounts remain outstanding as on date.
11. It is submitted that no interest was charged on such loans, as reflected in the financial statements, which is in contravention of Section 186 of the Companies Act, 2013. It is further submitted that such loans were advanced in violation of Section 185 of the Companies Act, 2013, as they were extended to directors and entities in which directors are interested, without complying with statutory requirements.
12. It is submitted that the entities which received such loans share common directors with the Corporate Debtor and have the same registered office address, thereby clearly establishing their status as related parties. The Applicant contends that such transactions were undertaken with the intent to divert funds and defraud creditors.
13. It is further submitted that Respondent No. 15, being the Statutory Auditor of the Corporate Debtor, failed to report these fraudulent transactions as mandated under Section 143(12) of the Companies Act, 2013, and instead incorrectly reported that the Corporate Debtor had complied with the provisions of Sections 185 and 186 of the Companies Act, 2013.
14. It is submitted that after commencement of CIRP on 01.03.2021, the management of the Corporate Debtor withdrew a sum of Rs. 1,20,00,000/- from the bank account of the Corporate Debtor on 03.03.2021, leaving a negligible balance. The Applicant submits that such withdrawal was made despite knowledge of initiation of CIRP and constitutes a clear act of siphoning of funds during the insolvency process.

15. It is submitted that the aforesaid acts of the Respondent Nos. 1 to 3, clearly demonstrate that the business of the Corporate Debtor was carried on with intent to defraud its creditors. Accordingly, the Applicant submits that the Respondents are liable to contribute to the assets of the Corporate Debtor in terms of Section 66(1) of the Code.
16. In view of the above, the Applicant prays for directions against Respondent Nos. 1 to 3, jointly and severally and/or other concerned respondents for recovery of various sums allegedly due to the Corporate Debtor. This includes: (i) payment of Rs. 281,67,10,552/- towards lease rentals for properties at Banjara Hills and Madhapur, stated to have been fraudulently waived; (ii) payment of Rs. 177.68 Crores along with interest @18% p.a. towards loans taken by the directors and their relatives, with a further direction to the concerned Respondents to repay the respective amounts; (iii) payment of Rs. 99.66 Crores along with interest @18% p.a. towards loans taken by related parties, with a direction to such entities to repay the respective sums; and (iv) payment of Rs. 1,20,00,000/- allegedly withdrawn from the Corporate Debtor's bank account after commencement of CIRP. The Applicant further seeks (v) a direction to the Statutory Auditor (Respondent No. 15) to remain physically present before the Tribunal to assist and clarify the transactions in question; (vi) an order under Section 213 of the Companies Act, 2013 directing investigation by the Central Government into the affairs and related party transactions of the Corporate Debtor.

#### **COUNTER BY RESPONDENT NO.1**

17. The Respondent No. 1 has filed a counters opposing the application, contending that the same is not maintainable either in law or on facts and is a misuse of the process of law, as the present proceedings are in the nature of recovery of money. It is further contended that the claim is barred by limitation, as the amounts sought to be recovered relate to transactions of the year 2017, particularly arising out of the loan sanctioned by the Central Bank of India on 13.02.2017.

18. It is submitted that Respondent Nos. 1 and 3 had floated several companies and that loans were sanctioned to such entities as well as to Respondent Nos. 1 and 3 by various banks including Central Bank of India, by offering common immovable properties situated at Banjara Hills and Madhapur, Hyderabad as collateral security, much prior to the incorporation of the Corporate Debtor. The Corporate Debtor was initially a partnership firm under the name “M/s. Butta Enterprises” constituted on 01.04.2016 with Respondent Nos. 1 and 3 as partners, later renamed as “Butta Infrastructure” and converted into a private limited company on 24.01.2017. At the time of formation, the existing term loans of Respondent Nos. 1 and 3 amounting to Rs.56,93,00,000/- were brought into the books of the firm and apportioned equally between them.
19. It is submitted that the Corporate Debtor entered into a slump sale agreement dated 10.04.2016 with Meridian Educational Society, whereby the Corporate Debtor undertook to take over movable assets and liabilities of Meridian Educational Society for a total consideration of Rs. 132,13,73,984/-, and in pursuance thereof, the Corporate Debtor was making payments to Meridian Educational Society towards discharge of such liabilities.
20. It is further submitted that the Central Bank of India sanctioned a loan of Rs. 260 crores on 13.02.2017, which was utilized to close the loans of the group companies and the loans of Respondent Nos. 1 and 3 from various financial institutions including Central Bank of India, Lakshmi Vilas Bank, APSFC and L&T Finance, for which their properties had been offered as collateral security. The amounts from the said loan were transferred to various companies and individuals, and certain amounts were also placed in fixed deposits and current accounts and utilized towards loan processing charges and discharge of other liabilities. The break-up of the said transfers is as follows:

<b>Sl.</b>	<b>Company / Entity</b>	<b>Amount transferred from Rs.260 Crores (Rs.)</b>
1	Butta Convention Services Pvt. Ltd.	11,13,57,129
2	Butta Hospitalities Pvt. Ltd.	36,18,65,396
3	Meridian Edutech Solutions Pvt. Ltd.	3,40,39,089
4	Tejaswi Motors Pvt. Ltd.	23,30,53,681
5	1st Respondent OD Account	5,31,11,494
6	3rd Respondent	5,30,60,268
7	1st and 3rd Respondent CBI Term Loan	35,32,39,153
<b>Total</b>		<b>119,97,26,210/-</b>

21. It is further submitted that additional liabilities of entities such as Meridian Educational Society, Prathul Automobiles Pvt. Ltd., Meridian Educational Society (PNB loan) and Meridian Edutech Solutions Pvt. Ltd. (L&T Finance) were also absorbed. Thereafter, a further loan of Rs. 310 crores were sanctioned by the Financial Creditor on 26.03.2018, which was utilized to repay the earlier loans of Central Bank of India and APSFC and to discharge liabilities of various group companies and Respondents, while taking over the collateral securities. The break-up of the said disbursements is as follows:

<b>Sl.</b>	<b>Company / Entity</b>	<b>Amounts transferred from Rs.310 Crores (Rs.)</b>
1	Central Bank Term Loan	266,61,34,640
2	Butta Hospitalities Pvt. Ltd.	44,60,516 + 1,06,75,263 + 1,09,74,182
3	Meridian Edutech Solutions Pvt. Ltd.	4,54,22,773
4	Tejaswi Jewellers Pvt. Ltd.	2,43,37,201
5	Tejaswi Motors Pvt. Ltd.	5,41,41,820
6	Butta Automotive Pvt. Ltd.	2,28,33,775
7	Prathul Automobiles Pvt. Ltd.	3,77,91,427
8	Vaishnavi Jewellers	1,04,35,043

9	1st Respondent OD Account	2,53,87,820 + 3,40,20,017
10	3rd Respondent	2,74,52,523
<b>Total</b>		<b>297,40,67,000/-</b>

22. It is contended that the claims made by the Liquidator arise out of adjustment of such loans and represent only book entries, which do not constitute any independent or repayable debt. It is specifically submitted that the amount of Rs. 24,84,30,984/- claimed from Respondent No. 1 pertains to earlier loans from Central Bank of India and Lakshmi Vilas Bank, which have already been repaid from the loan of Rs. 260 crores, and therefore cannot be claimed again.
23. It is further submitted that several amounts have been wrongly debited to the account of Respondent No. 1, though such amounts were actually paid to different companies and individuals, and therefore no liability can be fastened upon him. The details of such amounts are as follows:

<b>Sl.</b>	<b>Company / Entity</b>	<b>Amounts wrongly debited to the account of 7<sup>th</sup> Respondent (Rs.)</b>
1	Prathul Automobiles Pvt. Ltd.	14,21,25,345
2	Prathul Automobiles Pvt. Ltd.	7,78,20,179
3	Butta Automotive Pvt. Ltd.	3,06,28,775
4	Butta Hospitality	17,30,91,115
5	Tejaswi Motors Pvt. Ltd.	3,68,69,724
6	Meridian Edutech Solutions Pvt. Ltd.	6,08,60,793
7	Chandrasekhar Raju	3,11,00,000
8	Sandhya Hotels	2,70,00,000
9	Sirisha Hotels	1,45,53,056
10	Vaishnavi Jewellers	1,01,29,306
11	Urvasi Extension	1,36,74,182
12	Raj Collection	39,60,000

13	Amogh Constructions	41,50,000
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24. It is contended that no loan was ever disbursed by the Corporate Debtor to Respondent No. 1, there was no cash flow to him, and no loan agreement or contractual document exists, and the outstanding reflected in the books of accounts is only on account of the book entries passed due to adjustment of loan by the banker. It is further submitted that the Liquidator cannot claim payment again despite the Corporate Debtor having taken over valuable collateral securities.
25. With respect to the claim of Rs. 1,20,00,000/-, it is submitted that the said amount was received from Prathul Automobiles Pvt. Ltd. on 02.03.2021 and was immediately transferred on 03.03.2021 to Meridian Educational Society towards part payment of dues under the slump sale agreement dated 10.04.2016, in the ordinary course of business by the accounts department, which was unaware of the commencement of CIRP. It is further submitted that Respondent Nos. 1 to 3 did not withdraw the said amount nor was it transferred to their accounts, and hence they are not liable for the same. It is also stated that the CIRP order dated 01.03.2021 was received only on 06.03.2021, upon which operations were stopped and cheque books were handed over to the Resolution Professional, and that post-dated cheques issued prior to CIRP were subsequently honoured by the promoters of Corporate Debtor through their personal funds.
26. It is further submitted that Respondent Nos. 1 to 3, along with another individual, had executed lease deeds in favour of Meridian Educational Society in respect of properties situated at Khanamet Village and Banjara Hills, Hyderabad in the years 1999 and 2010 for a period of 30 years, which are still subsisting. Subsequent lease deeds executed in the year 2017 in respect of the same properties were later cancelled in 2019, and the earlier lease deeds continued. It is contended that there

was no intention to commit fraud on the Financial Creditor and no collusion with Meridian Educational Society.

27. It is further submitted that even otherwise any claim, if at all, has to be adjudicated through appropriate proceedings and not in the summary jurisdiction of this Tribunal. The Respondent No. 1 has denied any fraudulent or wrongful trading under Section 66 of the Code and has prayed that the application be dismissed.

### **COUNTER BY RESPONDENTS NO.2, 13 AND 14**

28. Respondents No. 2, 13 and 14 have contended that they have not availed any loan from the Corporate Debtor and do not owe any amount to it. It is further specifically submitted that no claim has been made against them, no specific allegations have been raised, and no role has been attributed to them in relation to the affairs of the Corporate Debtor, and therefore their impleadment in the present application is arbitrary and intended to harass them.
29. It is also contended that they have not committed any fraudulent or wrongful trading under Section 66 of the Code and that there is no material to show their involvement in any act affecting the functioning of the Corporate Debtor. Apart from the general objections regarding maintainability and jurisdiction, no additional or distinct contentions have been raised by Respondents No. 2, 13 and 14.

### **COUNTER BY RESPONDENT NO.3**

30. Respondent No. 3 substantially reiterates the contentions already raised by Respondent No. 1, including objections on maintainability, the nature of the transactions as book entries, absence of any loan disbursement or contractual relationship, adjustment of earlier loans through subsequent financing, and the contention that the Liquidator is seeking double recovery despite the Corporate Debtor having taken over collateral securities.

31. However, a few additional aspects specific to Respondent No. 3 have been stated. It is contended that the amount of Rs. 20.68 crores claimed from Respondent No. 3 pertains to loans availed from Central Bank of India and Lakshmi Vilas Bank, which have already been discharged out of the Rs. 260 crores loan sanctioned to the Corporate Debtor, and that the collateral securities relating to such loans have been transferred in favour of the Corporate Debtor. It is further submitted that the Financial Creditor subsequently took over the loans along with all collateral securities, including those relating to Respondent No. 3.
32. It is also specifically contended that Respondent No. 3 was not concerned with the running of the Corporate Debtor and is independently engaged in political and social activities, and therefore cannot be held liable in respect of the alleged amount of Rs. 1,20,00,000/-.

#### **COUNTER BY RESPONDENT NO.4**

33. It is submitted that Respondent No. 4 is an educational society running “Meridian School” since 1995, much prior to the incorporation of the Corporate Debtor, and has been in possession of the subject properties pursuant to registered lease deeds executed in the years 1999 and 2010 for a period of 30 years.
34. It is contended that the allegations of fraud are wholly denied and that Respondent No. 4 was not a party to any loan transaction or documentation executed by the Corporate Debtor with the financial creditor, including LIC Housing Finance, and is not privy to such arrangements. It is further submitted that the society is administered by an independent executive committee, and the promoters of the Corporate Debtor have had no role in its management or day-to-day affairs since the end of 2016, and therefore had no authority to act on its behalf.

35. It is specifically submitted that no lease deeds dated 15.02.2017 were executed by Respondent No. 4, and that only registered lease deeds dated 23.02.2017 were executed. The alleged lease deeds dated 15.02.2017 are stated to be forged and without validity.
36. It is further contended that the Liquidator has failed to disclose material agreements between the parties, including an Agreement for Auxiliary Educational Services dated 01.04.2017, under which Respondent No. 4 paid approximately Rs. 57 crores per year from 2017 till March 2020 towards services such as mess, transport and allied facilities provided by the Corporate Debtor. It is submitted that in this background, rental waiver was granted, which was duly reflected in the books of accounts, and therefore the same cannot be termed as illegal or fraudulent.
37. It is also submitted that the rental waiver was granted in 2017, prior to sanction of the loan by LIC Housing Finance in March 2018, and prior to creation of any charge, and therefore there could be no intention to defraud creditors. It is further contended that no documents were executed by Respondent No. 4 in favour of LIC Housing Finance and no due diligence was conducted by the lender with respect to the society.
38. It is submitted that subsequent cancellation of lease deeds in 2019 was effected through registered documents, and the earlier lease deeds of 1999 and 2010 continue to subsist. It is contended that Respondent No. 4 is an independent legal entity and cannot be implicated for alleged acts of the Corporate Debtor or the financial creditor.
39. It is further submitted that Respondent No. 4 itself has claims against the Corporate Debtor under contractual arrangements and had filed a claim before the Liquidator, which came to be rejected on the ground of delay. Accordingly, it is contended that no fraud or collusion is attributable to Respondent No. 4, and the application, insofar as it concerns Respondent No. 4, is liable to be dismissed.

**COUNTER BY RESPONDENTS NO.6, 7, 8 AND 10**

40. The Counters filed by the Respondents No. 6, 7, 8 and 10 are substantially identical and largely reiterate the contentions raised by Respondent Nos. 1 and 3, particularly with respect to maintainability, absence of any direct loan or cash flow from the Corporate Debtor, treatment of entries as mere book adjustments, and the contention that the Liquidator is seeking double recovery despite the Corporate Debtor having taken over collateral securities.

41. However, certain facts peculiar to each of the said Respondents have been set out. It is submitted that each of the said Respondents had independently availed loans from financial institutions and had offered properties as collateral security, which loans were subsequently discharged out of the Rs. 260 crores sanctioned to the Corporate Debtor by the Central Bank of India, and the respective collateral securities were transferred and continued as security for the said loan of the Corporate Debtor, and are presently under mortgage with the Financial Creditor. The particulars of such loans and amounts claimed are as follows:

- Respondent No. 6: Loan of Rs. 15 crores from Central Bank of India; amount of approximately Rs. 9.11 crores are sought to be recovered.
- Respondent No. 7: Loan of Rs. 39.50 crores from Central Bank of India; amount of approximately Rs. 37.77 crores are sought to be recovered.
- Respondent No. 8: Loan of Rs. 11 crores from L&T Finance Limited; amount of approximately Rs. 15.53 crores are sought to be recovered.
- Respondent No. 10: Loan of Rs. 33.19 crores from Central Bank of India; amount of approximately Rs. 22.86 crores are sought to be recovered.

42. It is contended that in view of such adjustment and transfer of collateral securities, the amounts now claimed from these Respondents cannot be sustained.

#### **COUNTER BY RESPONDENT NO.15**

43. It is submitted that Respondent No. 15 was only the erstwhile auditor of the Corporate Debtor and had limited information confined to such role. It is further stated that the relief sought against Respondent No. 15 is only to furnish information before this Tribunal, and that the said issue had already been dealt with in I.A. No. 706 of 2022, which was disposed of on 26.05.2023.
44. It is submitted that, pursuant to directions in the said application, Respondent No. 15 had already furnished all available information and documents, including financial statements from the year 2016 onwards and internal audit notes, and had also interacted with the Applicant in this regard, upon which the said application stood closed.
45. It is further submitted that Respondent No. 15 had audited the accounts of the Corporate Debtor only up to the financial year ending 31.03.2020, and thereafter no accounts were referred to him for audit, and therefore he has no knowledge beyond that period. It is also stated that he had issued qualified audit reports for the financial year ending 31.03.2020, pointing out deficiencies and violations. Accordingly, it is contended that Respondent No. 15 has already complied with all requirements by furnishing the information available with him.

#### **WRITTEN SUBMISSIONS BY APPLICANT**

46. It is submitted that lease deeds were executed in February 2017 between the Corporate Debtor and Respondent No. 4, under which lease rentals were payable; however, Respondent No. 4 failed to pay the same and substantial lease rentals were waived for multiple years, as reflected in the financial statements. It is contended that Respondent

No. 4 is a related party of the Corporate Debtor, and such waiver of lease rentals, particularly in the context of the loan of Rs. 310 Crores obtained from LIC Housing Finance Limited under a rental securitisation arrangement, was carried out with intent to defraud creditors and contributed to the insolvency of the Corporate Debtor.

47. It is further submitted that Respondent No. 4, while continuing in possession of the properties, failed to pay lease rentals and colluded with the management of the Corporate Debtor in waiving rentals and cancelling lease deeds without obtaining prior consent of the lender, and therefore remains liable to pay the lease rentals. It is contended that the sequence of events, including formation of the partnership firm, its conversion into a company, leasing of properties to a related party, obtaining of loan under rental securitisation, waiver of lease rentals, and subsequent cancellation of lease deeds, demonstrates a deliberate scheme to siphon funds, with clear existence of mens rea.
48. It is also submitted that Respondents No. 1 to 3 have not addressed the issues of waiver of lease rentals and cancellation of lease deeds in their counters. The contention of Respondent No. 4 that payments were made under an Auxiliary Services Agreement is stated to be irrelevant, as such agreement is distinct and cannot justify waiver of lease rentals. It is further contended that the plea that the waiver preceded the loan is untenable in view of the undertaking given prior to sanction of the loan and the timing of filing of financial statements.
49. In relation to loans and advances, it is submitted that the Corporate Debtor advanced substantial amounts to related parties and directors, including Rs. 99.66 Crores to Respondents No. 5 to 10 and Rs. 177.68 Crores to Respondents No. 1, 3, 11 and 12, as reflected in the financial statements. It is contended that these entities are closely related, having common directors and registered office, which demonstrates that the transactions were carried out to divert and siphon funds. It is further submitted that such advances were made without charging any

interest, in violation of Sections 185 and 186 of the Companies Act, 2013, and no explanation has been provided by the Respondents. It is contended that the defence that these are mere book entries is untenable, as it would imply that incorrect financial statements were presented in violation of Section 129 of the Companies Act, 2013.

50. It is also submitted that after commencement of CIRP on 01.03.2021, an amount of Rs. 1,20,00,000/- was withdrawn from the account of the Corporate Debtor on 03.03.2021, leaving only a nominal balance, which clearly demonstrates intent to siphon funds despite knowledge of the CIRP.

**WRITTEN SUBMISSIONS BY RESPONDENTS NO. 1, 2, 3, 6, 7, 8, 10, 13 and 14:**

51. The Respondent Nos. 1, 2, 3, 6, 7, 8, 10, 13 and 14 have filed common written submissions. Apart from the contentions already raised in the counters, the following additional contentions have been urged:
52. It is submitted that the application is violative of principles of natural justice, as the Liquidator has not furnished the audit report relied upon for filing the present application. It is contended that such non-disclosure vitiates the proceedings. Reliance is placed on ***Renuka Devi Rangaswamy v. Regen Powertech Pvt. Ltd., 2022 SCC OnLine NCLT 48874*** and ***T. Takano v. SEBI, 2022 SCC OnLine SC 210***, to contend that non-disclosure of such reports amounts to violation of principles of natural justice.
53. It is further contended that the application under Sections 60(5) and 66 of the Code is not maintainable, as the claims are disputed and arise out of adjustments of loans by taking over collateral securities, which are reflected only as book entries and do not represent amounts repaid by the Respondents to the Corporate Debtor. It is also submitted that Section 186 of the Companies Act, 2013 has no application in the present case. It is submitted that the value of the collateral securities

held by the Financial Creditor is more than double the amount due, and therefore the Liquidator cannot seek recovery again from the Respondents.

54. It is further contended that this Tribunal, exercising jurisdiction under Sections 60(5) and 66 of the Code, cannot act as a debt recovery forum, especially when the claim is disputed. Reliance is placed on **SSMP Industries Ltd. v. Perkan Food Processors Pvt. Ltd., 2019 SCC OnLine Del 9339**. It is also submitted that the object of the Code is not recovery but resolution, reliance is placed on **Swiss Ribbons Pvt. Ltd. v. Union of India, (2019) 4 SCC 17**.
55. It is further submitted that the claim is barred by limitation, as it pertains to transactions of the year 2017. With regard to allegations under Section 66 of the Code, it is submitted that no fraud has been committed by the Respondents and that the loan amounts were directly adjusted towards repayment of loans of the Respondents with various financial institutions. It is further contended that the Financial Creditor was aware of such transactions. It is submitted that there is no intention to defraud and that mens rea is a necessary requirement for invoking Section 66. Reliance is placed on **Kamal Kant Paliwal v. Prakash Devi Paliwal, 1975 SCC OnLine Raj 62** and **Sudipa Nath v. Union of India, 2023 SCC OnLine Tri 79**.

#### **WRITTEN SUBMISSIONS BY RESPONDENT NO. 4**

56. It is submitted that Respondent No. 4 is an independent educational society running “Meridian School” since 1995 under the supervision of an independent executive committee, and though the promoters of the Corporate Debtor are members, they do not hold any controlling or executive role in the functioning of the society.
57. Apart from the contentions already raised in its counter, the Respondent No. 4 has further contended that the present application under Section 66 of the Code is not maintainable against it, as it is a

third party. In this regard, reliance is placed on **Gluckrich Capital Pvt. Ltd. v. State of West Bengal, Misc. Appl. No. 1302 of 2023**, and **Usha Ananthasubramanian v. Union of India, Civil Appeal No. 7604 of 2019**, to contend that relief under Section 66 cannot be sought against third parties.

58. It is further contended that no forensic audit has been relied upon by the Liquidator to categorize the lease rental waiver as fraudulent, and in the absence of such audit, the application is not maintainable. Reliance is placed on **Leena Batra v. Ferris Infrastructure Private Limited, NCLT Delhi – I.A. No. 4165 of 2023 in CP (IB) 20/2022**.
59. It is further submitted that waiver of lease rentals was duly reflected in the books of accounts of the Corporate Debtor and thus was available for public inspection. It is contended that the loan from LIC Housing Finance was sanctioned only on 28.03.2018, i.e., after the lease waiver, and Respondent No. 4 was not a party to any loan or related documentation. It is further submitted that none of its executive committee members executed any such documents and that the seal of the school was not present on any of the documents.
60. It is also contended that LIC Housing Finance failed to consider publicly available registered lease deeds and granted the loan on allegedly incorrect documents, and therefore any alleged irregularity cannot be attributed to Respondent No. 4.
61. It is further submitted that allegations of fraud must be proved beyond doubt and require evidence of intent, which is absent in the present case. It is contended that the waiver was neither concealed nor undertaken with any dishonest intent, and that no fraudulent purpose can be attributed to Respondent No. 4. In support of its contentions, reliance is placed on **Sudipa Nath v. Union of India, WP(C) PIL 04 of 2023, M/s Super Agri Seeds Pvt. Ltd., I.A.No.568 of 2019 in CP(IB)No.172/10/HDB/2017, M/s KVR Industries Pvt. Ltd.,**

**IA(IBC)/127/2023 in CP(IB)No.204/7/AMR/2019, Renuka Devi Rangaswamy v. Regen Powertech Pvt. Ltd., Comp. (AT) (CH) (Ins.) No. 357 of 2022 and I.A. No. 814 of 2022 NCLAT and Jayesh Shanghrajka v. Divine Investments, M.A. No. 1893 of 2019**, to contend that fraud must be established with cogent evidence and intent to defraud.

62. We have heard all the parties and have also gone through the entire record.

### **ANALYSIS AND FINDINGS**

63. Before addressing the main issue, it is essential to first consider Section 66 of the IBC which deals with fraudulent or wrongful trading. It empowers the Adjudicating Authority to pass an order directing individuals who were knowingly involved in carrying on the business with the intent to defraud creditors, to contribute to the assets of the corporate debtor.
64. To establish a case under Section 66, the Applicant must demonstrate that certain transactions were carried out with the intent to defraud creditors. The onus is on the Applicant to present sufficient evidence to satisfy the Adjudicating Authority that the transactions were fraudulent.
65. The Hon'ble NCLAT in **Shibu Job Cheeran & Ors. V. Ashok Velamur Seshadri, (2023) ibclaw.in 158 NCLAT**, has held that the following elements must be established under Section 66 of IBC:
- i. Business of the Corporate Debtor has been carried out with an intent to defraud the creditors.
  - ii. Directors participated in carrying on business of the Corporate Debtor despite knowing likely insolvency of the Corporate Debtor.
66. The Hon'ble NCLAT in the case of **Regen Powertech Pvt. Ltd., represented by erstwhile RP Ebenezar Inbaraj v. M/s. Wind**

**Construction Pvt. Ltd. (2022) ibclaw.in 793 NCLAT** clarified that fraudulent trading requires a high degree of proof, and relevant facts and evidence must be presented unambiguously. The Applicant must provide tangible evidence to substantiate the claim of fraudulent intent. The Hon'ble Supreme Court, in **Anuj Jain IRP for Jaypee Infratech Ltd. v. Axis Bank Ltd. (2020) ibclaw.in 06 SC**, emphasized the distinction between the elements of preferential, undervalued, and fraudulent transactions, noting that the inquiry for fraudulent trading is distinct from that of preferential and undervalued transactions. Specific material facts must be pleaded if a transaction is sought to be brought under the provisions of Sections 45/46/47 or Section 66 of the Code.

67. In the present case, the Applicant/RP has alleged that the erstwhile management of the Corporate Debtor, in collusion with related entities and family-controlled concerns, had diverted and siphoned away the assets and revenue streams of the Corporate Debtor thereby defrauding the creditors of the Corporate Debtor. The allegations broadly pertain to fraudulent waiver of lease rentals in favour of Respondent No.4, diversion of funds through loans and advances to related parties and directors, contravention of Sections 185 and 186 of the Companies Act, 2013, and withdrawal of funds after commencement of CIRP of the Corporate Debtor.

**Objection regarding maintainability and scope of Section 66:**

68. The Respondents have contended that the present Application is not maintainable under Section 66 and that the same is in the nature of a recovery proceeding. It has further been contended that the jurisdiction of this Tribunal under Section 60(5) and Section 66 is summary in nature and cannot extend to adjudication of disputed claims. We are unable to accept the said contention as Section 66 specifically empowers the Adjudicating Authority, where it is found that the business of the Corporate Debtor has been carried on with intent to

defraud creditors or for any fraudulent purpose, to direct persons who were knowingly parties to such conduct to make contribution to the assets of the Corporate Debtor. Therefore, once the Applicant demonstrates that the transactions were undertaken with intent to defraud creditors, the consequential direction for contribution necessarily follows.

69. The reliance placed by the Respondents on **SSMP Industries Ltd. vs Perkan Food Processors Pvt. Ltd., (Supra)** is misplaced. The said judgment dealt with disputed counter-claims in the insolvency proceeding and not fraudulent transactions. The present case concerns entries in audited financial statements, transfer of funds, waiver of rentals and related-party transactions, all of which are admitted. Therefore, the factual foundation is not based upon uncertain or speculative claims. Similarly, the reliance on **Swiss Ribbons Pvt. Ltd. v. Union of India, (Supra)** is also misconceived. While it is true that the Code is not a recovery legislation, the same judgment equally recognizes that the insolvency framework seeks to maximize the value of assets and protect the interests of stakeholders. Section 66 itself is part of the mechanism designed to reverse fraudulent diversion of corporate assets and therefore proceedings under Section 66 cannot be dismissed merely because consequential monetary directions are sought.
70. The contention that the present proceedings amount to “mere recovery proceedings” is wholly misconceived. The Applicant is not seeking enforcement of an ordinary contractual debt. The present proceedings are founded upon allegations that the management of the Corporate Debtor, in collusion with related parties, created an artificial financial structure whereby enormous amounts were siphoned away from the Corporate Debtor while exposing the Corporate Debtor to substantial financial liabilities.

71. Equally untenable is the contention that Section 66 cannot be invoked in the absence of a forensic audit report. Neither Section 66 of the Code nor Regulation 35A of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 mandates that an application under Section 66 can only be maintained upon receipt of a forensic audit report. The Hon'ble NCLAT in ***State Bank of India v. Dommeti Surya Rama Krishna Saibaba and Ors., (2025) ibclaw.in 708 NCLAT***, observed that a forensic audit report by itself cannot be extracted and applied for the purposes of deciding an application under Section 66 in the absence of supporting documents and evidence.
72. The Respondents have also contended that the transaction audit report was not furnished to them and therefore principles of natural justice stand violated. The said objection is liable to be rejected. Firstly, the Respondents have filed counters, written submissions and supporting documents dealing with every allegation raised in the Application. Secondly, the present Application is substantially founded upon the audited and provisional financial statements of the Corporate Debtor and documents which are already on record. Thirdly, no prejudice whatsoever has been demonstrated by the Respondents. In ***Nalinesh Kumar Paurush and Ors. v. Arvind Mittal (RP) and Anr., (2025) ibclaw.in 808 NCLAT***, the Hon'ble NCLAT held that a transactional audit report cannot be treated as a conclusive piece of evidence and that the transactions are required to be examined in the broad spectrum of commercial wisdom.
73. A transaction audit report is merely a tool in the path to establish fraud, which is ultimately required to be independently established on the basis of the facts, circumstances and evidence available on record. In the present case, the transactions forming the subject matter of the application are borne out from the audited financial statements, bank statements, loan sanction documents and other materials placed on record. Significantly, the facts relating to the waiver of lease rentals in

favour of Respondent No.4 and the extension of substantial loans and advances to related parties and directors are reflected in the books of account of the Corporate Debtor and substantially stand admitted by the Respondents, and are thus established.

74. The Respondents have also contended that the claims are barred by limitation since the transactions relate back to the year 2017. We find no merit in the said objection. The present proceedings are not money recovery proceedings. The Applicant seeks directions in respect of continuing fraudulent conduct reflected in the books of the Corporate Debtor and continuing diversion and wrongful retention of assets. The receivables continued to remain outstanding in the books of the Corporate Debtor until commencement of CIRP and liquidation. The cause of action therefore continued to subsist till the initiation of CIRP, and cannot be said to have become time-barred merely because the transactions originated in the year 2017. Accordingly, the objection regarding limitation deserves to be rejected.

**Lease rental waiver and cancellation of lease deeds**

75. The first and most significant issue which arises for consideration is the waiver of lease rentals in favour of Respondent No.4, Meridian Educational Society. In order to appreciate the true nature and effect of the said transaction, it becomes necessary to examine the structure of the financial facility availed by the Corporate Debtor from LIC Housing Finance Limited and the basis upon which the said facility was sanctioned. The material available on record, as discussed in succeeding paragraphs, clearly establishes that the loan transaction was not an ordinary term loan simpliciter, but was specifically structured as a “Rental Securitization”/ “Rental Discounting” facility, wherein the future lease rentals receivable from the schedule properties constituted the primary source and security for repayment of the loan. Thus, the continued receipt of lease rentals was not incidental to the

transaction but constituted the very basis upon which the lender agreed to advance the loan.

76. It is evident from the record that vide sanction letters<sup>1</sup> dated 26.03.2018, LIC Housing Finance Limited sanctioned two separate loan facilities in favour of the Corporate Debtor aggregating to Rs.310 Crores, consisting of loan accounts of Rs.1,45,00,00,000/- and Rs.1,65,00,00,000/- respectively, for a tenure of 180 months under a Rental Securitization Scheme. The sanction letter itself records that the purpose of the facility was “Rental Discounting”, thereby clearly establishing that the repayment capacity of the Corporate Debtor was assessed on the basis of expected rental income from the properties situated at Banjara Hills and Madhapur. Point No.10 of the sanction conditions further provided that the amount of the loan and interest had been arrived at on the basis of disclosures concerning the property and reserved liberty to LIC Housing Finance Limited to reduce or cancel the loan if the assumptions regarding the property and related costs were found incorrect. Similarly, additional conditions to the Sanction Letters in Point No.18 specifically stipulated that the Borrower has to give a declaration stating that the loan amount was to be utilized solely for takeover from Central Bank of India and balance for business needs. Therefore, the sanction documents themselves establish that the loan was sanctioned on the strength of the value and income-generating potential of the mortgaged properties, and the loan amount was to be used for specific purposes.
77. The Loan Agreement for Rent Securitisation<sup>2</sup> placed on record leaves absolutely no manner of doubt that lease rentals payable by Respondent No.4 formed the foundation of the financing arrangement. The agreement specifically provides that: *“The Borrowers agree to repay*

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<sup>1</sup> Page 42 and 53 of the Petition in CP (IB) No. 325/7/HDB/2020

<sup>2</sup> Page 64 (Annexure 3A) of the Petition in CP (IB) No. 325/7/HDB/2020

*the Loan in the following manner: direct deposit of Rental by the Licensee/ Lessee with LICHFL.”<sup>3</sup>*

The said agreement further contemplated assignment of rentals in favour of LIC Housing Finance Limited in accordance with the Tripartite Agreement and stipulated that only in the event rentals became insufficient would repayment be made from other sources.

78. The said agreement further imposed specific obligations upon the Corporate Debtor with regard to the lease arrangements. Article 5 specifically provides that: *“The Borrowers shall utilize the Loan for the legal purpose strictly as stipulated by LICHFL.”*

Further, the agreement specifically records: *“Borrower shall promptly inform LICHFL about any change in Lessee / Licensee in respect of any part or portion of the Property including any changes in terms of tenancy/ licence/ lease.”<sup>4</sup>*

Clause 5.2 under Negative Covenants further stipulates that the borrower shall not: *“Change the existing Licensee's / Lessee's or otherwise part with the possession of the PROPERTY or any part thereof”* without prior written approval of LIC Housing Finance Limited.

Similar stipulations<sup>5</sup> are also found in the Tripartite Agreements executed between the parties. However, in the present case, the Respondents admittedly contend that the lease deeds executed in 2017 were subsequently cancelled through cancellation deeds dated 06.09.2019. There is absolutely no material placed on record to show that any prior written approval of LIC Housing Finance Limited was obtained before effecting such cancellation.

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<sup>3</sup> Page 71 of the Petition in CP (IB) No. 325/7/HDB/2020

<sup>4</sup> Page 80 of the Petition in CP (IB) No. 325/7/HDB/2020

<sup>5</sup> Page 374 of the Petition in CP (IB) No. 325/7/HDB/2020

79. The Escrow Agreement<sup>6</sup> dated 07.06.2018 specifically records that it was a condition of the loan agreements that all rentals receivable from the schedule properties were to be deposited into the escrow account for repayment of the lender's dues. Likewise, the Tripartite Agreement<sup>7</sup> executed between LIC Housing Finance Limited, the Corporate Debtor and Respondent No.4 specifically authorized LIC Housing Finance Limited to directly receive monthly rent from Respondent No.4.
80. Respondent No.4, has sought to contend that none of the executive committee members signed either the loan documentation or any of the ancillary documents and that seal of the school is not present on any of these documents. However, it is observed that, Respondent No.4 had furnished a written undertaking<sup>8</sup> dated 21.03.2018 stating that it would deposit the rent into the escrow account bearing No. 3597905543 maintained with Central Bank of India, which is the very same account number specifically reflected in the Escrow Agreement<sup>9</sup>. Thus, the entire financing structure was fundamentally dependent upon continued receipt of rentals from Respondent No.4 and the said rentals stood contractually assigned in favour of LIC Housing Finance Limited itself.
81. In the present case, the audited financial statements of the Corporate Debtor themselves record that annual lease rentals amounting to Rs.36 Crores for FY 2017-18<sup>10</sup>, Rs.39.69 Crores for FY 2018-19<sup>11</sup> and Rs.41.67 Crores for FY 2019-20<sup>12</sup> were waived off. The waiver of such enormous amounts was not an isolated transaction but a recurring arrangement continuing year after year. The Corporate Debtor, despite being heavily indebted and despite availing financial facilities on the

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<sup>6</sup> Page 359 of the Petition in CP (IB) No. 325/7/HDB/2020

<sup>7</sup> Page 371 of the Petition in CP (IB) No. 325/7/HDB/2020

<sup>8</sup> Page 336 of the Petition in CP (IB) No. 325/7/HDB/2020

<sup>9</sup> Page 361 of the Petition in CP (IB) No. 325/7/HDB/2020

<sup>10</sup> Page 60 of the Application

<sup>11</sup> Page 79 of the Application

<sup>12</sup> Page 105 of the Application

strength of anticipated rental receivables, voluntarily relinquished its primary revenue stream in favour of a related entity. Such conduct, by itself, raises serious doubts regarding the bona fides of the management.

82. The defence sought to be projected by Respondent No.4 is that the waiver was commercially justified because the parties had also entered into an Auxiliary Educational Services Agreement dated 01.04.2017 under which Respondent No.4 allegedly paid substantial amounts towards mess, transport and allied services. We find the said explanation wholly untenable. The alleged Auxiliary Services Agreement is an independent contractual arrangement and cannot extinguish obligations arising under registered lease deeds. No commercial rationale or supporting material has been produced to justify complete waiver of lease rentals running into hundreds of crores. On the contrary, the existence of parallel arrangements only demonstrates the extent of financial intertwining and absence of arm's length dealing between the parties.
83. The Respondents have contended that the waiver occurred prior to sanction of the LIC Housing Finance facility and therefore no fraudulent intent can be attributed. We are unable to agree. Fraudulent intent under Section 66 cannot be examined by isolating individual transactions. This Authority is required to examine the cumulative effect of interconnected transactions and determine whether the overall structure was designed to prejudice creditors. In the present case, the sequence of events assumes significance. The partnership firm was converted into a private limited company, the properties were leased to a related educational society, huge loans were availed under a rental securitization scheme by mortgaging those very properties, rentals were assigned and escrowed in favour of the lender, and thereafter the rentals were waived and the lease deeds were cancelled without approval of the lender. Further, the undertaking dated 21.03.2018

assumes significance, as the same was issued after the alleged waiver of lease rentals and prior to sanction of the loan facility. If, as contended by Respondent No.4, the lease rentals had already been waived, it remains unexplained as to how Respondent No.4 could simultaneously undertake to deposit lease rentals into the escrow account maintained for the benefit of the lender. This contradiction further weakens the defence sought to be raised by Respondent No.4 and supports the case of the Applicant that the overall arrangement was structured in a manner prejudicial to the interests of the creditors of the Corporate Debtor.

84. Respondent No.4 has further relied upon judgments including ***Gluckrich Capital Pvt. Ltd. v. State of West Bengal (Supra)***, and ***Usha Ananthasubramanian v. Union of India (Supra)*** to contend that Section 66 cannot be invoked against third parties. The said judgments are distinguishable on facts. In the present case, Respondent No.4 was not a remote third party but a direct beneficiary of the fraudulent arrangement. This Authority vide its Order dated 12.03.2026 in IA No. 1473 of 2025, has already held that the Respondent No.4 is a related party of the Corporate Debtor. The material on record clearly establishes that the promoters and family members behind the Corporate Debtor and Respondent No.4 are common. More importantly, Respondent No.4 was itself a party in the Tripartite Agreements and the Escrow Agreements forming the basis of the loan transaction, and had given an undertaking to deposit the rent amounts into the Escrow Account. Therefore, Respondent No.4 cannot now portray itself as a complete stranger to the arrangement or as an innocent third party. In this regard, reliance may also be placed on the judgment of the Hon'ble NCLAT in ***Royal India Corporation Ltd. v. Mr. Nandkishor Vishnupant Deshpande (RP) and Ors., (2024) ibclaw.in 304 NCLAT***, wherein the Hon'ble NCLAT, while dealing with a similar contention as to whether proceedings under Section 66 of the IBC, 2016 can be maintained against third parties, observed as follows:

*“10.2. ....As per provisions of sub-section (1), the Adjudicating Authority can pass an order directing “any person”, who was party to carrying on the business of Corporate Debtor in such manner as to defraud creditors of the Corporate Debtor, or for any fraudulent purpose, to make him liable to make such contribution to the assets of the Corporate Debtor as it may deem fit. A plain reading clearly shows that action can be taken against ‘any person’ for recovery of amount involved in the fraudulent transaction.”*

While distinguishing the judgments relied upon by the Appellant therein, the Hon’ble NCLAT observed that where both the entities are under the control of the same person, the beneficiary entity cannot be treated as a third party. It was specifically observed that:

*“10.5. ...In the present case, there is a finding that Manoj Punamia was running several companies in its business of gold refinery. The finding of the Customs Department was that both the Appellant Company (RICL) and Corporate Debtor (RRPL) were being managed by Mr. Manoj Punamia. Mr. Manoj Punamia and his wife were said to be shareholders of the Appellant Company. In these circumstances, the appellant cannot be said to be a third party, as both RICL and RRPL are under the control of same person...”*

85. The lease rental waiver, continued possession of the mortgaged properties and cancellation of the lease deeds were all undertaken for the benefit of Respondent No.4. The ratio laid down in the aforesaid judgment of the Hon’ble NCLAT squarely applies to the facts of the present case, where it already stands established that the Corporate Debtor and Respondent No.4 are related entities under common family control.
86. Another aspect which significantly weighs with this Authority is the complete absence of any convincing explanation from Respondent Nos. 1 to 3 regarding the rationale behind waiver of lease rentals. The only explanation sought to be offered by Respondent No.1 in its counter is that Respondent No.4, through letter dated 03.04.2017, had expressed its inability to pay the agreed lease rentals stating that the lease amounts were beyond its financial competence after computation of

income and expenditure, and had therefore sought waiver of the rentals. It is further stated that the directors of the Corporate Debtor, taking into consideration the interests of the children studying in the school, decided to waive the lease rentals. This explanation does not inspire confidence and cannot justify waiver of receivables running into hundreds of crores belonging to the Corporate Debtor, particularly when the very same rental income formed the basis for availing huge financial facilities. The Corporate Debtor itself was heavily leveraged and under substantial financial obligations towards its lenders. By waiving its principal source of revenue, the Corporate Debtor deprived itself of the very income required for servicing the loan obligations, thereby directly contributing to the loan account becoming irregular and ultimately resulting in its insolvency. No commercial assessment, board approved financial rationale, or approval of the lender has been placed on record to justify such waiver. On the contrary, the transaction documents specifically prohibited alteration of lease arrangements without prior approval of LIC Housing Finance Limited. Despite this, the Respondents admittedly proceeded to cancel the lease deeds in 2019 and continued permitting Respondent No.4 to occupy and commercially exploit the properties without corresponding payment obligations. Such conduct cannot by any stretch be regarded as a bona fide business decision.

87. The Respondents have also attempted to contend that earlier lease deeds of the years 1999 and 2010 continued to subsist and the lease deeds executed in 2017 were subsequently cancelled. We find that the said contention does not materially alter the position. The undisputed fact remains that Respondent No.4 continued to occupy and commercially exploit the properties while the Corporate Debtor received no corresponding rental income, despite it giving an undertaking to pay the lease rent amount into the Escrow Account. These circumstances clearly demonstrate conscious and deliberate acts prejudicial to the

interests of the creditors of the Corporate Debtor and squarely attract Section 66 of the Code.

88. Having held that the waiver of lease rentals and cancellation of the lease deeds were fraudulent and prejudicial to the interests of the creditors of the Corporate Debtor, the next issue which arises for consideration is the quantum of lease rentals payable by Respondent No.4 for the relevant period.
89. At this stage, it also becomes necessary to take note of the proceedings in IA No.643 of 2022 filed by the Liquidator seeking payment of outstanding lease rentals from Respondent No.4. In the said application, this Authority vide Order dated 18.08.2023 directed Respondent No.4 to pay lease rentals in terms specified therein. The said order was carried in appeal before the Hon'ble NCLAT and operation of the same was deferred vide Order dated 05.10.2023 in IA No. 1018 of 2023 in Company Appeal (AT) (CH) (Ins.) 336 of 2023. Thereafter, the Liquidator filed IA No.1127 of 2023 seeking eviction of Respondent No.4 from the subject properties, which came to be allowed vide Order dated 09.08.2024. The said order was also challenged before the Hon'ble NCLAT and the order of eviction was stayed vide Order dated 19.10.2024 in IA No. 1022/2024 in Company Appeal (AT) (CH) (Ins) No. 374/2024.
90. The Hon'ble NCLAT, vide Order dated 19.10.2024 and subsequent clarification vide Order dated 17.06.2025, directed Respondent No.4, as an interim measure, to pay lease rentals in accordance with the Advocate Commissioner's Report with effect from 01.04.2021. It is significant to note that insofar as the period prior to 01.04.2021 is concerned, this Authority in its Order dated 18.08.2023 had specifically observed that the issue relating to waiver of lease rentals for the period upto 31.03.2021 would be decided in the present IA No.788 of 2022. The said period was also not interfered with by the Hon'ble NCLAT in the appellate proceedings.

91. It is further observed that Respondent No.4, in compliance with the interim directions passed by the Hon'ble NCLAT and in accordance with the Advocate Commissioner's Report, had commenced payment of lease rentals for both the properties from April 2021 onwards. The Liquidator has also filed affidavit dated 16.12.2024 acknowledging receipt of lease rentals amounting to Rs.6,65,28,000/- from Respondent No.4 for the period from 01.04.2021 to 30.11.2024.
92. In view of the above, this Authority is presently concerned only with the period during which lease rentals were waived, namely from February 2017, being the date of execution of the Lease Deeds, till March 2021. Though the Liquidator has claimed an amount of Rs.281,67,10,552/- for the period upto May 2022, it is observed that lease rentals from April 2021 onwards have already been paid by Respondent No.4. The quantum of lease rentals payable from April 2021 onwards, and all connected issues relating thereto are already the subject matter of consideration in IA No.643 of 2022. Accordingly, the present Application is confined only to the issue of fraudulently waived lease rentals for the period from February 2017 till March 2021.
93. A perusal of the Lease Deeds<sup>13</sup> dated 15.02.2017 shows that the lease rentals in respect of both the Banjara Hills and Madhapur properties were fixed at Rs.1,50,00,000/- per month till 28.02.2018 and thereafter stood enhanced to Rs.2,20,00,000/- per month with effect from 01.03.2018. The Lease Deeds further provided for annual escalation of 5% in the lease rentals. Accordingly, the rentals have been computed for the period from February 2017 till February 2018 at Rs.1,50,00,000/- per month, from March 2018 till March 2019 at Rs.2,20,00,000/- per month, from April 2019 till March 2020 at the escalated rate of Rs.2,31,00,000/- per month, and from April 2020 till March 2021 at the further escalated rate of Rs.2,42,55,000/- per month. Accordingly, the aggregate lease rental payable by Respondent

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<sup>13</sup> Page 110 and 120 of the Application

No.4 in respect of both the Banjara Hills and Madhapur properties for the period from February 2017 till March 2021 is Rs.209,85,20,000/-, computed as follows:

<b>Period</b>	<b>Total Rent for Both Properties</b>
Feb 2017 – Feb 2018 (13 Months)	Rs.39,00,00,000/-
Mar 2018 – Mar 2019 (13 Months)	Rs.57,20,00,000/-
Apr 2019 – Mar 2020 (12 Months)	Rs.55,44,00,000/-
Apr 2020 – Mar 2021 (12 Months)	Rs.58,21,20,000/-
<b>TOTAL</b>	<b>Rs.209,85,20,000/-</b>

**Loans and advances to related parties and directors**

94. The next category of transactions pertains to loans and advances reflected in the books of the Corporate Debtor in favour of related parties, directors and promoter-controlled entities. The provisional balance sheet for FY 2020-21<sup>14</sup> records outstanding loans and advances of approximately Rs.99.66 Crores to related entities and Rs.175.77 Crores to directors and relatives. The details of the said amounts, as reflected in the balance sheet of the Corporate Debtor, are reproduced hereunder:

<b>S.No.</b>	<b>Particulars</b>	<b>Amount (Rs. in Crores)</b>
1	Butta Automotives Private Limited (Respondent No.5)	8.08
2	Butta Convention Services Private Limited (Respondent No.6)	9.11

<sup>14</sup> Page 108 of the Application

3	Butta Hospitalities Private Limited (Respondent No.7)	37.77
4	Meridian Edutech Solutions Private Limited (Respondent No.8)	15.53
5	Tejaswi Jewellers Private Limited (Respondent No.9)	6.31
6	Tejaswi Motors Private Limited (Respondent No.10)	22.86
<b>Total</b>		<b>99.66</b>

<b>S.No.</b>	<b>Particulars</b>	<b>Amount (Rs. in Crores)</b>
1	B Renuka (Respondent No.3)	20.68
2	B Neelakanta (Respondent No.1)	154.31
3	B Tejaswi (Respondent No.11)	0.13
4	Pratul Butta (Respondent No.12)	0.65
<b>Total</b>		<b>175.77</b>

95. The Applicant has also placed on record material demonstrating that the entities receiving such financial accommodation shared common directors, common addresses and common management with the Corporate Debtor<sup>15</sup>. The Respondents have also not denied the interconnected nature of the entities.

96. The primary defence of the Respondents is that the amounts reflected in the books are merely “book entries” or accounting adjustments arising out of refinancing of old liabilities by Central Bank of India and LIC Housing Finance Limited and therefore no actual diversion of funds took place. According to the Respondents, the Corporate Debtor merely refinanced earlier liabilities of group entities and promoters and

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<sup>15</sup> Page 214 to 222 of the Application

simultaneously obtained the benefit of collateral securities which were thereafter mortgaged in favour of the Financial Creditor.

97. However, upon a careful consideration of the counters filed by the Respondents themselves, it becomes evident that the core allegations of the Applicant substantially stand admitted. Respondent No.1 has specifically admitted in its counter that *“the Central Bank of India sanctioned Rs.260 crores on 13.02.2017 and the amount released was used to close the loans of the group companies, along with loans of the 1st and 3rd respondent.”* Respondent No.1 thereafter furnished a detailed breakup showing transfer of the said loan amounts to Butta Convention Services Pvt. Ltd., Butta Hospitalities Pvt. Ltd., Meridian Edutech Solutions Pvt. Ltd., Tejaswi Motors Pvt. Ltd., the overdraft account of Respondent No.1, Respondent No.3, and the term loan accounts of Respondent Nos.1 and 3 with Central Bank of India. Respondent No.1 has further admitted that from the subsequent loan facility of Rs.310 Crores sanctioned by the Financial Creditor, substantial amounts were utilised for closure of the earlier loans of Central Bank of India and APSFC. It is observed from the loan account details placed on record<sup>16</sup> that out of the said Rs.310 Crores facility, an amount of Rs.275,29,95,000/- was directly disbursed to Central Bank of India on 28.03.2018 through the two loan accounts, an amount of Rs.22,10,72,000/- was disbursed towards APSFC liabilities, and only an amount of Rs.12,59,33,000/- was transferred to the Corporate Debtor.
98. Respondent No.1 has further admitted that the amounts disbursed from the Rs.310 Crores facility were utilised towards APSFC liabilities of Butta Hospitalities Pvt. Ltd., Meridian Edutech Solutions Pvt. Ltd., Tejaswi Jewellers Pvt. Ltd., Tejaswi Motors Pvt. Ltd., Butta Automotive Pvt. Ltd., Prathul Automobiles Pvt. Ltd., Vaishnavi Jewellers, the

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<sup>16</sup> Page 337 and 338 of the Petition in CP (IB) No. 325/7/HDB/2020

overdraft account of Respondent No.1 and Respondent No.3. Thus, what clearly emerges from the admissions of Respondent No.1 is that the Corporate Debtor borrowed huge amounts in its own name and assumed substantial financial liabilities, while the major portion of such borrowings was admittedly utilised for closure of liabilities of group companies, related entities and personal loan accounts of Respondent Nos.1 and 3. No material has been placed on record to demonstrate any corresponding commercial benefit accruing to the Corporate Debtor.

99. The counters filed by the other Respondents further corroborate the said position. Respondent No.3 has admitted that the amount of Rs.20.68 Crores claimed by the Liquidator pertains to loans availed from Central Bank of India and Lakshmi Vilas Bank, which according to Respondent No.3 stood discharged out of the Rs.260 Crores loan sanctioned to the Corporate Debtor<sup>17</sup>. Respondent Nos.6, 7, 8 and 10 have also specifically admitted that they had independently availed loans from financial institutions and that such liabilities were subsequently cleared from the Rs.260 Crores loan sanctioned to the Corporate Debtor<sup>18</sup>. Respondent No.6 admitted that it had availed a loan of Rs.15 Crores from Central Bank of India; Respondent No.7 admitted availing a loan of Rs.39.50 Crores from Central Bank of India; Respondent No.8 admitted availing a loan of Rs.11 Crores from L&T Finance; and Respondent No.10 admitted availing a loan of Rs.33.19 Crores from Central Bank of India. All these Respondents have categorically admitted that their liabilities were discharged from the loan amounts sanctioned in favour of the Corporate Debtor. Respondent Nos.5, 9, 11 and 12, despite opportunities, have not filed any counter denying the allegations.

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<sup>17</sup> Paragraph 7 of Counter filed by Respondent No.3

<sup>18</sup> Paragraphs 1 and 2 of the Counters filed by Respondents No.6, 7, 8 and 10.

100. Significantly, none of the Respondents have denied the exact amounts claimed by the Applicant in the present proceedings. On the contrary, the amounts admitted by the Respondents themselves as having been discharged from the borrowings of the Corporate Debtor are more than the amounts claimed by the Applicant. Though Respondent No.8 contended that it had availed only a loan of Rs.11 Crores from L&T Finance while the Applicant has claimed an amount of Rs.15.53 Crores against it, Respondent No.8 has nowhere denied the correctness of the amount reflected in the books of the Corporate Debtor. In fact, Respondent No.8 itself contended that the Liquidator “cannot again claim” the said amount despite the liability having already been discharged. No material whatsoever has been placed on record by Respondent No.8 to establish that only Rs.11 Crores stood transferred or adjusted from the borrowings of the Corporate Debtor. In the absence of any contrary documentary material and in view of the financial statements relied upon by the Applicant, this Authority finds no reason to discard the figures reflected in the books of the Corporate Debtor.
101. The audited financial statements of the Corporate Debtor specifically disclose huge receivables from related parties and directors. The financial statements for FY 2017-18 disclose loans and advances to related parties<sup>19</sup> amounting to Rs. 1,05,83,86,016/- and loans to directors<sup>20</sup> amounting to Rs. 1,25,01,25,923/-. The same financial statements further record that no interest amounting to approximately Rs. 11.90 Crores was recognised on such loans<sup>21</sup>. The financial statements were signed and approved by the directors and formed part of the statutory records of the Corporate Debtor.
102. The Respondents cannot now be permitted to contend that the very entries reflected in the audited balance sheets are merely accounting

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<sup>19</sup> Page 63 of the Application

<sup>20</sup> Page 64 of the Application

<sup>21</sup> Page 59 of the Application

entries. If the Respondents' contention is accepted, the inevitable consequence would be that false and misleading financial statements were knowingly presented before statutory authorities, auditors, and creditors. Section 129 of the Companies Act, 2013 mandates that financial statements shall give a true and fair view of the affairs of the company. Further, Section 134 casts responsibility upon the directors regarding correctness and integrity of financial statements. The Respondents cannot approbate and reprobate by representing the transactions as legitimate receivables before lenders and statutory authorities while simultaneously contending before this Authority that they were merely accounting adjustments. Either the loans reflected in the books were genuine and recoverable receivables or the books of account themselves were manipulated to camouflage the real nature of the transactions. In either eventuality, the conduct of the Respondents is not bona fide.

103. The Corporate Debtor was admittedly engaged in the business of real estate. However, there is no material demonstrating that the huge borrowings raised in its name were utilised towards development activities, acquisition of revenue generating assets or any legitimate business activity of the Corporate Debtor itself. On the contrary, the record, as presented by the Respondents, clearly demonstrates that the Corporate Debtor was used as a financial conduit for repayment of liabilities of promoter-controlled entities and personal liabilities of the promoters themselves.
104. The Respondents have attempted to justify the transactions by contending that the Corporate Debtor obtained the benefit of collateral securities and that the lenders were fully aware of the refinancing structure. However, mere existence of collateral securities cannot automatically legitimise utilisation of the Corporate Debtor's borrowings for extinguishing liabilities of promoters and related entities. Except making bald assertions regarding transfer of collateral

securities, no material has been placed on record showing any independent valuation of such collateral securities, any commercial assessment, or any material demonstrating corresponding benefit to the Corporate Debtor. More importantly, even assuming that the lenders were aware of the refinancing structure, the same does not absolve the promoters and directors from their fiduciary obligations towards the Corporate Debtor. Directors are duty-bound to ensure that corporate borrowings are utilised in a manner beneficial to the Corporate Debtor and not in a manner prejudicial to creditors.

105. Another significant aspect which cannot be ignored is that the amounts and breakups furnished by Respondent No.1 are themselves jumbled up and unsupported by proper records showing exact transfers to the various parties. However, despite such inconsistencies, the names of the entities and individuals admitted by Respondent No.1 as beneficiaries of the Rs.260 Crores and Rs.310 Crores borrowings substantially correspond with the very same entities and individuals against whom the Applicant seeks relief in the present Application, namely Respondent Nos.1, 3, 5 to 12. Thus, even if this Authority does not proceed solely on the basis of the figures loosely furnished by Respondent No.1, the admissions contained in the counter clearly corroborate the core case of the Applicant that the borrowings of the Corporate Debtor were utilised for repayment of liabilities of promoter-controlled and related entities. It is well settled that admissions constitute substantive evidence against the maker unless satisfactorily explained. Reliance in this regard may be placed on the judgment of the Hon'ble Supreme Court in ***Nagindas Ramdas v. Dalpatram Ichharam, (1974) 1 SCC 242***, wherein it was observed that admissions, if true and clear, are by far the best proof of the facts admitted.
106. The material on record further demonstrates that huge sums were advanced to related parties and directors without charging interest. No

satisfactory explanation has been offered by the Respondents as to how advancing huge interest-free loans to related entities and directors was in the commercial interest of the Corporate Debtor. Section 186(7) of the Companies Act mandates that loans shall not be granted at rates lower than the prevailing yield of one year, three year, five year or ten year Government Security closest to the tenor of the loan. Likewise, Section 185 imposes restrictions on companies from directly or indirectly advancing loans to directors, their relatives, partners, or firms in which such persons are partners, except in compliance with the conditions, including approval by special resolution and utilisation of the loan for principal business activities.

107. The cumulative effect of the transactions clearly shows that the financial resources and borrowing capacity of the Corporate Debtor were systematically utilised for the benefit of related entities and promoter-controlled concerns without any adequate commercial consideration or corresponding benefit to the Corporate Debtor. Such conduct cannot be brushed aside when the overall pattern of transactions reveals conscious diversion of resources of the Corporate Debtor and complete disregard for the interests of its creditors. The said transactions clearly disclose that the business and affairs of the Corporate Debtor were carried on in a manner prejudicial to the interests of its creditors and squarely fall within the ambit of fraudulent conduct contemplated under Section 66 of the Code.

**Withdrawal of Rs.1.20 Crores after commencement of CIRP**

108. Another serious allegation pertains to withdrawal of Rs.1.20 Crores from the bank account of the Corporate Debtor immediately after commencement of CIRP. The bank statement<sup>22</sup> of the Corporate Debtor, placed on record clearly establishes that on 03.03.2021, i.e., after admission of the Section 7 petition on 01.03.2021, an amount of

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<sup>22</sup> Page 230 of the Application

Rs.1.20 Crores was withdrawn from the account of the Corporate Debtor leaving a balance of merely Rs.5,510.02/-. The Respondents have attempted to explain the same by contending that the amount of Rs.1,20,00,000/- was not withdrawn by Respondent Nos. 1 to 3 personally nor transferred to their personal accounts. According to them, the said amount was transferred to Respondent No. 4, Meridian Educational Society, towards part payment of dues arising out of the slump sale agreement. It is further contended that the accounts department, being unaware of commencement of CIRP, transferred the amount in the ordinary course of business and that the directors received intimation regarding commencement of CIRP only on 06.03.2021, after which operations of the Corporate Debtor were stopped and records were handed over to the Resolution Professional.

109. We find the said explanation wholly unacceptable. The Corporate Debtor was represented before this Tribunal in the Section 7 proceedings and the management was fully aware of the pendency and eventual admission of the petition. A perusal of the CIRP admission order dated 01.03.2021 clearly shows that the Learned Counsel appearing for the Corporate Debtor was present before this Adjudicating Authority. Therefore, Respondent Nos. 1 to 3 cannot now take the stand that they were unaware of commencement of CIRP on 01.03.2021.
110. Upon admission of the petition under Section 7 of the Code, moratorium under Section 14 came into effect, whereby the assets and bank accounts of the Corporate Debtor were required to be preserved and the management of the affairs of the Corporate Debtor stood vested with the Interim Resolution Professional. Once moratorium commenced, the erstwhile management should not have continued to operate the bank accounts of the Corporate Debtor or deal with its funds in the ordinary course without the knowledge and approval of the Interim Resolution Professional.

111. The timing of the transaction also assumes significance. Almost the entire amount standing to the credit of the Corporate Debtor was transferred immediately after initiation of CIRP, leaving only a negligible balance in the account. It is also relevant to note that the amount of Rs. 1,20,00,000/- was transferred to Respondent No. 4, namely Meridian Educational Society, which is itself a related entity and a beneficiary of the other impugned transactions forming subject matter of the present proceedings. Thus, even though the Respondents contend that the amount was not transferred into their personal accounts, the fact remains that the funds of the Corporate Debtor were depleted after commencement of CIRP and transferred to a related entity without authority of the Interim Resolution Professional.
112. Accordingly, this Tribunal is of the view that the transfer of Rs.1,20,00,000/- after commencement of CIRP was improper and contrary to the scheme of the Code. The said transaction therefore forms part of the overall pattern of conduct demonstrating disregard for the interests of the creditors and depletion of the assets of the Corporate Debtor.

**Conclusion**

113. From the foregoing discussion and analysis, it clearly emerges that the affairs of the Corporate Debtor were conducted with an intent to defraud creditors and siphon away the assets and revenue streams of the Corporate Debtor. The material placed on record demonstrates a continuous pattern of related party transactions, diversion of borrowed funds, waiver of substantial rental receivables forming the very basis of the rental securitization facility, advancement of huge interest-free loans to promoter-controlled, related entities and directors, and withdrawal of funds of the Corporate Debtor immediately after commencement of CIRP.

114. The conduct of Respondent Nos. 1 to 3 clearly demonstrates that the Corporate Debtor was utilised as a vehicle for routing funds and servicing liabilities of related entities and promoters, while the Corporate Debtor itself was deprived of legitimate revenue streams and burdened with massive liabilities. Respondent Nos. 5 to 12, being promoter-controlled and related entities, which received substantial financial accommodation from the Corporate Debtor, were direct beneficiaries of the impugned transactions. The manner in which the Corporate Debtor's funds and borrowings were utilised for the benefit of these entities clearly forms part of the overall fraudulent arrangement carried out at the expense of the creditors of the Corporate Debtor.
115. This Authority also observes that Respondent No.4 was not a mere third party or passive beneficiary, but was a direct beneficiary and participant in the impugned arrangement. The waiver of lease rentals, continued occupation and commercial use of the mortgaged properties, clearly demonstrate the involvement of Respondent No.4 in the overall structure.
116. The transactions in question cannot be viewed in isolation. When examined cumulatively, they reveal a deliberate and systematic arrangement whereby the assets, borrowings and revenue streams of the Corporate Debtor were utilised predominantly for the benefit of related entities and promoters to the detriment of the creditors of the Corporate Debtor. Such conduct squarely attracts the provisions of Section 66 of the Insolvency and Bankruptcy Code, 2016 and warrants appropriate directions for contribution to the assets of the Corporate Debtor.

Accordingly, the following directions are issued:

- i. Respondent No. 4, is directed to contribute to the assets of the Corporate Debtor an amount of Rs.209,85,20,000/- (Rupees Two Hundred Nine Crores Eighty-Five Lakhs Twenty Thousand only)

towards the fraudulently waived lease rentals relating to the properties situated at Banjara Hills and Madhapur, together with interest @18% per annum calculated from the respective due dates of the lease rentals in terms of the lease deeds till the date of realization, within a period of 30 days from the date of this Order.

- ii. Respondents No. 1, 3, 11 and 12 are directed to repay the amounts outstanding against them towards loans and advances reflected in the books of the Corporate Debtor, together with interest @18% per annum calculated from the respective dates of disbursement of such amounts by the Corporate Debtor till the date of realization, within a period of 30 days from the date of this Order, as detailed below:

<b>S.No.</b>	<b>Particulars</b>	<b>Amount (Rs. in Crores)</b>
1	Siva Neelakanta Butta (Respondent No.1)	154.31
2	Butta Renuka (Respondent No.3)	20.68
3	Butta Tejaswi (Respondent No.11)	0.13
4	Praful Butta (Respondent No.12)	0.65
<b>Total</b>		<b>175.77</b>

- iii. Respondents No. 5 to 10 are directed to repay the amounts outstanding against them towards loans and advances received from the Corporate Debtor, along with interest @18% per annum calculated from the respective dates of disbursement of such amounts by the Corporate Debtor till the date of realization, within a period of 30 days from the date of this Order, as detailed below:

<b>S.No.</b>	<b>Particulars</b>	<b>Amount (Rs. in Crores)</b>
1	Butta Automotives Private Limited (Respondent No.5)	8.08

2	Butta Convention Services Private Limited (Respondent No.6)	9.11
3	Butta Hospitalities Private Limited (Respondent No.7)	37.77
4	Meridian Edutech Solutions Private Limited (Respondent No.8)	15.53
5	Tejaswi Jewellers Private Limited (Respondent No.9)	6.31
6	Tejaswi Motors Private Limited (Respondent No.10)	22.86
<b>Total</b>		<b>99.66</b>

- iv. Respondents No. 1 to 3 are jointly and severally directed to pay an amount of Rs.1,20,00,000/- (Rupees One Crore Twenty Lakhs only), being the amount transferred from the bank account of the Corporate Debtor after commencement of CIRP, together with interest @18% per annum from 03.03.2021 till the date of realization, within 30 days from the date of this Order.
- v. In view of the nature and extent of the transactions brought on record, this Authority is of the considered view that the present case is a fit case for directing investigation under Section 213 of the Companies Act, 2013 into the affairs of the Corporate Debtor and the transactions entered into with related parties. Accordingly, the Central Government is directed to appoint inspectors under Section 213 of the Companies Act, 2013 to investigate into the affairs of the Corporate Debtor and take appropriate actions.

**Sd/-**

**SANJAY PURI  
MEMBER (TECHNICAL)**

**Sd/-**

**RAJEEV BHARDWAJ  
MEMBER (JUDICIAL)**