S.No.03

IN THE NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH – II
VC AND PHYSICAL (HYBRID) MODE
ATTENDANCE CUM ORDER SHEET OF THE HEARING HELD ON
20.08.2026 AT 10:30 A.M.

IA 631/2024 in
Company Petition IB/252/9/HDB/2021
U/S 9 of IBC

IN THE MATTER OF:
Steel Exchange India Ltd **…Petitioner/s**

Vs
Sai Bhaskar Irons Ltd **…Respondent**/s

CORAM:-
SHRI. RAJEEV BHARDWAJ, HON'BLE MEMBER (JUDICIAL)
SHRI. SANJAY PURI, HON'BLE MEMBER (TECHNICAL)

O R D E R

IA 631/2024

Present: Mr. Amir Bavani & Mr. Naresh Kumar Sangam, Ld. Counsels for the Respondent.

Orders pronounced, recorded vide separate sheets.

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

Sd/-	Sd/-
MEMBER(T)	**MEMBER(J)**

IN THE NATIONAL COMPANY LAW TRIBUNAL

HYDERABAD BENCH, COURT-II

I.A No. 631 of 2024

IN

C.P (IB) No.252/9/HDB/2021

[Under Section 43 of Insolvency and Bankruptcy Code, 2016, r/w Rule 11 of National Company Law Tribunal Rules, 2016]

IN THE MATTER OF M/s. STEEL EXCHANGE INDIA LTD. vs. M/s. SAI BHASKAR IRONS LTD.

Between:

Dr.KondapalliVenkat Srinivas,

Liquidator, M/s. Saibhaskar Irons Limited,

402, 4th Floor, 6-3-249/6,

Alcazar Plaza & Towers, Banjara Hills,

Hyderabad, Telangana 500034

...Applicant

AND

1. **Mr. Chaitanya Madala**
   Suspended Director, Saibhaskar Irons Limited,
   D.No.3-1-3 and 3A, 3rd Line, Rajendra Nagar, Guntur
   AP-522006.

....Respondent No. 1

2. **Mr. RatnagiriBabuMadala,**
   Suspended Director, Saibhaskar Irons Limited,
   D.No.3-1-3 and 3A, 3rd Line,
   Rajendra Nagar, Guntur, AP-522006

....Respondent No. 2

Date of Order: 20.08.2026

Coram:

Hon'ble Shri Rajeev Bhardwaj, Member (Judicial)

Hon'ble Shri Sanjay Puri, Member (Technical)

Counsels Present

For Applicant : Mr. M. Maharhi Viswaraj, Ld. Counsel &Dr. KV Srinivas, Liquidator

For Respondent No. 1 & 2: Mr. Amir Bavani and Mr. Naresh Kumar Sangam, Ld. Counsels

1. The present Application is filed under Section 43 r/w Rule 11 of NCLT Rules, 2016 by Mr. KondapalliVenkat Srinivas, Liquidator seeking the following relief:

   a. Order the Respondent No. 2 to forthwith return an amount of Rs. 3,56,10,000/- (Rupees Three Crore Fifty Six Lakhs Ten Thousand Only) withdrawn by him from the account of the Corporate Debtor to his personal account thereby attracting the provisions of Section 43 of IBC, 2016 together with interest @ 18% p.a. till repayment in accordance with the provisions of Section 44 of IBC, 2016

2. In the present Application all the allegations are levelled against the Respondent No. 1 (Mr. Chaitanya Madala), however, the relief was sought against the Respondent No. 2. Also, the Applicant filed an Amended Memo of parties on 27.05.2024, wherein Mr. Chaitanya Madala was mentioned as Respondent No. 2 but in another memo of parties filed on 28.05.2025, Mr. Chaintanya Madala was again mentioned as Respondent No. 1. Thus, in view of the above, the present Application is being considered against Respondent No. 1 (Mr. Chaitanya Madala).

Application

3. It is submitted that M/s. Steel Exchange India Limited initiated proceedings under Section 9 of the Insolvency and Bankruptcy Code, 2016 against M/s. Sai Bhaskar Irons Limited (**Corporate Debtor/CD**). Pursuant thereto, the Corporate Debtor was admitted into the Corporate Insolvency Resolution Process (CIRP) vide order dated 24.04.2023. An Interim Resolution Professional (**IRP**) was appointed, who was subsequently confirmed as the Resolution Professional (**RP**) in the first meeting of the Committee of Creditors (**CoC**).

4. It is submitted that Mr. Chaitanya Madala and Mr. Ratnagiri Babu Madala, Respondent Nos. 1 and 2 respectively, are the suspended Directors of the Corporate Debtor and constitute related parties within the meaning of Section 5(24) of the IBC. Since the Insolvency Commencement Date is 24.04.2023, the relevant look-back period prescribed under Section 43 of the IBC for identifying preferential transactions extends to two years preceding the commencement of the CIRP.

5. It is submitted that the Respondents have been selective in extending their cooperation to the Applicant/Liquidator in the discharge of his duties in accordance with the provisions of the IBC. Upon examination of the books of account, it was observed that Respondent No. 2 had withdrawn substantial amounts which attract the provisions of Section 43 of the IBC. The amounts withdrawn by Respondent No. 2 during the look-back period preceding the commencement of CIRP are:

Date	VNo	Particulars	Amount (Rs)
20-04-2023	BP-24	The Karur Vysya Bank Ltd	5,00,000
11-04-2023	BP-22	The Karur Vysya Bank Ltd	1,00,000
11-04-2023	BP-19	The Karur Vysya Bank Ltd	9,00,000
06-04-2023	BP-17	The Karur Vysya Bank Ltd	30,00,000
06-03-2023	BP-14	The Karur Vysya Bank Ltd	12,00,000
17-11-2021	BP-86	The Karur Vysya Bank Ltd	30,00,000
30-10-2021	BP-80	The Karur Vysya Bank Ltd	30,00,000
16-09-2021	BP-76	The Karur Vysya Bank Ltd	10,00,000
21-08-2021	BP-67	The Karur Vysya Bank Ltd	12,00,000
19-08-2021	BP-65	The Karur Vysya Bank Ltd	5,00,000
19-08-2021	BP-64	The Karur Vysya Bank Ltd	20,00,000
13-08-2021	BP-61	The Karur Vysya Bank Ltd	5,00,000
09-08-2021	BP-59	The Karur Vysya Bank Ltd	5,00,000
30-07-2021	BP-50	The Karur Vysya Bank Ltd	9,00,000
29-07-2021	BP-47	The Karur Vysya Bank Ltd	10,00,000
15-07-2021	BP-41	The Karur Vysya Bank Ltd	5,00,000
13-07-2021	BP-37	The Karur Vysya Bank Ltd	5,00,000
13-07-2021	BP-35	The Karur Vysya Bank Ltd	10,00,000
14-06-2021	BP-31	The Karur Vysya Bank Ltd	20,00,000
		Total	2,33,00,000

6. Also, the amounts withdrawn after commencement of CIRP are as follows:

Date	Particulars	Amount (Rs)
25-04-2023	The Karur Vysya Bank Ltd	15,00,000
25-04-2023	The Karur Vysya Bank Ltd	25,00,000
26-04-2023	The Karur Vysya Bank Ltd	30,00,000
28-04-2023	The Karur Vysya Bank Ltd	33,10,000
	Total	1,03,10,000

7. The cumulative amount of the transfers is stated to be Rs. 3,36,10,000. The Respondents failed to provide a plausible explanation for the said transfer. The Transaction Auditors, in their report dated 09.12.2023,

also identified the aforesaid transactions as attracting the provisions of Section 43 of the IBC, 2016.

8. It is submitted that the Applicant sought an explanation from the Respondents regarding the aforesaid transactions. In response, the Respondents stated that the transactions were undertaken for servicing loans obtained by them and that the funds were utilised for the purposes of the Company. It is submitted that the explanation furnished by the Respondents is contradictory and devoid of logic, and fails to explain why the loans were not obtained by the CD itself and were instead obtained by the Respondents and utilised for the purposes of the Company.

9. It is further submitted that the Respondents own and possess Ac. 19.48 Gts. of land registered in their names, which was leased to the Corporate Debtor and upon which the buildings, plant and machinery of the Corporate Debtor were constructed and installed. The said land is liable to be utilised towards discharging the liability of the Respondents under Section 44 of the IBC, 2016.

10. Thus, it is submitted that the Corporate Debtor was subjected to transactions attracting the provisions of Section 43 of the IBC, 2016 during the relevant look-back period.

Counter

11. The Counter filed by the Respondent No. 1 was adopted by Respondent No. 2 vide memo dated 27.06.2024.

12. It is submitted that the allegations raised by the Applicant are spurious and frivolous. The present Application has been filed mechanically and

without due application of mind. It is further submitted that the Respondents have provided all information in their possession to the Applicant.

13. It is submitted that, in the Board Meeting held on 16.01.2014, it was decided that the funds would be arranged by the Directors of the CD. Accordingly, the CD entered into an agreement dated 20.01.2014 for availing unsecured loans. The Respondents and their associates brought in an amount of Rs. 62,04,00,480/- up to the commencement of CIRP. Further, Respondent No. 1 alone brought in an amount of Rs. 44,77,97,624.50/- since 14.07.2014, and even as on date, an amount of Rs. 37,86,60,333/- remains due and payable by the Corporate Debtor to him.

14. It is submitted that the amounts brought by the Respondents and their associates were used for the purpose of the repayment of the loans to the bank while most of the amounts were directly paid by the Respondents to the Banks on behalf of CD and necessary accounting entries in the CD's books were made. Thus, the repayment was made in preference to others is denied as false.

15. It is submitted that Section 43 of the IBC, 2016 applies only where the payment places the creditor in a more beneficial position than that which the creditor would have occupied in the event of distribution of assets in accordance with Section 53 of the IBC, 2016. In the present case, there are only operational creditors and, therefore, the amounts payable to the Respondents would have priority under Section 53 of the IBC, 2016.

16. It is further submitted that the Respondents furnished all correspondence, records and minutes on 01.11.2022, including the

minutes of the Board Meeting held on 01.11.2022, which were suppressed by the Applicant.

17. Itis further submitted that the Corporate Debtor entered into an Agreement for Sale of Land with Mr. Gattupalli Ramanjaneyulu on 19.04.2023, pursuant to which an amount of Rs. 1,08,10,000/- was paid to the Corporate Debtor. Upon commencement of CIRP vide order dated 24.04.2023, the said agreement was cancelled. Thereafter, the Respondents withdrew an amount of Rs. 93,10,000/- for refunding the same to Mr. Gattupalli Ramanjaneyulu, while the remaining balance of Rs. 63,85,960/- was treated as a loan by the Respondents.

18. It is averred that the amount of Rs. 1,08,10,000/- did not belong to the CD and constituted a third-party estate. It is further submitted that the Applicant withheld and illegally appropriated an amount of Rs. 15,00,000/-, despite the same forming part of the third-party estate. The said fact was brought to the notice of the Applicant vide email dated 12.12.2023, but was suppressed by the Applicant with a view to misleading this Authority.

19. It is submitted that the present Application is barred by limitation in view of Regulation 35A of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, which mandates that the Resolution Professional shall form an opinion, within seventy-five days from the Insolvency Commencement Date, regarding the existence of transactions falling under Sections 43, 45, 50 or 66 of the IBC. According to the Respondents, such opinion ought to have been formed on or before 08.07.2023, being the seventy-fifth day from the Insolvency Commencement Date, i.e., 24.04.2023.

20. It is further submitted that the determination contemplated under Regulation 35A was required to be completed within one hundred and fifteen days from the Insolvency Commencement Date, i.e., on or before 07.08.2023. However, the present Application came to be filed only on 05.04.2024, well beyond the timelines prescribed under the Regulations and without any application seeking condonation of delay. Thus, the present Application is liable to be dismissed.

Rejoinder

21. It is submitted that the core allegation is that Respondent No. 2 illegally withdrew a cumulative amount of Rs. 3,36,10,000/-, comprising Rs. 2,33,00,000/- withdrawn during the look-back period, i.e., from 24.04.2021 to 24.04.2023, and Rs. 1,03,10,000/- withdrawn after commencement of CIRP, from the Corporate Debtor's account maintained with Karur Vysya Bank through cheques and vouchers, thereby constituting preferential transactions.

22. It is submitted that the Applicant issued a show-cause notice to Respondent No. 2 setting out the withdrawals and calling upon him to furnish an explanation. However, Respondent No. 2 stated that the withdrawals were made for the purposes of servicing loans and meeting business requirements, without furnishing any documentary corroboration. It is further submitted that the withdrawals were made to the personal account of Respondent No. 2.

23. It is submitted that the infusion of funds by Respondent No. 2 and the withdrawals made by him are categorically distinct transactions in terms of their timing, purpose and impact upon the creditors. Further, even assuming that Respondent No. 2 had brought in Rs. 100 crores, the withdrawal of Rs. 2,33,00,000/- immediately preceding the commencement of CIRP would nevertheless constitute a preferential

transaction within the relevant look-back period, as it represents a transfer of the property of the Corporate Debtor to a related party, namely Respondent No. 2, within two years preceding the commencement of CIRP, thereby conferring an undue advantage upon a Director over the other creditors and not being in the ordinary course of business.

24. It is averred that the alleged loans were never formalised through loan agreements specifying the principal amount, rate of interest, repayment schedule or security. Further, informal adjustment entries in the books of the Corporate Debtor cannot, by themselves, constitute evidence of actual loans under the Companies Act or the Banking Regulation Act.

25. It is submitted that the alleged outstanding amount of Rs. 37.86 crores payable to Respondent No. 2 is precisely the basis on which Respondent No. 2 claims to be a creditor of the Corporate Debtor and cannot constitute a justification for the withdrawals made during the relevant look-back period. Further, if the impugned withdrawals constitute avoidable preferential transactions, the same are liable to be recovered from Respondent No. 2 and credited to the liquidation estate.

26. Itis further submitted that the withdrawals made by Respondent No. 2 after commencement of CIRP strengthen the pattern of unauthorised depletion of the assets of the Corporate Debtor and constitute a violation of Section 14(1)(h) of the IBC. Accordingly, the Applicant respectfully prays that this Authority may allow the present Application.

Findings

27. In the present Application, the relief has been sought against Respondent No. 2, however, the alleged withdrawals were made by

Respondent No. 1, Mr. Chaitanya Madala. Further, upon perusal of the Amended Memo of Parties filed on 27.05.2024, it is observed that Mr. Chaitanya Madala was mentioned as Respondent No. 2, whereas, in the subsequent Memo of Parties filed on 28.05.2025, he was again mentioned as Respondent No. 1. In view of the aforesaid discrepancy in the description of the Respondents, and since the alleged withdrawals are attributed to Mr. Chaitanya Madala, the present Application is considered against Respondent No. 1, Mr. Chaitanya Madala.

28. At the outset, this Authority deems it appropriate to address the preliminary objection raised by the Respondents regarding the maintainability of the present Application on the ground of non-compliance with the timelines prescribed under Regulation 35A of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016.

29. Regulation 35A prescribes timelines for the Resolution Professional to form an opinion, make a determination, and file an application before the Adjudicating Authority with respect to avoidance transactions. However, the Hon'ble National Company Law Appellate Tribunal in ***Prasant Chandra Rath&Ors. v. Surya KantaSatapathy (RP) &Ors. (2022) ibclaw.in 789 NCLAT*** has categorically held that the timelines prescribed under Regulation 35A are directory and not mandatory, and that non-compliance with the said timelines would not render an avoidance application non maintainable. In view of the aforesaid settled position of law, the objection raised by the Respondents on the ground of limitation or delay in filing the present Application is rejected.

30. The principal issue that arises for consideration is whether the impugned transactions satisfy the statutory requirements of a

preferential transaction under Section 43 of the Insolvency and Bankruptcy Code, 2016.

31. Section 43 contemplates that a transaction shall be treated as preferential if the Corporate Debtor has transferred its property or interest therein, for the benefit of a creditor, surety or guarantor, in respect of an antecedent debt or liability, within the prescribed look back period, and such transfer has the effect of placing thebeneficiary in a more beneficial position than it would have occupied in the event of liquidation under Section 53 of the Code, provided such transaction is not protected as one made in the ordinary course of business.

32. The Hon'ble Supreme Court in ***Anuj Jain, IRP for JaypeeInfratech Ltd. v. Axis Bank Ltd. (2020) 8 SCC 401*** has authoritatively held that the aforesaid conditions must be cumulatively satisfied, and the Adjudicating Authority is required to examine the substance of the transaction, rather than its form, to determine whether it falls within the mischief of Section 43.

Withdrawal of Rs. 2.33 Crores by Respondent No. 1

33. In view of the law explained above, the present case has to be examined. It is not in dispute that Respondent Nos. 1 and 2 were the suspended Directors of the Corporate Debtor and, therefore, were related parties within the meaning of Section 5(24) of the Code. Consequently, in terms of Section 43(4)(a), the relevant period in respect of transactions entered into with a related party extends to two years preceding the Insolvency Commencement Date. Since the Insolvency Commencement Date is 24.04.2023, transactions falling within the period from 24.04.2021 to 24.04.2023 are required to be examined under Section 43.

34. The Applicant has alleged that an amount of Rs. 2,33,00,000/- was withdrawn by Mr. Chaitanya Madala(Respondent No. 1) during the aforesaid look-back period from the bank account of the Corporate Debtor. The said withdrawals are stated to have been made through cheques and vouchers and transferred to the personal account of Mr. Chaitanya Madala (Respondent No. 1) ***(Page 14 to 23 of the Application)***.

35. The Respondents have sought to justify the withdrawals by contending that they had infused substantial funds into the CD and that the impugned withdrawals represented repayment or adjustment of the amounts allegedly due to them. It is also contended that the funds were utilised for repayment of bank loans and other business purposes of the CD.

36. Upon consideration of the transactions during the relevant look-back period, it is observed that a total amount of Rs. 2,33,00,000/- was transferred to Mr. Chaitanya Madala (Respondent No. 1) from the account of the CD. The beneficiary of the said transfers was a related party of the CD.

37. The Respondents have not satisfactorily explained the necessity or commercial rationale for transferring the amounts to the personal account of Mr. Chaitanya Madala (Respondent No. 1), particularly when they contend that the funds were utilised for the business purposes of the CD. If the amounts were required for repayment of the CD's liabilities, there is no satisfactory explanation as to why the same were first transferred to the personal account of Mr. Chaitanya Madala (Respondent No. 1).

38. Further, the Respondents have not placed sufficient evidence before this Authority to establish the nature and enforceability of the alleged antecedent liability against which the impugned withdrawals were made. The transfer of Rs. 2,33,00,000/- to a related party, who also claims to be unsecured creditor to CD, during the relevant look-back period, in the absence of satisfactory evidence establishing the alleged debt and the basis of repayment, has the effect of conferring a benefit upon Mr. Chaitanya Madala (Respondent No. 1) to the detriment of the other creditors of the CD.

39. In view of the above, we are of the considered view that the transactions amounting to Rs. 2,33,00,000/- made during the relevant look-back period constitute preferential transactions within the meaning of Section 43 of the Code.

Withdrawal of Rs. 1,03,10,000/- Crores by Respondent No. 1

40. Insofar as the alleged withdrawals made after the commencement of CIRP are concerned, the Applicant has alleged that an amount of Rs. 1,03,10,000/- was withdrawn from the account of the CD. Upon perusal of the memo dated 18.08.2026 filed by the Applicant, it is observed that Mr. Chaitanya Madala (Respondent No. 1) withdrew a total sum of Rs. 1,03,10,000/- during the period from 25.04.2023 to 28.04.2023 and transferred the same to his personal account, subsequent to the order of commencement of CIRP dated 24.04.2023 passed by this Authority. In this regard, the Respondents have failed to furnish any plausible explanation in their Counter with respect to the reasons for such withdrawals. In view of the above, this Authority is of the considered view that the withdrawal of Rs. 1,03,10,000/- by Respondent No. 1, being a Director of the CD, after the commencement of CIRP, constitutes a violation of the moratorium.

41. In view of the above observations, we direct that Mr. Chaitanya Madala (Respondent No. 1) to restore an amount of Rs.3,36,10,000/- (Rs. 2,33,00,000/- + Rs. 1,03,10,000/-) to the liquidation estate of the Corporate Debtor within 30 days. In the event of failure to make the payment within the aforesaid period, the said amount shall carry interest at the rate of 12% per annum from the respective dates of transfer of the amounts to the personal account of Mr. Chaitanya Madala (Respondent No. 1).

Accordingly, this Application, I.A (IBC) No. 631 of 2024 in C.P (IB) No. 252/9/HDB/2021 is **allowed** and disposed of.

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