IN THE NATIONAL COMPANY LAW TRIBUNAL
AMARAVATI BENCH
(*Through Hybrid Mode)*

Item No.3
IA(IBC)/199/2026 in IA(IBC)(LIQ)/2/2026
IA(IBC)/200/2026 in IA(IBC)(LIQ)/2/2026 in
CP(IB)/45/7/AMR/2023
(Liquidation Approved on 11.02.2026)

IN THE MATTER OF:
IndusInd Bank Limited … Petitioner/Financial Creditor

Versus

Vamsee Teja Modern Rice Mill Private Limited
… Respondent/Corporate Debtor

Under Section: 7, 43, 44 & 60(5) of IBC, 2016

Order delivered on 31.08.2026

CORAM:
SHRI KISHORE VEMULAPALLI, HON'BLE MEMBER (JUDICIAL)
SHRI UMESH KUMAR SHUKLA, HON'BLE MEMBER (TECHNICAL)

PRESENT:
In CP
Liquidator : Mr. K.S.Vamsi
In Both IAs
For the Applicant : Ms. N. Aishwarya Rajasree, Advocate.
For Respondents : Mr. P. Venkatesh Naik, Advocate

ORDER

IA(IBC)/199/2026 :

This Interlocutory Application (hereinafter referred to as the "**IA**" or "IA 199/2026") has been filed on 11.05.2026 vide Diary No.825, by Mr. Kambhammettu Sri Vamsi, Liquidator (hereinafter referred to as the "**Applicant**" or the "**Liquidator**") of Vamsee Teja Modern Rice Mill Private Limited (hereinafter referred to as the "**Corporate Debtor**"), under Sections 43 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as the "**IBC**" or "**Code**"), seeking the following reliefs:

(i) Declare and hold that the transactions detailed in the present IA constitute preferential transactions within the meaning of Section 43 of the Code;

(ii) Pass appropriate orders under Section 43 of the Code, directing Respondent Nos. 1 and 2 to restore and/ or repay to the Corporate Debtor the amounts received by them under the preferential transactions, aggregating to Rs.2,10,39,546/-, along with such interest, as this Adjudicating Authority may deem fit;

(iii) Direct Respondent Nos. 1 and 2 to return the benefits derived by them from the preferential transactions and to restore the same in the Corporate Debtor for the benefit of its creditors.

(iv) Pass such other or further orders as this Adjudicating Authority may deem fit and proper in the facts and circumstances of the present case.

2. The facts of the case, as submitted by the Counsel of the Applicant are as below:

(i) The Corporate Debtor was admitted into Corporate Insolvency Resolution Process (hereinafter referred to as the "**CIRP**") by this Adjudicating Authority vide order dated 03.06.2025 in CP (IB)/45/7/AMR/2023, wherein the Applicant was appointed as the Interim Resolution Professional (hereinafter referred to as the "**IRP**").

(ii) Subsequently, the Committee of Creditors (hereinafter referred to as the "**CoC**") consisting of the sole Financial Creditor-IndusInd Bank Ltd. in its first meeting held on 03.07.2025 resolved with 100%

voting and confirmed the IRP as Resolution Professional (hereinafter referred to as the "**RP**") for conducting the CIRP proceedings of Corporate Debtor, which was also approved by this Adjudicating Authority vide its Order dated 28.07.2025.

(iii) During the CIRP, the Applicant formed an opinion was formed under Regulation 35A of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 (hereinafter referred to as the "**CIRP Regulations**") regarding the existence of transactions falling within Sections 43, 45, 50 or 66 of the Code, pursuant to which M/s. Mahadevan & Co., Chartered Accountants, were appointed as Transaction Auditor. A draft report was received on 20.11.2025 and was placed before the 5th meeting of the Committee of Creditors held on 21.11.2025. The CoC thereafter approved filing of the PUFE application.

(iv) The CIRP ultimately culminated in liquidation, as the CoC did not approve continuation of the CIRP and resolved for commencement of liquidation. This Adjudicating Authority, vide order dated 11.02.2026, allowed the liquidation application and appointed the Applicant as the Liquidator.

(v) The final Transaction Audit Report dated 28.11.2025 was received on 05.03.2026, and two transactions were identified as preferential transactions under Section 43(2) of the Code, both the transactions by the Corporate Debtor with related party during the period of two years preceding of Insolvency commencement date, i.e., 03.06.2025, the details of the transactions are below:

Name of Respondent	Amount in (Rs.)
N. Udaya Durga, Director and Shareholder	19,92,733.41
N.V. Satya Narayana, Director and Shareholder	1,90,46,813.92
Total	**2,10,39,547.33**

(vi) The Corporate Debtor had passed adjustment entries in favour of its related parties, whereby certain current assets were set off against corresponding liabilities through journal vouchers, without any actual inflow of funds. During the audit, these entries were brought to the notice of the suspended directors, however, no response was received from them.

(vii) The Journal Register of the CD as on 01.04.2024 placed on record at page no.141 of the application corroborates that on 01.04.2024, Journal Vch No.12 recorded an adjustment of Rs.1,90,46,813.92 in the account of N.V. Satyanarayana (US) against Tammana Trading Company, and Journal Vch.No.13 recorded an adjustment of Rs.19,92,733.41 in the account of N. Udaya Durga (US) against Tammana Trading Company.

(viii) The Amount receivables from Tammana Trading Company ought to have been recovered by the Corporate Debtor and utilised towards discharge of its secured/ financial creditors, particularly when the receivables and current assets were charged in favour of the Financial Creditor. Instead of recovery of such receivables and utilisation thereof for the benefit of the creditors, the same were adjusted towards liabilities payable to the directors, who are related parties. The Applicant therefore contends that the aforesaid transactions fall within the ambit of Section 43 of the Code.

3. The Respondent Nos.1 and 2 have filed their Counter vide Diary No. 1565 and 1562 both dated 18.08.2026 respectively.

4. During the course of hearing, the Counsel appearing for Respondent Nos.1 and 2, while reiterating the averments in the Counter Affidavit, submitted that the present Application is misconceived and that the Applicant has failed to independently establish the essential ingredients of Section 43 of the Code, merely relying upon the Transaction Audit Report, which is only an opinion of the Transaction Auditor. It is contended that the impugned transactions are merely journal/ adjustment entries without any actual inflow or transfer of money or property of the Corporate Debtor and that there is no material to show that the Respondents were placed in a more beneficial position under Section 53 of the Code. It is further contended that the adjustments were made in the ordinary course of business and that the Applicant has failed to establish the relevant circumstances so as to attract Section 43(4). It is also contended that Tammana Trading Company, being the third party in respect of whose the alleged adjustments of receivables were made, has not been impleaded as a party and, therefore, the alleged receivables and their adjustment cannot be conclusively determined in its absence. Reliance has been placed on the judgment of the Hon'ble Supreme Court in *Anuj Jain, IRP for Jaypee Infratech Ltd. v. Axis Bank Ltd.*. The Respondents also raised objections regarding delay and non-compliance with Regulation 35A and submitted that the liabilities attributable to Respondent Nos.1 and 2 are distinct and no consolidated or joint liability can be fastened upon them.

5. The Counsel for the Applicant/ Liquidator submitted that the Applicant had formed an opinion in terms of Regulation 35A of the CIRP Regulations and the same is also mentioned in the IA and thereafter, after approval of the CoC in its 5th meeting of the held on 21.11.2025, filed the present IA. It is submitted that the transactions dated 01.04.2024 fall within the two-year look-back period prescribed under Section 43(4)(a), the insolvency commencement date being 03.06.2025. The Journal Register also records the corresponding adjustment entries of Rs.19,92,733.41 and Rs.1,90,46,813.92 in the accounts of Respondent Nos.1 and 2 respectively, which places the Respondent Nos.1 and 2 in a beneficial position under section 53 of the Code.

6. We have considered the rival submissions and perused carefully the IA and Counter Affidavit and other documents placed on record.

7. As regards the objection of delay and non-compliance with Regulation 35A, the Applicant has explained the chronology leading to the filing of the present Application after receipt and consideration of the final Transaction Audit Report. Having regard to the facts and circumstances of the case, we find no sufficient ground to reject the Application on that count. In the present case, the Applicant has explained the circumstances leading to the filing of the Application after consideration of the Transaction Audit Report.

8. Before examining the impugned transactions, it is appropriate to note that Section 43 requires the Applicant to establish the transfer of property or interest of the Corporate Debtor for the benefit of a creditor

on account of an antecedent liability, the resulting beneficial position vis-à-vis Section 53, the relevant period under Section 43(4), and the absence of any exclusion under Section 43(3). These requirements are required to be examined cumulatively in terms of the judgment of the Hon'ble Supreme Court in *Anuj Jain, IRP for Jaypee Infratech Ltd. (Supra)*.

9. In the present case, Respondent Nos. 1 and 2 are directors/ shareholders of the Corporate Debtor. The Transaction Audit Report identifies the two transactions as preferential transactions and records that the unsecured loans payable to the Respondent-directors were set off against the receivables from M/s. Tammana Trading Company through journal vouchers. The Journal Register independently records the corresponding entries dated 01.04.2024.

10. The contention that there was no actual cash payment and that the transactions were only journal entries cannot, by itself, take the transactions outside the scope of Section 43. What requires consideration is the effect of the adjustment. The material on record indicates that the Corporate Debtor's receivables from Tammana Trading Company were adjusted against the liabilities payable to the Respondent-directors, thereby reducing the liabilities owed to them while correspondingly diminishing the receivables of the Corporate Debtor.

11. The objection regarding non-impleadment of M/s. Tammana Trading Company does not affect the present Application, as no relief is sought against it. The issue is only whether the Corporate Debtor's

receivables were adjusted against the liabilities of the Respondent-directors, thereby benefiting them. As held by the Hon'ble Supreme Court in *Anuj Jain, IRP for Jaypee Infratech Ltd (Supra)*, the enquiry under Section 43 focuses on the transfer of the Corporate Debtor's property or interest for the benefit of a creditor and the resulting beneficial position. Hence, non-impleadment of Tammana Trading Company does not prevent determination of the preferential nature of the impugned transactions.

12. The plea of ordinary course of business also cannot be accepted merely on a general assertion. The impugned transactions concern adjustment of the Corporate Debtor's receivables against liabilities owed to its own directors/shareholders. No sufficient material has been placed to establish that such specific adjustment was made in the ordinary course of the business or financial affairs of both the Corporate Debtor and the transferees. The ordinary-course exclusion under Section 43(3) has to be examined with reference to the particular transaction and circumstances.

13. The impugned entries dated 01.04.2024 fall within the two-year period preceding the insolvency commencement date of 03.06.2025, as contemplated under Section 43(4)(a). Further, the adjustment was made against amounts stated to be payable to Respondent Nos.1 and 2, thereby meeting the requirement of an antecedent liability under Section 43(2)(a).

14. In view of the foregoing, we find that the adjustment of the Corporate Debtor's receivables from M/s. Tammana Trading Company against the liabilities due to the Respondent-directors had the effect of reducing/extinguishing their antecedent liabilities and correspondingly diminishing the receivables of the Corporate Debtor. The transactions therefore, require to be examined as preferential transactions within the meaning of Section 43 of the Code.

15. The present case is distinguishable from a mere intra-group journal adjustment undertaken as part of an established and undisputed commercial arrangement. Here, the impugned entries concern liabilities of the Corporate Debtor towards its own directors and the corresponding reduction of receivables from Tammana Trading Company. The record before us does not establish that the particular adjustments were undertaken as part of an ordinary, undistinguished flow of business.

16. We therefore hold that the two transactions dated 01.04.2024, amounting to Rs.19,92,733.41 in favour of Respondent No.1 and Rs.1,90,46,813.92 in favour of Respondent No.2, satisfy the ingredients of Section 43 of the Code and constitute preferential transactions.

17. Consequently, the benefit obtained by Respondent Nos.1 and 2 through the aforesaid preferential transactions is liable to be restored to the liquidation estate in terms of Section 44 of the Code. Section 44 empowers the Adjudicating Authority, inter alia, to require a person to pay to the Liquidator such sums in respect of benefits received by him from the Corporate Debtor.

18. At the same time, we find merit in the submission of Respondent No.1 that the liabilities attributable to Respondent Nos.1 and 2 are distinct. Therefore, the liability of each Respondent shall be confined to the amount specifically attributable to such Respondent and they shall not be jointly or severally saddled with the amount attributable to the other Respondent merely because the aggregate amount is claimed in the Application.

19. Accordingly, Respondent No.1, Nookala Udaya Durga, is liable to restore/ pay a sum of Rs.19,92,733.41 to the Liquidator for being credited to the liquidation estate of the Corporate Debtor, and Respondent No.2, Nukla Venkata Satyanarayana, is liable to restore/pay a sum of Rs.1,90,46,813.92 to the Liquidator.

20. In view of the above discussion, IA (IBC)/199/2026 is allowed in the following terms:

a) The transaction of Rs.19,92,733.41 recorded in the account of Respondent No.1 on 01.04.2024 and the transaction of Rs.1,90,46,813.92 recorded in the account of Respondent No.2 on 01.04.2024 are hereby declared to be preferential transactions within the meaning of Section 43 of the Insolvency and Bankruptcy Code, 2016.

b) Respondent No.1, Nookala Udaya Durga, is directed under Section 44 of the Code to pay/restore Rs.19,92,733.41 to the Liquidator within 15 days from the date of receipt of this order and file a compliance memo within 30 days from the date of this order.

c) Respondent No.2, Nukla/Nukala Venkata Satyanarayana, is directed under Section 44 of the Code to pay/restore Rs.1,90,46,813.92 to the Liquidator within 15 days from the date of receipt of this order and file a compliance memo within 30 days from the date of this order.

d) The amounts so realised shall form part of the liquidation estate of the Corporate Debtor and shall be dealt with by the Liquidator in accordance with the provisions of the Code.

e) The liability of each Respondent shall remain confined to the amount specifically attributable to him/her as stated above.

f) The Liquidator shall report the compliance of the above directions by way of a memo within 45 days of this order in the main CP.

21. **IA (IBC)/199/2026 is accordingly allowed and disposed of in the above terms. No order as to costs**.

IA(IBC)/200/2026:

The counsel for both the parties sought two weeks' time to submit their arguments. Time, as prayed for, is granted. List the matter for hearing on 18.09.2026.

Sd/-	**Sd/-**
(UMESH KUMAR SHUKLA)	**(KISHORE VEMULAPALLI)**
MEMBER (TECHNICAL)	**MEMBER (JUDICIAL)**

RSN (PS)