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

Item No.1
CP (IB)/24/7/AMR/2026

IN THE MATTER OF:

Bank of Maharashtra

… Petitioner/ Financial Creditor

Versus

RKEC Projects Limited

… Respondent/ Corporate Debtor

Under Section: 7 of IBC, 2016

Order delivered on 30.10.2026

CORAM:

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

PRESENT:

For the Financial Creditor : Ms. Ch. Aishwarya, Advocate

For the Corporate Debtor : Ms. Sarvani Desiraju, Advocate

ORDER

Order pronounced and recorded *vide* separate sheets. The Petition bearing **CP (IB)/24/7/AMR/2026** filed by the Financial Creditor under Section 7 of the IBC, 2016 is dismissed as not maintainable.

Sd/-
(UMESH KUMAR SHUKLA)
MEMBER (TECHNICAL)

Sd/-
(KISHORE VEMULAPALLI)
MEMBER (JUDICIAL)

Venkatesh (Steno)

IN THE NATIONAL COMPANY LAW TRIBUNAL
AMARAVATI BENCH AT MANGALAGIRI
(Exercising powers of Adjudicating Authority under The Insolvency and Bankruptcy Code, 2016)

CP (IB)/24/7/AMR/2026

Under Section 7 of the Insolvency Bankruptcy Code, 2016 read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016

IN THE MATTER OF:

Bank of Maharashtra
Building No 4, Vinoothna Pittie's Majesty,
Near Bank Street, Sultan Bazar, Koti,
Hyderabad-500001, Telangana
Represented by its Authorised Signatory:
Mr. Manish Kumar Bansod, Dy. Zonal Manager

…….. Petitioner/ Financial Creditor

Versus

RKEC Projects Limited
CIN: L43900AP2005PLC045795
Having its registered office at
Door No.10-12-1, Rednam Alcazar, 3rd floor,
Opposite SBI Main Branch,
Old Jail Road, Redn Am Gardens,
Visakhapatnam-530020, Andhra Pradesh

…….. Respondent/ Corporate Debtor

ORDER DELIVERED ON: 30.10.2026

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

PRESENT:

For the Financial Creditor : Ms. Ch. Aishwarya, Advocate
For the Corporate Debtor : Ms. Sarvani Desiraju, Advocate

ORDER
[PER: BENCH]

The present Petition bearing no. CP(IB)/24/7/AMR/2026 (hereinafter referred to as the "**Petition**") has been e-filed on 23.06.2026 and physically filed vide Diary No.1154 dated 06.07.2026, by Bank of Maharashtra (hereinafter referred to as the "**Financial Creditor**") through its Authorised Signatory, Manish Kumar Bansod, under Section 7 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as the "**IBC**" or "**Code**") read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 seeking initiation of Corporate Insolvency Resolution Process (hereinafter referred to as the "**CIRP**") against RKEC Projects Limited (hereinafter referred to as the "**Corporate Debtor**") for default of an amount of Rs.7,80,72,058/- as on 18.06.2026.

2. After scrutiny of the Petition, the Registry, on 07.07.2026 raised the following defects:

> *"Form-1 should be addressed to the NCLT Amaravati Bench, Memo of Parties with their email IDs and Mobile Nos., Dates and Events of case, IRP Email IDs and Mobile Nos. is to be stated in the written consent, Bank Statement of Corporate Debtor maintained with the Financial Creditor reflecting debit and credit transactions till filing of the case, Memorandum of Association and Articles of Association of the Corporate Debtor, Form-1A copy to IBBI, Copy of PAN of the Financial Creditor, Format as per 2D of IBBI Regulations contain chronology of debt and default including the date when the debt became due, Date of Default, Dates of part payments, if any, Date of last acknowledgement of debt and the limitation applicable, Advocate Docket Sheet is to be end of Application."*

3. Pursuant to the above, the Financial Creditor vide Diary No.1301 dated 21.07.2026, refiled the Petition however, the same was returned by the Registry, observing that the Petition filed without full compliance of defects.

4. Thereafter, the Financial Creditor vide Diary No.1445 dated 07.08.2026, again refiled the Petition, which was numbered by the Registry on 07.08.2026 and was first listed on 17.08.2026.

5. The Corporate Debtor is a Company with its registered office at Door No.10-12-1, Rednam Alcazar, 3rd floor, Opposite SBI Main Branch, Old Jail Road, Redn Am Gardens, Visakhapatnam-530020, Andhra Pradesh. Hence, the territorial jurisdiction lies with this Adjudicating Authority.

FACTS OF THE CASE:

6. The facts of the case as stated in the Petition, by the Financial Creditor, are summarized below:

(i) The Corporate Debtor is the principal borrower of the Financial Creditor vide sanction letters, the most recent being the letter bearing reference no. AX21/ADV/SAN/TReDS/RKEC/CFBHYD/2023-24 dated 26.02.2024, wherein the Financial Creditor had sanctioned a total limit of Rs.15.00 Crores.

(ii) The Financial Creditor made the payment as per the agreed terms, only after the acceptance by Corporate Debtor, as evidenced from

the swift messages issued by the Financial Creditor against each invoice, thereby attracting both Section 5(8)(a) and (b) of the Code.

(iii) The Financial Creditor provided a bill discounting facility to the Corporate Debtor on the M1exchange platform (Mynd Solutions Pvt Ltd) amounting to Rs.15.00 crores (Rupees Fifteen Crores only). This facility is secured by the assignment of bills receivables, with a tenor of up to 180 days and an interest rate linked to the prevailing Repo Linked Lending Rate (hereinafter referred to as the "**RLLR**") of the bank, subject to periodic revisions.

(iv) The Corporate Debtor entered into a legally binding Master Buyer Agreement dated 20.01.2021 (hereinafter referred to as the "**Agreement**") on the M1exchange platform (Mynd Solutions Pvt Ltd).

(v) Pursuant to the Agreement, the Corporate Debtor assigned the relevant bills receivables in favour of Financial Creditor, thereby securing the facility.

(vi) The said Agreement sets out the obligations of the Corporate Debtor as a buyer on the Trade Receivables Discounting System (hereinafter referred to as the "**TReDS**") platform, including its binding commitment to pay the Financial Creditor in respect of the discounted factoring units.

(vii) The Agreement forms part of the overall contractual structure governing transactions on the TReDS platform, under which the

Corporate Debtor undertakes direct payment obligations to the Financial Creditor.

(viii) The Agreement, when read as a whole clearly records the independent and binding obligation of the Corporate Debtor to pay the Financial Creditor, all amounts underlying the factoring units along with discount, interest and applicable charges, thereby indicating the liability of the Corporate Debtor.

(ix) Upon receiving the sanction, the Financial Creditor herein had fixed a limit of Rs.15.00 Crores to the Corporate Debtor on the TReDS platform (M1Xchange) as per the sanction terms.

(x) Thereafter, the Corporate Debtor had uploaded the invoices on the bidding platform. Accordingly, the Financial Creditor had placed the bid as per the sanctioned rate of interest and tenure. Thereafter, the buyer of the Corporate Debtor accepted the bid, whose rate is on the lower side. After the buyer accepted the bid, the Financial Creditor had made the payment to the seller on behalf of the Corporate Debtor on the agreed terms.

(xi) As per the terms of the sanction, the Corporate Debtor was required to repay the Financial Creditor towards the payments made on behalf of the Corporate Debtor. However, the Corporate Debtor failed to repay the Financial Creditor as on date and the following bills remain unpaid by the Corporate Debtor beyond their respective due dates, resulting in an overdue status, and the details of unpaid invoices are as below:

S.n	Reference No.	Buyer Name	Due Date	Financed Amt
1.	0212425ET5003586	M/S RKEC PROJETCS LTD	25-06-2025	20,00,000
2.	0212425ET5003589	M/S RKEC PROJETCS LTD	25-06-2025	30,00,000
3.	0212425ET5004509	M/S RKEC PROJETCS LTD	25-06-2025	20,93,831
4.	0212425ET5004511	M/S RKEC PROJETCS LTD	25-06-2025	19,58,344
5.	0212425ET5004512	M/S RKEC PROJETCS LTD	25-06-2025	50,00,000
6.	0212425ET5004513	M/S RKEC PROJETCS LTD	25-06-2025	25,66,542
7.	0212425ET5004514	M/S RKEC PROJETCS LTD	25-06-2025	21,44,896
8.	0212425ET5004515	M/S RKEC PROJETCS LTD	25-06-2025	20,30,804
9.	0212425ET5004516	M/S RKEC PROJETCS LTD	25-06-2025	12,61,942
10.	0212425ET5004517	M/S RKEC PROJETCS LTD	25-06-2025	20,00,000
11.	0212425ET5004518	M/S RKEC PROJETCS LTD	25-06-2025	30,00,000
12.	0212425ET5004673	M/S RKEC PROJETCS LTD	02-07-2025	24,96,915
13.	0212425ET5004684	M/S RKEC PROJETCS LTD	25-06-2025	10,09,200
14.	0212425ET5004685	M/S RKEC PROJETCS LTD	25-06-2025	3,72,500
15.	0212425ET5004686	M/S RKEC PROJETCS LTD	25-06-2025	13,00,000
16.	0212425ET5004689	M/S RKEC PROJETCS LTD	25-06-2025	10,00,000
17.	0212425ET5004690	M/S RKEC PROJETCS LTD	25-06-2025	10,00,000
18.	0212425ET5004691	M/S RKEC PROJETCS LTD	25-06-2025	10,00,000
19.	0212425ET5004693	M/S RKEC PROJETCS LTD	02-07-2025	14,10,974
20.	0212425ET5004694	M/S RKEC PROJETCS LTD	02-07-2025	11,33,670
21.	0212425ET5004695	M/S RKEC PROJETCS LTD	02-07-2025	35,00,000
22.	0212425ET5005073	M/S RKEC PROJETCS LTD	02-07-2025	66,92,016
23.	0212425ET5005074	M/S RKEC PROJETCS LTD	02-07-2025	50,18,160
24.	0212425ET5005075	M/S RKEC PROJETCS LTD	09-07-2025	31,82,866
25.	0212425ET5005076	M/S RKEC PROJETCS LTD	09-07-2025	19,48,259
26.	0212425ET5005077	M/S RKEC PROJETCS LTD	09-07-2025	16,69,178
27.	0212425ET5005079	M/S RKEC PROJETCS LTD	09-07-2025	47,28,088
28.	0212425ET5005080	M/S RKEC PROJETCS LTD	09-07-2025	20,00,000
29.	0212425ET5005081	M/S RKEC PROJETCS LTD	09-07-2025	20,23,977
30.	0212425ET5005082	M/S RKEC PROJETCS LTD	09-07-2025	20,05,963
31.	0212425ET5005083	M/S RKEC PROJETCS LTD	09-07-2025	20,00,000

(xii) The Corporate Debtor is legally obligated to ensure the repayment of the total amount payable before the agreed due dates. However, the Corporate Debtor defaulted on scheduled payments, in complete violation of the terms of the Sanction Letter and the

Agreement. Due to persistent non-payment despite repeated reminders, the account was classified as a Non-Performing Asset (hereinafter referred to as the "**NPA**") as of 23.09.2025, in accordance with Reserve Bank of India (hereinafter referred to as the "**RBI**") prudential norms and internal policies.

(xiii) After adjusting the total repayments made by the Corporate Debtor, the total amount outstanding and payable is Rs.7,80,72,058/- (Rupees Seven Crore Eighty Lakhs Seventy-Two Thousand Fifty-Eight only), including a principal amount of Rs.6,94,20,265/- (Rupees Six Crores Ninety-Four Lakhs Twenty Thousand Two Hundred and Sixty-Five Only) and interest amount of Rs.86,51,793/- (Rupees Eighty-Six Lakhs Fifty-One Thousand Seven Hundred and Ninety-Three Only) calculated until 18.06.2026.

(xiv) Despite repeated reminders, the Corporate Debtor, failed to adhere to its obligations under the terms of the sanction letter. Accordingly, the Financial Creditor was obligated to declare the Loan account of the Corporate Debtor as NPA on 23.09.2025.

(xv) The Financial Creditor has issued outstanding/ demand notices dated 01.08.2025, 02.09.2025, 15.09.2025 and 22.09.2025 calling upon the Corporate Debtor to regularize the account and discharge the liabilities.

(xvi) The Corporate Debtor also addressed letters dated 12.08.2025 and 18.10.2025 to the Financial Creditor seeking additional time for

repayment and acknowledging the total debt. However, upon failure of the repayment despite various assurances, the Financial Creditor vide Notice dated 17.01.2026, intimated the resultant action under Section 7 of the Code.

(xvii) As per Part IV of Form-1, the Financial Creditor has claimed an amount of Rs.7,80,72,058/- on 18.06.2026, with 23.09.2025 as the date of default. The relevant extracts of Part IV of Form-1 are reproduced herein below:

Part – IV

PARTICULARS OF FINANCIAL DEBT		
1.	Total amount of debt granted/ date(s) of disbursement	The Financial Creditor had sanctioned a limit of Rs. 15,00,00,000/- (Rupees Fifteen Crores only) vide Sanction Letter AX21/ADV/SAN/TReDS/RKEC/CFBHYD/2023-24 dated 26.02.2024.
2.	Amount claimed to be in default and the date on which the default occurred (attach the workings for computation of amount and days of default in tabular Form)	The total amount outstanding and payable is Rs. 7,80,72,058/- (Rupees Seven Crore Eighty Lakhs Seventy Two Thousand Fifty Eight only), including a principal amount of Rs.6,94,20,265/- (Rupees Six Crores Ninety Four Lakhs Twenty Thousand Two Hundred and Sixty-Five Only) and interest amount of Rs. 86,51,793/- (Rupees Eighty Six Lakhs Fifty One Thousand Seven Hundred and Ninety Three Only) calculated until 18.06.2026. The default occurred on 23.09.2025 i.e., date on which the loan account of the Borrower/Corporate Debtor was declared as NPA; (***Working for computation of amount and days of default in Tabular Form is Annexed as Annexure no 3***)

(xviii) The Financial Creditor have also enclosed the copies of the following documents along with the Petition:

(a) Copy of the Board Resolution dated 19.04.2022, of the Financial Creditor authorizing the signatory at Annexure-1 of the Petition;

(b) Written communication obtained from the Insolvency professional for appointment as Interim Resolution Professional along AFA and registration at Annexure-2 of the Petition;

(c) Sanction letter dated 26.02.2024, issued by the Financial Creditor to the Corporate Debtor along with the request letter of the Corporate Debtor at Annexure-3 of the Petition;

(d) Statement of account Corporate Debtor with the complete interest calculation computation at Annexure-4 of the Petition;

(e) Swift messages dated 01.02.2025, 13.02.2025, 14.02.2025, 18.02.2025 issued by the Financial Creditor to the Corporate Debtor at Annexure-5 of the Petition;

(f) Master Buyer Agreement dated 20.01.2021 at Annexure-6 of the Petition;

(g) Notices of overdue dated 01.08.2025, 02.09.2025, 15.09.2025, 22.09.2025 issued by the Financial Creditor to the Corporate Debtor at Annexure-7 of the Petition;

(h) Copy of the letter dated 18.10.2025, issued by the Corporate Debtor acknowledging the debt and seeking additional time at Annexure-8 of the Petition;

(i) Copy of demand notice dated 17.01.2026, issued by the Financial Creditor seeking repayment due along with the postal receipts and tracking report at Annexure-9 of the Petition;

(j) Certificate dated 18.06.2026, of the Bankers' Book Evidence Act, 1891 at Annexure-10 of the Petition;

(k) Copy of the NeSL record of default application along with CIBIL at Annexure-11 of the Petition;

(l) Master Data extracted from MCA along with Incorporation Certificate of the Corporate Debtor at Annexure-12 of the Petition;

(m) IBBI Compliance dated 23.06.2026 at Annexure-13 of the Petition.

7. During the course of hearing dated 17.08.2026, the Counsel for the Financial Creditor sought time to argue that the amount claimed in the Petition falls under the category of financial debt. The Registry was directed to issue notice to the Corporate Debtor and on receipt of notice, the Corporate Debtor was directed to file its Counter.

8. During the course of hearing dated 02.09.2026, the Counsel for the Financial Creditor submitted that a copy of the Petition was served upon the Corporate Debtor only on that day and the Corporate Debtor was directed to file its reply within one week.

COUNTER BY THE CORPORATE DEBTOR:

9. The Corporate Debtor vide Diary no.1872 dated 29.09.2026, filed the Counter Affidavit dated 29.09.2026 stating that the Petition is not maintainable and liable to be dismissed as the debt claimed is not a Financial Debt within the meaning of Section 5(8) and petitioner was not

a financial creditor within the meaning of the section 5(7) of the Code, on the following grounds:

(i) There are various online platforms for MSMEs, including the M1exchange platform, which provide invoice discounting facilities, which is a TReDS platform registered and governed by the regulations of RBI.

(ii) The manner in which the said TReDS platform works is that the (a) "supplier" is the seller, whose receivables/ invoices raised need discounting or immediate payment; (b) the "buyer", is the entity against which such invoices are raised; and (c) the "financier", who comes forward to discount the invoices of the supplier, are all registered on the M1xchange platform by executing the respective standard form agreements with the M1xchange platform.

(iii) Once all the entities are registered on the M1exchange platform and the supplier uploads/ puts forth its invoices, which require discounting against a registered buyer, who then accepts the said invoice as genuine. Once the invoice is accepted by the buyer, the financiers registered on the portal are allowed to bid for the same with the supplier having discretion to accept one of them, where there are multiple bids.

(iv) On acceptance of the bid, the financier pays the said invoice amount to the supplier directly and thereafter in terms of the Agreement between the M1exchange platform and the buyer, the buyer has to pay the invoiced amounts to the financier, as there is an assignment

of the invoices through a deed of assignment from the supplier to the financier upon payment by the financier to the supplier.

(v) Thus, upon the said assignment of receivables/ invoices, the financier steps into the shoes of the supplier (i.e., the service provider or the seller of the goods) for recovering the said amount from the buyer. Thus, once the invoices are discounted for the supplier, the financier merely steps into the position of the supplier and thus, can only recover from the buyer as the "supplier" by virtue of the said assignment of the invoices.

(vi) The Corporate Debtor is registered on the platform in the capacity of a buyer alone, and its only act on the platform is to confirm, as the buyer, that an invoice uploaded by its supplier is genuine and payable. The Corporate Debtor plays no part in the bidding, the bid being placed by the financier and accepted by the supplier, and the discount being borne by the supplier, who receives less than the face value of its invoice in exchange for early payment. The Corporate Debtor neither seeks nor obtains any accommodation from the financier at any stage.

(vii) No amount, whatsoever, has been disbursed or paid by the Financial Creditor to the Corporate Debtor. Every rupee claimed in the Petition was paid by the Financial Creditor to the Corporate Debtor's suppliers, against invoices raised by those suppliers for goods supplied and services rendered to the Corporate Debtor.

(viii) The letter dated 26.02.2024 relied upon by the Financial Creditor is a communication setting up a buyer limit to facilitate the discounting of supplier invoices on the platform. It is not addressed to the Corporate Debtor. It specifies the purpose as "discounting of bills/invoices on TReDS platform raised by suppliers of buyer" and the security as "assignment of bills / invoices from MSME suppliers".

(ix) The document relied upon by the Financial Creditor therefore, itself records that the facility was for the discounting of invoices of the Corporate Debtor's suppliers, and that the Financial Creditor's entitlement arises from an assignment of those invoices.

(x) The Agreement dated 20.01.2021, filed by the Financial Creditor is also self-explanatory. Neither the Financial Creditor nor any supplier is a party to that Agreement, which is a standard-form agreement executed by every buyer registered on the platform, a corresponding standard form being executed by every supplier. Reference is made to the definitions at clause 1.6 (discount amount / interest amount), clause 1.8 (factoring unit, being the invoice raised by the supplier), clause 1.9 (financier, defined as a factor within the meaning of the Factoring Regulation Act, 2011), Clause 1.17 (notice of assignment) and clause 1.28 (transaction).

(xi) The definition of "transaction" sets out the entire process by which the receivables of the supplier are discounted and thereafter, assigned to the Financial Creditor for recovery as assignee. The standard-form Master Supplier Agreement and Master Financier

Agreement templates, as published by the platform operator, are filed with the Counter.

(xii) Thus, it is evident that the entire debt claimed originated in the supply of goods and services by the Corporate Debtor's suppliers to the Corporate Debtor. It is, therefore, a claim in respect of the provision of goods or services and falls squarely within the definition of "operational debt" under Section 5(21) of the Code.

(xiii) The Code itself provides for the consequence of an assignment of operational debt. Section 5(20) defines an "operational creditor" to mean a person to whom an operational debt is owed and to include "any person to whom such debt has been legally assigned or transferred". The Financial Creditor, being the assignee of the suppliers' invoices, is therefore, an operational creditor. Section 21(5) of the Code further clarifies and stipulates that "where an operational creditor has assigned or legally transferred any operational debt to a financial creditor, the assignee or transferee shall be considered as an operational creditor to the extent of such assignment or legal transfer." Thus, the Section has expressly addressed the very situation upon which the Financial Creditor relies namely, a bank taking an assignment of trade receivables and has provided that the assignee takes the debt in its existing character as an operational debt. The nature of business of an assignee (be it a bank or otherwise) is irrelevant, as the assignment is of the underlying operational debt.

(xiv) An assignee takes no higher right than the assignor possessed. The Corporate Debtor's suppliers, having supplied goods and services, held claims in respect of the provision of goods and services and thus, the said debt continues to remain as an operational debt.

(xv) Section 5(8) of the Code defines "financial debt" to mean "a debt along with interest, if any, which is disbursed against the consideration for the time value of money". Both ingredients namely disbursement, and consideration for the time value of money must be satisfied. In the present case, there was no disbursement to the Corporate Debtor. No sum was advanced, credited or otherwise made available by the Financial Creditor to the Corporate Debtor at any time. The whole of the money moved from the Financial Creditor to the suppliers. Further, the Corporate Debtor's payment obligation, in amount and in date, remained identical to what it owed its supplier before the discounting. The Corporate Debtor gained no time and paid nothing for time, and is neither better nor worse off in consequence of the Financial Creditors involvement. The ordinary incidents of a borrowing are wholly absent and no amount was credited to any account of the Corporate Debtor.

(xvi) Sub-clause (e) of Section 5(8) includes within "financial debt" any "receivables sold or discounted other than any receivables sold on non-recourse basis". The receivables in question, were sold by the suppliers to the Financial Creditor without recourse, and are therefore expressly excluded. In any event, and independently of the above, sub-clause (e) can have no application as against the

Corporate Debtor, as the same is concerned with the person, who sells or discounts receivables. If the sale or discounting of receivables were to give rise to a financial debt at all, it would do so as between the supplier and the Financial Creditor, the supplier being the party that sold, and received value for, its receivable. The Corporate Debtor sold nothing and discounted nothing. The Corporate Debtor is the account debtor, being the party against whom the receivables existed. No construction of sub-clause (e) can convert an account debtor into a borrower, and the Financial Creditor's reliance upon it as against the Corporate Debtor is misconceived at the threshold.

(xvii) The Financial Creditor cannot also be allowed to resort to the residuary sub-clause (f) of Section 5(8) by contending that the transaction has the commercial effect of a borrowing. Where the Code has made specific provision for a species of transaction in one sub-clause, and has in that very sub-clause carved out an exclusion, the excluded transaction cannot be brought back within the definition through a residuary sub-clause; to hold otherwise would render the exclusion meaningless.

(xviii) This question has been settled by the Hon'ble National Company Law Appellate Tribunal (hereinafter referred to as the "**NCLAT**") in the case of ***Mudraksh Investfin Pvt. Ltd. v. Brijesh Singh Bhaduriya, Resolution Professional of RCI Industries and Technologies Ltd., Company Appeal (AT) (Insolvency) No. 1671 of 2023***, decided on 05.01.2024, which held at paragraph 18:

"When Section 5, sub-section (8) (e) specifically covers receivables sold or discounted, the discounting of invoices cannot be covered by any other clause. Hence, discounting of invoices cannot fall under Section 5, sub-section (8) (f)."

(xix) The Financial Creditors' limit of Rs. 6.00 Crores is said to have been granted on the TReDS platform. That document would contain the terms and conditions of the alleged facility, including its tenure. In its absence this Adjudicating Authority would not be in a position to ascertain the terms governing the transaction between the parties. The claim for interest of Rs.86,51,793/- is denied. The Financial Creditor has not identified the source of any interest obligation owed by the Corporate Debtor to the Financial Creditor, nor the rate or the period. In any event, a stipulation for interest on delayed payment is a commonplace incident of trade credit and of operational dues, and its presence does not convert an operational debt into a financial debt. The Financial Creditor can claim no more than its assignors could have claimed.

(xx) In the absence of the invoices and of any statement of account, the date of default pleaded by the Financial Creditor is not capable of verification. Any discrepancy in the date of default would have a direct bearing upon the interest claimed. The Corporate Debtor expressly reserves the right to raise all contentions as to limitation upon the said documents being placed on record.

(xxi) Without prejudice to the above, and without admitting that any amount is due and payable, if this Adjudicating Authority were to find that the Financial Creditor has any claim against the Corporate

Debtor, such claim, being in respect of the provision of goods and services, can only be pursued, if at all, under Section 9 of the Code upon compliance with Section 8 thereof. The Corporate Debtor expressly reserves all its rights and contentions, including as to the existence of a pre-existing dispute, in the event of any such notice being issued.

(xxii) It is well settled that the Code is not a forum for the recovery of debts. The Financial Creditor's election to press Petition under Section 7 in respect of an operational claim, rather than to issue a notice under Section 8, indicates that the object of the Petition is recovery and the leverage of admission, and not resolution.

(xxiii) In the alternative, the word "may" in Section 7(5)(a) of the Code confers a discretion upon the Adjudicating Authority, and admission does not follow automatically upon proof of debt and default. The Corporate Debtor is a solvent, listed and going concern with a substantial order book and a considerable workforce, and the amount claimed bears a small proportion to its turnover and net worth. Should this Adjudicating Authority reach the question of discretion, the facts of the present case call for its exercise in favour of the Corporate Debtor.

(xxiv) Additionally, as the Petition is itself incomplete, without filing the requisite documents, and is replete with incorrect statements.

10. During the course of hearing dated 30.09.2026 and 07.10.2026, the Counsel appearing for the Corporate Debtor sought time to place the Vakalatnama on record.

ANALYSIS AND FINDINGS:

11. We have heard the submissions of the Counsels for the Financial Creditor and the Corporate Debtor and perused the records carefully.

12. The first issue for consideration before us is "***Whether the present Petition is filed within the period of limitation?***"

(i) As per Part IV of Form-1, the Financial Creditor has mentioned 23.09.2025 on which the loan account of the Corporate Debtor was declared as NPA and the same date of default is mentioned in Form D- Record of Default issued by the NeSL.

(ii) The present Petition was e-filed on 23.06.2026.

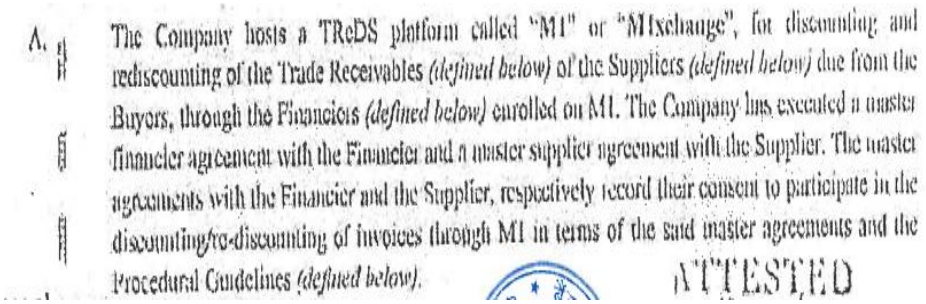
(iii) Since the Petition has been filed within three years of the date of default, we are of the considered view that the Petition has been filed within the period of limitation.

13. The next issue for consideration before us is **"*Whether the debt claimed by the Financial Creditor is a 'financial debt' within the meaning of Section 5(8) of the IBC, so as to maintain the present Petition under Section 7 of the Code?*"**

(i) The Financial Creditor provided a bill discounting facility to the Corporate Debtor on the M1xchange TReDS platform and on

20.01.2021 the Corporate Debtor, as a Buyer, executed the Agreement with Mynd Solutions Private Limited.

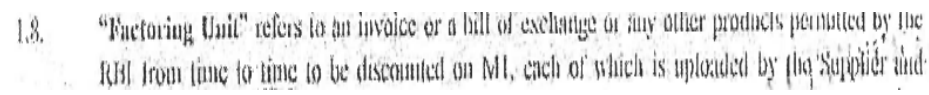
(ii) The Agreement records in Recital A that the Company hosts the TReDS platform M1xchange for discounting and rediscounting of the Trade Receivables of Suppliers due from the Buyers, and that the Company has separate master agreements with the Financiers and the Suppliers. The Financial Creditor is not a party to the Agreement, and it has also stated that there is no loan agreement between it and the Corporate Debtor. The relevant clauses of the Agreement are reproduced below:



A. The Company hosts a TReDS platform called "M1" or "M1xchange", for discounting and rediscounting of the Trade Receivables *(defined below)* of the Suppliers *(defined below)* due from the Buyers, through the Financiers *(defined below)* enrolled on M1. The Company has executed a master financier agreement with the Financier and a master supplier agreement with the Supplier. The master agreements with the Financier and the Supplier, respectively record their consent to participate in the discounting/re-discounting of invoices through M1 in terms of the said master agreements and the Procedural Guidelines *(defined below)*.

ATTESTED

(iii) It is noted that from the definition clauses that a 'factoring unit' is the invoice raised by an MSME supplier on the buyer for goods sold or services rendered, that a financier is a factor within the meaning of the Factoring Regulation Act, 2011, and that a "transaction" includes assignment of the trade receivables. The relevant clauses (1.8, 1.9, 1.17, 1.25, 1.26, 1.28, and 1.29) of the Agreement are reproduced below:



1.8. "Factoring Unit" refers to an invoice or a bill of exchange or any other products permitted by the RBI from time to time to be discounted on M1, each of which is uploaded by the Supplier and

accepted by the Buyer. Provided, in the case of reverse factoring the factoring unit shall be created by the Buyer;

1.9. "Financier" shall mean a bank, a non-banking financial company which is registered as a Factor under the Factoring Regulation Act, 2011, or any other entity which is permitted under the Applicable Laws to carry on the business of discounting and rediscounting of the Trade Receivables, and are enrolled on M1 for discounting and rediscounting of the Factoring Units;

1.17. "Notice of Assignment" shall mean an intimation with regard to the execution of the Deed of Assignment, sent by M1 website to the Buyer on behalf of the Supplier/Financier, in the form as prescribed by the Company, not later than one business day after the date of assignment;

1.25. "Service" shall mean such genuine, legal and bona fide services which are rendered by a Supplier to a Buyer for a consideration;

1.26. "Supplier" shall mean a 'Micro Enterprise or a Small Enterprise or a Medium Enterprise' under the Micro, Small and Medium Enterprises Development Act, 2006 or such other entity as may be permitted by the RBI to discount their Trade Receivables through a TReDS platform, and has provided Goods and/or Services underlying a contract to the Buyers for a consideration;

1.28. "Transaction" shall mean all actions carried out between the Supplier, the Buyer, the Buyer's Bank and the Financiers/Ultimate Financier on M1 in respect of a Factoring Unit, including but not limited to bidding for the Factoring Unit, discounting of the Factoring Unit, transfer of the Bid amount, assignment of the Trade Receivables of the Factoring Unit and payment of the amount underlying the Factoring Unit on the Due Date and shall include all the processes for the rediscounting of an already discounted Factoring Unit;

1.29. "Trade Receivable(s)" shall include an invoice raised by a Supplier on the Buyer or a bill of exchange drawn by a Supplier on the Buyer or any other instrument which is permitted by the RBI from time to time, as consideration of any Goods sold or Services rendered by a Supplier to the Buyer;

(iv) As per clauses 3.1 and 3.2, the buyer confirms that the trade receivables arise out of bona fide business of the supplier with the buyer, and accepts the factoring unit only to the extent outstanding and payable by it to the supplier. Clause 3.3 provides that the buyer shall pay the monies underlying a discounted factoring unit to the financier on the due date. The relevant clauses of the Agreement, which is at page 99 of the Petition, are reproduced below:

3. UNDERTAKING OF THE BUYER

3.1. The Buyer confirms and undertakes that the Trade Receivables submitted on M1 is arising out of a bonafide and legal business of the Supplier with the Buyer and any damages or losses caused or likely to be caused from the breach of this undertaking shall be solely to the account of the Buyer. The Buyer further confirms that the Trade Receivables have not been accepted by the Buyer on any other TReDS platform(s) or for any other Bank outside the purview of M1. In the event it is found that the Buyer has breached the foregoing undertaking, the Buyer shall be liable to pay the Financier/Ultimate Financier enrolled on M1 in respect of the Factoring Unit as accepted on M1.

3.2 The Buyer agrees and declares that the documentary bills evidencing dispatch of any Goods or rendering of any Services in relation to the Trade Receivables, uploaded on M1 for discounting, shall represent the actual Goods or Services with respect to their description, quantity and nature described in the Trade Receivables and agrees to accept the Trade Receivables only to the extent of an amount calculated at the market rate for such Goods or Services as the case may be. The Buyer specifically declares that all advances paid to the Supplier by the Buyer shall be deducted and the amount/amounts of Trade Receivables provided on M1 and shall include only the amount which is outstanding and payable by the Buyer to the Supplier.

3.3. The Buyer agrees to pay all the monies underlying a discounted Factoring Unit to the relevant Financier/Ultimate Financier on the Due Date, along with any agreed expenses andDiscount Amount arising up to the date of payment of the monies to the Financier/Ultimate Financier. The Buyer agrees to adhere to the time lines as set out herein and on M1, for carrying out all the activities including accepting the Factoring Units, making payment on the Due Date, etc. The Buyer represents and covenants not to use M1 for discounting of Trade Receivables due to any of its related party, sister concern, affiliate or an entity which is part of the Buyer's group ("Associated Party"). The Buyer further undertakes to immediately disclose to the Company if any of the Factoring Unit submitted on M1 for discounting is due to its Associated Party before a Transaction. Provided that the Buyer may use M1 for discounting of Trade Receivables due to any of its Associated Party, subject to the Company approving such a Transaction in its sole discretion after receiving full disclosure thereof from the Buyer.

(v) It is noted that on acceptance of the factoring unit, the buyer is liable to pay "the supplier or its assignee"; and upon acceptance of the bid, the supplier executes the deed of assignment on M1xchange, whereby the trade receivables stand assigned to the financier, who becomes their legal and beneficial owner and is entitled to recover them in its own name as assignee/ purchaser; and that the buyer is liable to pay the amount underlying the factoring unit to the financier on the due date. The relevant clauses (3.2.3, 3.5.2, and 3.6, which are at pages 112-114 of the Petition) of the Agreement are reproduced below:

3.2.3. If the Buyer accepts the draft Factoring Unit created at the behest of the Supplier, M1 will send a notification to the Supplier in accordance with the provisions mentioned above and the Buyer shall be absolutely liable to pay to the Supplier or its assignee in respect of the Factoring Unit.

3.5.2. Once a Supplier/Buyer (as the case may be) accepts a Bid in respect of a Factoring Unit placed by the Financier, the Buyer shall be unconditionally and absolutely liable to pay on the Due Date the amounts underlying such Factoring Unit to the Financier whose Bid in respect of the Factoring Unit has been accepted by the relevant Supplier/Buyer (as the case may be), in accordance with this Agreement and the Procedural Guidelines.

3.6 Assignment:

3.6.1. Once a Bid is accepted by Supplier/Buyer (as the case may be) in accordance with the Procedural Guidelines, the Supplier shall execute a Deed of Assignment generated on M1 by affixing its digital signature which shall be deemed to be executed by the Supplier. The Buyer acknowledges and unconditionally agrees that upon the execution of the Deed of Assignment by the Supplier all the Trade Receivables underlying such Factoring Unit shall, without any further act, instrument or deed stand assigned, transferred or sold by the Supplier to the Financier and, thereupon, the Financier shall be deemed to be the full and absolute legal and beneficial owner of the relevant Trade Receivables, free from any and all encumbrances, and, as such, the Financier shall be the only person legally entitled to recover the Trade Receivables underlying the discounted Factoring Unit or have the right to file a suit or institute such other proceedings as may be required for the purpose of recovery of such Trade Receivables in its own name and right and as assignee / purchaser and not as representative or agent of the Supplier. Further, an intimation ("Notice of Assignment") shall be sent by M1 to the Buyer in the form as prescribed by the Company with regard to the execution of the Deed of Assignment. The Notice of Assignment shall confer the right on a Financier to demand payment of the amount underlying the Trade Receivables from the Buyer. For the avoidance of doubt any legal proceedings to be initiated by any party to a Transaction against another party to such Transaction, if at all, will be outside the purview of the Company.

(vi) It is noted that the settlement is made through NPCI, the debit amount is debited from the financier's bank account and the credit amount is credited to the supplier's bank account, and the debit amount is the amount underlying the factoring unit less any interest cost payable by the supplier. If the interest is payable by the buyer, it is paid upfront by the buyer. On the due date, the total amount underlying the factoring unit is pulled from the buyer's bank account and paid to the financier. It is further stated that any discounting or rediscounting is "without any recourse to the supplier". The relevant clauses 1.5, 1.6 & 1.7, which are at page 110 and clauses 3.10.1 & 3.10.2, which are at pages 114-115 of Petition reproduced below:

1.5. "Credit Amount" shall mean the total amount credited to the Supplier's Bank on the acceptance of the Bid by the Financier;

1.6. "Debit Amount" shall mean the total amount underlying the Factoring unit (less Margin if any; less Interest cost, if payable by Supplier; plus Commission payable by Financier to the Company), debited from the account of the Financier on the acceptance of bid by the Financier;

1.7 "Deed of Assignment" shall mean a deed in the form of an electronic record, including an electronic or a digital note, generated on M1 representing a contract of assignment of the Trade Receivables of a Factoring Unit and shall contain such terms and conditions and endorsement by a Supplier and the Financier, as decided by the Company, from time to time;

3.10.1. Settlement of Payment to the Suppliers: Once the Financier's Bid in respect of a Factoring Unit is accepted, payment equivalent to the Debit Amount in respect of such Factoring Unit would be debited from the Financier's Bank account and the Credit Amount would be credited to the Supplier's Bank account. NPCI will pull the Debit Amount from the Financier's Bank account and push the Credit Amount to be credited into the Supplier's Bank account and shall also push the Commission into the Bank account of the Company. The settlement of payment shall be made on T+1 day or any other time period which may be approved by the RBI from time to time, with the date of acceptance of the Bid by the Supplier being referred to as "T". Consequently, the Financier will then be entitled to receive the total amount underlying the Factoring Unit in accordance with this Agreement and the Procedural Guidelines, from the Buyer on the Due Date unless the Factoring Units have been re-discounted by the Financier prior to the Due Date, in which case the Ultimate Financier will be entitled to the amount underlying such Factoring Units on the Due Date. For the avoidance of doubt it is hereby clarified that any discounting and / or re-discounting of any Factoring Units on M1 shall be without any recourse to the Supplier. Provided in the case where the Interest Amount and Commission is paid by the Buyer as per terms agreed with the Company, the Buyer shall, at the time of accepting the Bid placed by a Financier in respect of a Factoring Unit, make upfront payment of the applicable Interest Amount payable to the Financier and the applicable Commission payable to the Company through the payment settlement process adopted by the Company. In such a scenario NPCI will pull the applicable Interest Amount as well as the applicable Commission payable by the Buyer from the Buyer's Bank and push the applicable Interest Amount into the respective Financier's Bank account and push the amounts towards the Commission to the Bank account of the Company.

3.10.2. Settlement of Payment to Financier/Ultimate Financier: The settlement of payment to the Financier/Ultimate Financier shall be carried out on the basis of an irrevocable debit mandate as per the format prescribed by NPCI from time to time, submitted by the Buyer in favour of "Myod Solutions Pvt. Ltd.". On the Due Date of the Factoring Unit, NPCI will pull the total amount underlying the Factoring Unit from the respective Buyer's Bank and push the said amount less any Margin to the respective Financier's/Ultimate Financier's Bank account and push the Margin to the Supplier's Bank Account. For the avoidance of doubt, it is hereby clarified that any discounting and / or re-discounting of any Factoring Units on M1 shall be without any recourse to the Supplier and any legal proceedings initiated by any party to a Transaction against another party, if at all, will be outside the purview of M1.

(vii) The Corporate Debtor, by its letter dated 20.02.2024 (page 29 of Petition), requested the Financial Creditor to enhance the limit to Rs.15.00 crores for M1xchange. The Financial Creditor, vide

sanction letter dated 26.02.2024 (pages 27-28 of the Petition), enhanced the buyer-wise limit in TReDS from Rs.6.00 crores to Rs.15.00 crores; the earlier sanction is dated 28.06.2023. The sanction letter is addressed by the Zonal Office to the Assistant General Manager of the Corporate Finance Branch of the Financial Creditor and not to the Corporate Debtor. The relevant extract of the aforesaid letters are reproduced below:

RKEC Projects Limited
An ISO 9001, 14001, and OHSAS 18001 Certified Company
CIN - L45200AP2005PLC045795

Date: 20-02-2024

To
The Branch Manager,
The Bank Of Maharashtra.

Dear Sir,

We would like to convey our gratitude to you and your team for providing support which has helped to strengthen our relationship.

We would further like to request for the enhancement of limits to Rs.15 crores for M1 Exchange platform for Bill discounting.

Kindly Sanction the maximum limits as per policy.

Thanking You,

For RKEC Projects Ltd.

Ganapati Radhakrishna
Chairman

RKEC Projects Limited
PAN : AACCR9682A
Regd. Office : # 10-12-1, 3rd Floor, Redmen Akasur, Redmen Gardens, Opp. SBI Main Branch, Visakhapatnam-530 002
M: 0891-2574517 Tele Fax: 0891-2574703 Email: info@rkecprojects.com, Website: www.rkecprojects.com

Case Citation: (2026) ibclaw.in 4125 NCLT

अंचल कार्यालय हैदराबाद
Zonal Office HYDERABAD
टेलीफोन/TELE : 24757005 / 24755080
ई-मेल/e-mail : cpcc.hyd@mahabank.co.in
प्रधान कार्यालय लोकमंगल, 1501, शिवाजीनगर, पुणे-5
Head Office: LOKMANGAL,1501,SHIVAJINAGAR,PUNE-5

अंचल कार्यालय, 4-3-448 से 460 और 465 से 468, पहली मंजिल, विनुतना पिल्लै मालयती, गोपाल भाग, पेट्रोल पंप के पास, कोटी, हैदराबाद - 95
Zonal Office, HNo.4-3-448 To 460 & 465 to 468, 1st Floor, Vinoothna Pillai's Majesty, Gopal Bagh Near Petrol Pump, Koti, Hyderabad

AX21/ADV/SAN/TReDS/RKEC/CFBHYD/2023-24 26-02-2024

SANCTION LETTER

To
The Assiatnt General Manager
Bank of Maharashtra
Corporate Finance Branch Hyderabad

Sanction No.	ZLCC / ZM / 49 / 2023-24
Reference No.	AX21/ADV/SAN/TReDS/RKEC/CFBHYD/2023-24
Date	28/06/2023
Sector	Non Priority
BSR Code	40003

Dear Sir,

Re: Enhancement of Buyer-wise Limit in TReDS from Rs.6.00 Crore tocRs.15.00 Crore to M/s RKEC Projects Limited, Corporate Finance Branch Hyderabad

With reference to the captioned proposal recommended by the branch, we are pleased to inform you that a note was placed before ZLCC of Zonal Manager, who have accorded sanction under the terms and condition as set out below:-

Buyer	:	RKEC Projects Limited (CIN: L45200AP2005PLC045795)
Limit	:	Rs.15.00 crore (Rupees Fifteen crore only) [Enhancement from Rs.6.00 Crore]
Purpose	:	Bill discounting on TReDS platform raised by MSME sellers of the Buyer
Margin	:	Nil
Security	:	Primary: Assignment of factored bills. Collateral : Nil
Rate of Interest	:	Linked to RLLR At RLLR i.e. 9.30% p.a. presently (Up to 90days) At RLLR+0.70% i.e. 10.00% p.a. presently (91-180days) Minimum ROI should not be below prevailing RBI's Repo Rate, ROI linked to tenor based RLLR as per HO Circular no. AX1/MSME/TReDS/ROI/Cir.No.156/2022-23 dated 20.10.2022
Other Charges		Charges like Platform charges, CERSAI charges as applicable on and above applicable rate of interest.
Interest Collection	:	Leg 1 (Upfront) / Leg 2 (on due date) 0.10% extra to be charged for Leg 2 Bills
Penalty	:	For extension of due date by 15 days : 0.25% of bill amount Interest: 2% above the applicable ROI for extended period.
Others	:	Full interchangeability is allowed among all the three TReDS platforms (RXIL,INVOICEMART& M1 Exchange) ➢ The total exposure an all the TReDS Platforms put together for **M/s RKEC Projects Limited** Shall not exceeds Rs. 15.00 Crore at any given point of time. ➢ Company to comply with TReDS guidelines issued by Banks on time to time basis and the same shall be followed/complied scrupulously. ➢ Branch to ensure that the Companies with common Directorships are classified into Group / Non-Group as per Loan Policy and ensure that there are no adverse observations in any of the Group Concerns. ➢ Branch to obtain and keep on justification for the Yellow Flags and Red Flags as per the Corpository Report. ➢ Branch to obtain the no overdue certificates from the lenders wherein overdue is reflected in the Commercial CIBIL of the borrower. ➢ UCC- Bank shall at its sole discretion, be entitled and at liberty to exercise its absolute right to cancel the limits, unconditionally and without any prior notice in case of occurrence of all or any of the following events- ➢ The Limits /parts of limits not utilized; Deterioration in the loan account in any manner whatsoever Any other reason which the Bank considers appropriate to cancel the facility.

Yours faithfully,

(K E Hari Krishna)
Assistant General Manager,
CPC-Commercial
Hyderabad Zone

(viii) From the above, it is noted that the purpose of the limit is "bill discounting on TReDS platform raised by MSME sellers of the Buyer", the security is "assignment of factored bills" with nil collateral, and the interest is linked to RLLR and collected "Leg 1 (Upfront) / Leg 2 (on due date)", with a penalty for extension of the due date.

(ix) The Financial Creditor has enclosed the SWIFT advices dated 01.02.2025, 13.02.2025, 14.02.2025 and 18.02.2025 (page 33 onwards), one of which is reproduced below:

BANK OF MAHARASHTRA
CORPORATE FINACE BRANCH
SULTAN BAZAR KOTI HYDERABAD
TELANGANA

TEL NO: 80879 92124
FAX NO: 80879 92124
IFSC CODE: MAHB0002124
PIN CODE: 500001

DATE: 01/02/2025

To,
M/S RKEC PROJETCS LIMITED
DOOR NO 10 12 1 RADNAM ALCAZAR
3RD FLOOR OPP SBI MAIN BRANCH
OLD JAIL ROAD REDNAM GARDENS VISAKH

Dear Sir(s),

Our Reference No. 0212425ET5003586
Presentation amountINR20,00,000.00

We have Discounted the captioned bill and advise having credited proceeds to your account after deducting the following charges from bill discounting proceeds.

Amount of Bill	INR20,00,000.00
Less charges	
Postage/Cable Chrg	0.00
Discounting Comm.	0.00
GST	0.00
Other Bank Charges	
Discounting Interest	81,429.00
Amount Credited	19,18,571.00
Account Credited	
Customer Account	00000060441597777

Yours Faithfully

Authorised Signatory

BANK OF MAHARASHTRA
CORPORATE FINACE BRANCH
SULTAN BAZAR KOTI HYDERABAD
TELANGANA

TEL NO: 80879 92124
FAX NO: 80879 92124
IFSC CODE: MAHB0002124
PIN CODE: 500001

Please Quote Our Ref No. :0212425ET5003586 Date : 01/02/2025
Mail To:
any bank in india

Drawer:
M/S RKEC PROJETCS LIMITED
DOOR NO 10 12 1 RADNAM ALCAZAR
3RD FLOOR OPP SBI MAIN BRANCH
OLD JAIL ROAD REDNAM GARDENS VISAKH

Dear Sir,
We enclose the following bill for Collection and disposal of proceeds as per the instructions below. Please acknowledge receipt.

Tenor : Usance
144 Days from Date of Sight/P
LR/RR No. :RI-290125-000776
LR/RR Date:01/02/2025
Goods :
Maturity Date:25/06/2025

Drawee
BBRINDIAPRIVATE LIMITED
anywhere in india

Bill Amount: INR

Invoice No.:00000060461984582 Invoice Amt: INR 20,00,000.00

DISPOSAL INSTRUCTIONS:
1.Deliver documents against PAYMENT / ACCEPTANCE.
2.In case of ACCEPTANCE, please advise us DUE DATE.
3.Protest for Non-Payment/Non-Acceptance in case of dishonour.
4.Collect your charges from Drawee, same should NOT be deducted from proceeds.

SETTLEMENT INSTRUCTIONS:
Please remit proceeds to us on maturity.
Unless otherwise specified the negotiation is subject to URC(1995 Revision) ICC Publication No. 522.

Yours faithfully,

Authorised Signatory

(x) It is noted that the SWIFT advices referred to above suppliers as the drawees and do not, on their face, evidence a credit of the discounted amounts to the Corporate Debtor. The statement of account records transfers to a TReDS Settlement Account; however, the material presently referred to does not establish that the said account was held by the Corporate Debtor or that the amounts were credited to an account maintained for it. These documents, read with the settlement mechanism described in the

Agreement, support the Corporate Debtor's contention that the amounts were remitted towards the suppliers invoices. The legal character of the transaction must nevertheless be determined by considering the entire contractual arrangement and not merely the identity of the account to which the funds were remitted.

(xi) The Financial Creditor has enclosed the computation at Annexure A-4 (page 31) for 31 bills, the relevant extract of which is reproduced below:

Sr.No	BILL_REFNO	BUYERS_ID	BUYERS_NAME	DISCOUNT_DATE	MATURITY_DATE	INVOICE_DA	INTEREST_RATE	Total Interest along with Penal rate	Total Amount Credited	Total interest collected upfront	Total amount	PENAL INTEREST as on 18-06-2026
1	0212425ET5003586	40269961051	M/S RKEC PROJETCS LIMITED	01-02-2025	25-06-2025	m1 xchange	10.32	12.32	19,18,571	81,429	20,00,000	2,41,675.00
2	0212425ET5003589	40269961051	M/S RKEC PROJETCS LIMITED	01-02-2025	25-06-2025	m1 xchange	10.32	12.32	28,77,856	1,22,144	30,00,000	3,62,512.00
3	0212425ET5004509	40269961051	M/S RKEC PROJETCS LIMITED	13-02-2025	25-06-2025	m1 xchange	10.34	12.34	20,15,534	78,297	20,93,831	2,53,424.00
4	0212425ET5004511	40269961051	M/S RKEC PROJETCS LIMITED	13-02-2025	25-06-2025	m1 xchange	10.34	12.34	18,85,114	73,230	19,58,344	2,37,025.00
5	0212425ET5004512	40269961051	M/S RKEC PROJETCS LIMITED	13-02-2025	25-06-2025	m1 xchange	10.34	12.34	48,13,030	1,86,970	50,00,000	6,05,167.00
6	0212425ET5004513	40269961051	M/S RKEC PROJETCS LIMITED	13-02-2025	25-06-2025	m1 xchange	10.34	12.34	24,70,569	95,973	25,66,542	3,10,637.00
7	0212425ET5004514	40269961051	M/S RKEC PROJETCS LIMITED	13-02-2025	25-06-2025	m1 xchange	10.34	12.34	20,64,690	80,206	21,44,896	2,59,604.00
8	0212425ET5004515	40269961051	M/S RKEC PROJETCS LIMITED	13-02-2025	25-06-2025	m1 xchange	10.34	12.34	19,54,864	75,940	20,30,804	2,45,795.00
9	0212425ET5004516	40269961051	M/S RKEC PROJETCS LIMITED	13-02-2025	25-06-2025	m1 xchange	10.34	12.34	12,14,753	47,189	12,61,942	1,52,737.00
10	0212425ET5004517	40269961051	M/S RKEC PROJETCS LIMITED	13-02-2025	25-06-2025	m1 xchange	10.34	12.34	19,25,212	74,788	20,00,000	2,42,067.00
11	0212425ET5004518	40269961051	M/S RKEC PROJETCS LIMITED	13-02-2025	25-06-2025	m1 xchange	10.34	12.34	28,87,818	1,12,182	30,00,000	3,63,100.00
12	0212425ET5004673	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	02-07-2025	m1 xchange	10.39	12.39	23,98,829	98,086	24,96,915	2,97,502.00
13	0212425ET5004684	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	25-06-2025	m1 xchange	10.39	12.39	9,71,567	37,633	10,09,200	1,22,642.00
14	0212425ET5004685	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	25-06-2025	m1 xchange	10.39	12.39	3,58,609	13,891	3,72,500	45,268.00
15	0212425ET5004686	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	25-06-2025	m1 xchange	10.39	12.39	12,51,523	48,477	13,00,000	1,57,981.00
16	0212425ET5004689	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	25-06-2025	m1 xchange	10.39	12.39	9,62,710	37,290	10,00,000	1,21,524.00
17	0212425ET5004690	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	25-06-2025	m1 xchange	10.39	12.39	9,62,710	37,290	10,00,000	1,21,524.00
18	0212425ET5004691	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	25-06-2025	m1 xchange	10.39	12.39	9,62,710	37,290	10,00,000	1,21,524.00
19	0212425ET5004693	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	02-07-2025	m1 xchange	10.39	12.39	13,55,547	55,427	14,10,974	1,68,114.00
20	0212425ET5004694	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	02-07-2025	m1 xchange	10.39	12.39	10,88,136	44,534	11,33,670	1,35,074.00
21	0212425ET5004695	40269961051	M/S RKEC PROJETCS LIMITED	14-02-2025	02-07-2025	m1 xchange	10.39	12.39	33,62,510	1,37,490	35,00,000	4,17,017.00
22	0212425ET5005073	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	02-07-2025	RXIL	10.39	12.39	64,36,755	2,55,261	66,92,016	7,97,338.00
23	0212425ET5005074	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	02-07-2025	RXIL	10.39	12.39	48,26,747	1,91,413	50,18,160	5,97,902.00
24	0212425ET5005075	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	09-07-2025	RXIL	10.34	12.34	30,55,731	1,27,135	31,82,866	3,70,168.00
25	0212425ET5005076	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	09-07-2025	RXIL	10.34	12.34	18,70,439	77,820	19,48,259	2,26,583.00
26	0212425ET5005077	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	09-07-2025	RXIL	10.34	12.34	16,02,505	66,673	16,69,178	1,94,126.00
27	0212425ET5005079	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	09-07-2025	RXIL	10.34	12.34	45,39,231	1,88,857	47,28,088	5,49,878.00
28	0212425ET5005080	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	09-07-2025	RXIL	10.34	12.34	19,20,113	79,887	20,00,000	2,32,601.00
29	0212425ET5005081	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	09-07-2025	RXIL	10.34	12.34	19,43,132	80,845	20,23,977	2,35,389.00
30	0212425ET5005082	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	09-07-2025	RXIL	10.34	12.34	19,25,838	80,125	20,05,963	2,33,294.00
31	0212425ET5005083	40269961051	M/S RKEC PROJETCS LIMITED	18-02-2025	09-07-2025	RXIL	10.34	12.34	19,20,113	79,887	20,00,000	2,32,601.00
									6,97,44,466	28,03,659	7,25,48,125	86,51,793.00



(xii) It is noted from the above computation that, in respect of each bill, the "total amount credited" plus the "total interest collected upfront" is equal to the "total amount" of the bill, the totals being Rs.6,97,44,466/- plus Rs.28,03,659/-, i.e., Rs.7,25,48,125/-. Therefore, the suppliers were paid the invoice amount less the interest collected upfront. The Financial Creditor has not placed any material to show that the Corporate Debtor paid the interest upfront. The interest of Rs.86,51,793/- claimed in the Petition is the amount shown in the column "penal interest as on 18.06.2026", i.e., interest on the overdue amounts for the period after the due dates.

(xiii) It is further noted that the bills at serial nos. 22 to 31 of the computation are shown against "RXIL" and the others against "m1xchange", whereas the only agreement placed on record is the Agreement with the Company hosting M1xchange.

(xiv) The bills were not paid by the Corporate Debtor on the due dates, i.e., 25.06.2025, 02.07.2025 and 09.07.2025. The Financial Creditor issued the notices of overdue dated 01.08.2025, 02.09.2025, 15.09.2025 and 22.09.2025, and the Corporate Debtor, by its letters dated 12.08.2025 and 18.10.2025, sought additional time. The Financial Creditor classified the account as NPA on 23.09.2025, the NeSL Form-D records the date of default as 23.09.2025 and the amount in default as Rs.7,76,58,935/-, and the Financial Creditor issued the demand notice dated 17.01.2026. The present Petition was filed claiming Rs.7,80,72,058/- as on 18.06.2026.

(xv) The “financial debt” has been defined under sub-section 8 of Section 5 of the IBC as below:

> *"(8) "financial debt" means a debt along with interest, if any, which is disbursed against the consideration for the time value of money and includes-*
>
> *(a) money borrowed against the payment of interest;*
>
> *(b) any amount raised by acceptance under any acceptance credit facility or its dematerialised equivalent;*
>
> *(c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;*
>
> *(d) the amount of any liability in respect of any lease or hire purchase contract which is deemed as a finance or capital lease under the Indian Accounting Standards or such other accounting standards as may be prescribed;*
>
> *(e) receivables sold or discounted other than any receivables sold on non-recourse basis;*
>
> *(f) any amount raised under any other transaction, including any forward sale or purchase agreement, having the commercial effect of a borrowing;*
>
> *Explanation.-For the purposes of this sub-clause, -*
>
> *(i) any amount raised from an allottee under a real estate project shall be deemed to be an amount having the commercial effect of a borrowing; and (ii) the expressions, "allottee" and "real estate project" shall have the meanings respectively assigned to them in clauses*
>
> *(d) and (zn) of section 2 of the Real Estate (Regulation and Development) Act, 2016 (16 of 2016);*
>
> *(g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price and for calculating the value of any derivative transaction, only the market value of such transaction shall be taken into account;*
>
> *(h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, documentary letter of credit or any other instrument issued by a bank or financial institution;*

(i) the amount of any liability in respect of any of the guarantee or indemnity for any of the items referred to in sub-clauses (a) to (h) of this clause."

(xvi) A debt is a “financial debt” under Section 5(8) only if it is disbursed and the disbursement is against the consideration for the time value of money. Both ingredients must be satisfied. The Financial Creditor contends that the debt falls under clauses (a) and (b). Since the transaction is the discounting of invoices, clauses (e) and (f) also need to be examined.

(xvii) The Agreement provides that the credit amount is credited to the supplier’s bank account and the debit amount is debited from the financier’s bank account that is the Financial Creditor (Annexure 1, as per the clauses 1.5, 1.6 and 3.10.1). It makes no provision for any credit to the buyer that is the Corporate Debtor. The SWIFT advices identify the suppliers as drawees, and the Financial Creditor has itself pleaded that payment was made to the seller on behalf of the Corporate Debtor. The Financial Creditor submitted that the TReDS Settlement Account is the account of the Corporate Debtor. However, the Statement of Account does not identify it as an account of the Corporate Debtor. The Account is maintained by the Financial Creditor itself, and its debit entries record the Financial Creditor’s own accounting of the utilisation of the limit. They do not show receipt by the Corporate Debtor. Therefore, we find that no amount was disbursed to the Corporate Debtor.

(xviii) The Annexure A-4 computation shows that, for the 31 bills, the amounts credited to the suppliers plus the interest collected upfront

equal the invoice amounts (Rs.6,97,44,466/- plus Rs.28,03,659/- equals Rs.7,25,48,125/-). The price for early payment was therefore recovered from the amounts payable to the suppliers, and the Financial Creditor has not shown that the Corporate Debtor paid it. The interest of Rs.86,51,793/- is shown as "Penal Interest as on 18.06.2026", i.e., interest on the overdue amounts after the due dates. The Agreement provides for such penal interest on delay (Clauses 1.19, 1.20 and 3.5; Annexure 1, Clause 3.8). The sanction letter is a communication between the Zonal Office and the Branch of the Financial Creditor. It is not an agreement between the parties, and no document has been placed on record under which the Corporate Debtor undertook to pay interest for finance extended to it. The Corporate Debtor's liability remained the amount it owed its suppliers, on the same due dates. Interest for delay in payment of trade dues does not convert an operational debt into a financial debt. The second ingredient that is the time value of money is also not satisfied.

(xix) The sub clause (a) of Section 5(8) requires money borrowed, i.e., advanced to or placed at the disposal of the borrower, which is not the case here and the sub clause (b) of Section 5(8) covers an amount raised by acceptance under an acceptance credit facility. The Corporate Debtor's acceptance on the platform is only a confirmation that the supplier's invoice is genuine and payable as per clauses 3.1 and 3.2, and it raised no amount.

(xx) The Financial Creditor relies on the buyer's i.e. the Corporate Debtors undertaking to pay the amount underlying a discounted factoring unit to the financier on the due date (as per the Clause 3.3; Annexure-1 Clauses 3.2.3 and 3.5.2). That undertaking arises on the Buyer's acceptance of an invoice for goods or services supplied to it, and it identifies the assignee to whom the existing trade liability is to be paid. It is not a promise to repay borrowed money. The Agreement is also between the platform operator and the Corporate Debtor, and the Financial Creditor is not a party to it.

(xxi) The sub clause (e) of Section 5(8) concerns the person, who sells or discounts the receivable, i.e., the supplier. The Corporate Debtor is the account debtor. Even if a financial debt arose between a supplier and the Financial Creditor, it would not be a financial debt against the Corporate Debtor. Second, the Agreement provides that discounting is "without any recourse to the supplier" (as per Annexure-1 clauses 3.10.1 and 3.10.2), and the receivables are assigned outright to the Financial Creditor (as per Annexure-1 Clause 3.6.1). The Financial Creditor has not placed any document showing recourse to the suppliers, so the receivables fall within the exclusion in clause (e). Discounting of invoices is specifically covered by clause (e) and cannot be brought under clause (f).

(xxii) Further the "operational debt" under Section 5(21) is a claim in respect of the provision of goods or services. Each 'factoring unit' is the invoice of an MSME supplier on the Corporate Debtor for goods or services (as per Clauses 1.8 and 1.29). On the Supplier's

execution of the deed of assignment, the receivables stood assigned to the Financial Creditor (as per Annexure-1 Clause 3.6.1), as the Petition itself pleads, an operational creditor includes a person to whom an operational debt has been legally assigned, and under Section 21(5), an assignee of an operational debt is considered an operational creditor to the extent of the assignment. An assignee has no higher right than its assignor, so the debt retains its character in the Financial Creditor's hands.

(xxiii) On a consideration of the Agreement dated 20.01.2021, the sanction letter dated 26.02.2024, the SWIFT advices, the computation relating to the 31 bills and the other material placed on record, we find that the transactions in question arise from the discounting and assignment of receivables originating from the supply of goods or services by the suppliers to the Corporate Debtor. The amounts were remitted to the suppliers, and the material relied upon by the Financial Creditor does not establish that the amounts were credited to an account of the Corporate Debtor or otherwise placed at its disposal as borrowed money.

(xxiv) The obligation of the Corporate Debtor to pay the Financial Creditor on the respective due dates, as recorded in the Agreement, must be considered in the context of the underlying trade receivables and the assignment thereof. Such an obligation, by itself, does not establish that the Corporate Debtor raised an amount under an acceptance credit facility within the meaning of Section 5(8)(b) of the Code. The question is whether the

transaction, viewed as a whole, satisfies the statutory requirements of financial debt.

(xxv) The Hon'ble NCLAT in the matter of ***Canbank Factors Limited v.* Brijesh *Singh Bhaduria & Anr.*** **(Company Appeal (AT) (Insolvency) No. 742 of 2025**, (decided on 28.01.2026) has held that such debt would be an operational debt coming within the meaning of Section 5(21) of the Code, having arisen from the Corporate Debtor's procurement of goods from its suppliers during the ordinary course of business operations. The relevant extracts of the above judgment are reproduced below:

> *"29. the Appellant, acting as the 'Factor', acquires invoices raised by suppliers on their respective buyers and advances payments to such suppliers against those invoices. The Appellant then assumes the responsibility of recovering the corresponding amounts directly from the buyers, thereby providing liquidity to suppliers while undertaking the collection risk associated with such receivables. The core dispute revolves around the characterization of the debt while the Appellant claims status as a 'Financial Creditor under Section 5(8) of the Code and the Respondents maintain that the underlying transaction represents an operational debt under Section 5(21) of the Code, being essentially an assignment of trade receivables arising from supply of goods.*
>
> *30. We observe that the debt claimed by the Appellant arises out of the discounting of trade receivables originally payable by the Corporate Debtor to its suppliers for goods received in the ordinary course of business. the Appellant, acting as a Factor, purchased such receivables by paying the suppliers upfront, thereby stepping into their shoes for the limited purpose of recovery of dues from the Corporate Debtor. The entire basis of the Appellant's claim stems from trade payables owed by the Corporate Debtor to its suppliers debts that are squarely operational in nature as per the definition under Section 5(21) of the Code. The mere assignment of such operational debts to a third party, including a financial institution or factor, does not convert the nature of the debt into a financial*

debt. As defined under Section 5(8) of the Code, a "financial debt" involves disbursement against the consideration for the time value of money, such as loans, debentures, bonds, etc. In the present case, the transaction in question does not involve any loan or disbursement made to the Corporate Debtor.... The Appellant merely stepped into finance the suppliers, and any recovery from the Corporate Debtor was in lieu of its operational dues payable to said suppliers. The debt that arose in the above-mentioned transactions between the Corporate Debtor and the Supplier are for the purchase of goods in the normal course of business of the Corporate Debtor, and therefore according to the definition of the Operational Debt given under Section 5(21) of the Code, the debt is Operational in nature,"

(xxvi) The above principles laid down to the contractual arrangement and evidence in the present case, we find that the mere assignment of the underlying trade receivables to the Financial Creditor does not, by itself, convert the operational liability into a financial debt.

(xxvii) The Financial Creditor has sought to distinguish the above judgments on the ground that the financier therein is not nationalised bank. The fact that the Financial Creditor is a bank does not alter the nature of the underlying transaction. The character of the debt must be determined by reference to the rights and obligations arising from the transaction and the statutory provisions of the Code. The classification of the account as a non-performing asset and the record of default may be relevant to the question of default, but they do not, by themselves, establish that the debt is a financial debt.

(xxviii) For the foregoing reasons, and having regard to the contractual documents and the evidence on record, we find that the amount claimed in the present Petition represents an operational debt

arising from the supply of goods or services and the subsequent assignment of the receivables. The Financial Creditor has failed to establish that the debt claimed against the Corporate Debtor is a financial debt within the meaning of Section 5(8) of the Code. Consequently, the Financial Creditor cannot maintain the present Petition under Section 7 of the Code in respect of the debt in question.

14. In view of the foregoing findings, the debt claimed by the Financial Creditor has not been established to be a financial debt within the meaning of Section 5(8) of the Code.

15. **Accordingly, CP (IB)/24/7/AMR/2026 is dismissed as not maintainable under Section 7 of the Code.**

Sd/-	**Sd/-**
(Umesh Kumar Shukla)	**(Kishore Vemulapalli)**
Member (Technical)	**Member (Judicial)**

Anusha/ Naidu PS