

S.No.1

**IN THE NATIONAL COMPANY LAW TRIBUNAL  
HYDERABAD BENCH – 1  
VC AND PHYSICAL (HYBRID) MODE  
ATTENDANCE CUM ORDER SHEET OF THE HEARING HELD ON  
19-05-2026 AT 12:30 P.M.**

**CP(IB) No. 217/7/HDB/ 2024**

**AND**

**IA (IBC) 1580/2025 in CP(IB) No. 217/7/HDB/ 2024**

u/s. 7 of IBC, 2016

**IN THE MATTER OF:**

M/s. Madhya Pradesh Financial Corporation

**...Financial Creditor**

**AND**

Sri Naga Krishna Chemicals Ltd.,

**...Corporate Debtor**

**C O R A M:-**

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

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

**ORDER**

**IA (IBC) 1580/2025**

Present: Mr. Y Suryanarayana, Ld. Counsel for the Applicant.

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

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

**Sd/-  
MEMBER (T)**

**Sd/-  
MEMBER (J)**

IN THE NATIONAL COMPANY LAW TRIBUNAL

HYDERABAD BENCH – I, HYDERABAD

IA (IBC) No. 1580 of 2025

In

CP (IB) No. 217/7/HDB/ 2024

*(UNDER SECTION 60(5) OF THE CODE READ WITH RULE 11 OF NCLT  
RULES, 2016)*

**In the matter of M/s. Sri Nagakrishna Chemicals Limited.**

**Between:**

**Frontline Enterprises Limited**

Srinivasa Nilayam, Sivalyam Gudi,  
Ravulapalem, East Godavari District,  
Andhra Pradesh-533223

**...Applicant**

**AND**

1. **Global Insolvency Professionals Private Limited**

No. 2, 8-2-248/A/5/16, Plot No. 717,  
Journalist Colony Road, Banjara Hills,  
Hyderabad, Telangana – 500082

2. **Madhya Pradesh Financial Corporatation**

Having its Head office at  
Financial House, Mumbai Agra Road,  
Indore, Madhya Pradesh- 452001

**...Respondents**

**Date of Order: 19.05.2026**

**Coram:**

**Sri Rajeev Bhardwaj, Hon'ble Member (Judicial)**

**Sri Sanjay Puri, Hon'ble Member (Technical)**

**Parties/Counsels:**

For Applicant : Mr. Y. Suryanarayana, Advocate  
For Respondent No.1 : Mr. C Nagarjuna Rao, Advocate  
For Respondent No.2 : Mr. Pratik Tripathi, PCS

1. The present application is filed by M/s. Frontline Enterprises Limited<sup>1</sup>, under section 60(5) of The Insolvency and Bankruptcy Code<sup>2</sup>, 2016, read with rule 11 of National Company Law Tribunal Rules, 2016, against the Respondents, *inter alia*, seeking following reliefs:

a) To direct the Respondent No. 1 herein not to convene and conduct any meetings of the CoC of the Corporate Debtor until the disposal of the instant Application.

And

b) To reconstitute the CoC, with the Respondent No.2 being a CoC member having 25.6% voting share and Applicant herein as CoC member having 74.4% voting share.

**Case of the Applicant:**

2. That this Tribunal vide order dated 05.08.2025 admitted the M/s. Sri Nagakrishna Chemicals Limited<sup>3</sup> into Corporate Insolvency Resolution Process in an application filed by Madhya Pradesh Financial Corporation and appointed Mr. Medi Yadaiah as Interim Resolution Professional, who was subsequently replaced by Global Insolvency Professionals Private Limited as Resolution Professional of the Corporate Debtor.

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<sup>1</sup> Applicant

<sup>2</sup> Code, 2016

<sup>3</sup> Corporate debtor

3. Pursuant to commencement of CIRP, the Interim Resolution Professional issued public announcement in Form-A on 09.08.2025 inviting claims from creditors and fixed 19.08.2025 as the last date for submission of claims.
4. The Applicant claims to be a Financial Creditor of the Corporate Debtor. According to the Applicant, the Corporate Debtor approached it seeking financial assistance for settlement of dues under One Time Settlement proposals with consortium lenders, namely State Bank of India, Union Bank of India (erstwhile Andhra Bank) and Respondent No.2.
5. Pursuant thereto, the Applicant entered into a Loan Agreement dated 19.08.2019 and deposited an amount of Rs.1,20,00,000/-, being 10% of the OTS commitment amount, with the understanding that the balance amount would be disbursed upon receipt of final OTS sanctions from all lenders. However, the OTS proposal with Respondent No.2 did not materialise.
6. The Applicant filed its claim for Rs.23.07 Crores on 12.08.2025 and revised the same on 29.08.2025, which was admitted by the IRP on 08.09.2025 along with circulation of agenda of the 1<sup>st</sup> CoC meeting.
7. The Interim Resolution Professional, vide email dated 03.09.2025, circulated the notice and agenda for the 1<sup>st</sup> CoC meeting scheduled on 08.09.2025, wherein the claim of Respondent No.2 was admitted for an amount of Rs.73.98 Crores. The Applicant, vide email dated 10.09.2025, raised objections disputing the admission of the said claim and sought supporting documents and details in relation thereto, pursuant to which a loan synopsis statement was furnished indicating the basis for such admission.
8. It is the case of the Applicant that in the Section 7 application filed by Respondent No.2, the claim amount was reflected as Rs.7,95,72,029/- and the loan disbursement amount was shown as Rs.6,75,00,000/-,

with the account having been classified as NPA in the year 2011. However, the claim admitted by the Interim Resolution Professional in favour of Respondent No.2 was for an amount of Rs.73.98 Crores.

9. According to the Applicant, on account of such admission, its voting share in the Committee of Creditors stood reduced from 74.3% to 23.77%, whereas the correct computation ought to have reflected 74.3% voting share in favour of the Applicant and 25.6% in favour of Respondent No.2.
10. That the enhancement of the claim of Respondent No.2 from Rs.7.95 Crores to Rs.73.98 Crores is on account of inclusion of entries towards "Interest", "Revised Interest" and "Penal Interest", which is contrary to the RBI Master Circular on Prudential Norms, since interest cannot be charged or accrued on an account classified as NPA.
11. Further, according to the Applicant, the RBI Circular mandates reversal of unrealised interest and recognition of interest only on cash basis after classification of the account as NPA and therefore the computation adopted by Respondent No.2 and accepted by the Interim Resolution Professional is contrary to the said norms.
12. That the erroneous admission of the claim of Respondent No.2 has vitiated the constitution of the Committee of Creditors and consequently rendered the CIRP process illegal and invalid.

**Case of the Respondent No.1:**

13. It is the case of the Respondent No.1/Resolution professional that upon due verification of the claim submitted by Respondent No.2, it was observed that the Company Petition had been filed claiming a due amount of Rs.7.95 Crores with interest calculated up to 18.07.2017, whereas a sum of Rs.73.98 Crores was submitted before the Interim Resolution Professional with interest calculated from July, 2017 till August, 2025.

14. Since the claim had already been admitted and the Committee of Creditors had been constituted, the Resolution Professional could not review the admitted claim or the constitution of the CoC, though there appears to be some error in the calculation of interest by Respondent No.2.
15. In the aforesaid circumstances, Respondent No.1 seeks consideration by this Tribunal for appointment of an independent auditor to examine the claim of Respondent No.2 with reference to the calculation of interest and the applicable RBI provisions relating to NPA accounts and to submit a report at the earliest, particularly in view of the CIRP period coming to an end on 02.05.2026.

**Case of the Respondent No.2:**

16. It is the case of the Applicant that upon admission of the Corporate Debtor into CIRP, the Interim Resolution Professional was appointed and public announcement was issued inviting submission of claims from creditors, pursuant to which Respondent No.2 submitted its claim. The said claim came to be admitted after due verification of documents in accordance with law and according to Respondent No.2, the same cannot be challenged merely on the ground that it affects the voting share of the Applicant in the Committee of Creditors.
17. According to Respondent No.2, the amount of Rs.7,95,72,029/- reflected in the Section 7 petition represented only the amount of default for the limited purpose of initiation of CIRP and did not represent the total outstanding liability payable by the Corporate Debtor to Respondent No.2.
18. That the amount of Rs.73.98 Crores represents the total outstanding dues payable by the Corporate Debtor as per its records, arising out of the loan facilities availed and the defaults committed thereunder, with interest continuing to accrue in terms of the loan agreement, and

according to Respondent No.2, no specific error in computation has been demonstrated by the Applicant.

19. That the reliance placed by the Applicant on RBI guidelines relating to NPA accounts is misconceived, as classification of an account as NPA is only for accounting purposes and does not extinguish the contractual liability of the borrower to pay interest.
20. According to Respondent No.2, the terms of the loan agreement continue to bind the Corporate Debtor unless there is a settlement or judicial order to the contrary, and therefore the constitution of the Committee of Creditors is in accordance with the provisions of the Code.
21. That the One Time Settlement discussions relied upon by the Applicant do not bind Respondent No.2 in the absence of a concluded settlement and accordingly the Corporate Debtor continues to remain liable for the entire outstanding dues payable to Respondent No.2.

**FINDINGS AND DECISION:**

22. We have heard the learned counsel for the Applicant, Mr. Y. Suryanarayana, Advocate, the learned counsel for Respondent No.1, Mr. C. Nagarjuna Rao, Advocate, and the learned counsel for Respondent No.2, Mr. Prathik Tripathi, PCS, and perused the material available on record.
23. At the outset, the learned counsel for the Applicant contended that Respondent No.1/Resolution Professional has admitted the claim of Respondent No.2 for an amount of Rs.73.98 Crores, which is substantially higher in comparison to the amount of Rs.7.95 Crores reflected in the Section 7 application filed by Respondent No.2, and therefore the admission of such claim is arbitrary, excessive and contrary to law.

24. On perusal of the admission order passed in the Section 7 application, we observed from the “Brief of the Petition of Financial Creditor” that Respondent No.2 had averred that a sum of Rs.6,75,00,000/- was disbursed to the Corporate Debtor between 25.05.2009 and 20.09.2010 and upon default committed on 01.01.2011, the account was classified as NPA on 01.04.2011.
25. It was further averred that as on 18.07.2017, the outstanding liability of the Corporate Debtor was Rs.7,95,72,029/- together with contractual interest at 14.50% per annum and penal interest at 2% per annum till full repayment, inclusive of future interest, charges, fees and penalties.
26. Therefore, it is clear that while filing the Section 7 application, Respondent No.2 had averred an outstanding claim of Rs.7,95,72,029/- together with contractual interest and penal interest till full repayment.
27. It is also evident from the agenda circulated for the 1st Committee of Creditors meeting that Respondent No.1 admitted the claim of Respondent No.2 for an amount of Rs.73.98 Crores, which constituted 80.66% voting share in the Committee of Creditors.
28. According to Respondent No.2, the claim amount of Rs.73.98 Crores now admitted by Respondent No.1 represents the total outstanding dues together with contractual interest and penal interest accrued in terms of the loan documents, whereas the claim amount of Rs.7,95,72,029/- reflected in the Section 7 application was only the outstanding amount as on 18.07.2017.
29. To the contrary, the Applicant contended that once the loan account of the Corporate Debtor was classified as NPA on 01.04.2011, interest could not continue to accrue thereafter and therefore the enhancement of the claim from Rs.7.95 Crores to Rs.73.98 Crores by

inclusion of “Interest”, “Revised Interest” and “Penal Interest” is contrary to the RBI Master Circular on Prudential Norms.

30. At this juncture, the short point that arises for our consideration is whether Respondent No.2 is entitled to continue accrual of contractual interest and penal interest even after classification of the loan account of the Corporate Debtor as NPA.
31. In this regard, we observed that the Hon’ble NCLAT, Chennai, in *Company Appeal (AT) (CH) (Ins.) No. 431 of 2022, Arun Kumar vs. Kotak Mahindra Bank*, has held that the contractual terms relating to interest cannot be interfered with under the Code and that the liability arising out of the loan agreement continues in accordance with the terms agreed between the parties. The relevant para is extracted below:

“23. The right which vested with the Kotak Bank / The Financial Creditor by virtue of the Loan Agreement / Settlement Agreement cannot be interfered by the Code. It is mainly for this reason that the non obstante clause, in the widest terms possible is contained in [Section 238](#) of the Code, so that any vested right of either the Corporate Debtor or the Creditor, under any other law for the time being in force, cannot come in the way of the Code. The whole scheme and objective of the Code is to bring the defaulter Companies back on their feet, but at the same time cannot fiddle with the terms of the Contract as far as interest / penal interest or any other terms of the Agreement or Contract is concerned. To reiterate, it is not in the domain of the IBC, 2016, even to decide any contractual interest liability. Section 14 does not impose any restriction on charging of any interest till the amount is paid. It is the commercial wisdom of the CoC with respect to the quantum of amounts to be paid to the Creditors within the Provisions of the Code.”

32. We further observe that a Coordinate Bench of this Tribunal, National Company Law Tribunal, Chandigarh Bench (Court-II), in CP (IB) No. 66/Chd/Hry/2025, *Canara Bank vs. Supreme Ahmednagar Karmala Tembhorni Tollways Private Limited*, has held that the RBI Master Circular on Prudential Norms governs recognition of income, asset classification and provisioning in the books of banks and is regulatory and accounting in nature, and does not provide for waiver or extinguishment of contractual interest payable by the borrower under the loan documents.
33. We are also of view that the RBI Master Circular relied upon by the Applicant does not provide for waiver or extinguishment of contractual interest payable by the borrower under the loan documents. Accordingly, we are not inclined to accept the contention of the Applicant that interest cannot be charged after classification of the account as NPA.
34. However, we cannot lose sight of the fact that as on 18.07.2017, the amount claimed by Respondent No.2 in the Section 7 application was Rs.7,95,72,029/- together with contractual interest and penal interest, whereas the claim amount admitted during CIRP proceedings in the year 2025 stands at Rs.73.98 Crores. Though the said claim was stated to be inclusive of contractual interest at 14.50% per annum and penal interest at 2% per annum, the admitted claim amount is almost ten times the amount reflected in the year 2017.
35. Therefore, we are of the *prima facie* view that there exists a substantial increase in the claim amount, which requires verification to ensure correctness and transparency in the CIRP process.
36. Moreover, it is noted from the counter submitted by Respondent No.1 that consideration may be given for appointment of an independent auditor to examine the claim of Respondent No.2 with reference to the calculation of interest and the applicable RBI provisions relating to NPA accounts.

37. In light of the above circumstances, we are of the view that, having regard to the substantial variation in the quantum of the claim and the submissions of Respondent No.1, the correctness of the computation requires to be verified to ensure transparency and accuracy in the CIRP process.
38. We therefore direct Respondent No.1 to re-verify the claim of Respondent No.2, in the light of the above observations on contractual liability, on the basis of supporting documents including the computation of interest, within a period of 7 days from the date of receipt of this order, and act accordingly.
39. In the meantime, the Respondent No.1 is not to convene and conduct any CoC meeting of the Corporate Debtor till the claim of Respondent No.2 is re-verified and determined accurately.

Accordingly, the present application is allowed and disposed of.

Sd/-

**Sanjay Puri**  
**Member (Technical)**

Sd/-

**Rajeev Bhardwaj**  
**Member (Judicial)**