THE NATIONAL COMPANY LAW TRIBUNAL
MUMBAI BENCH-I

IA (COMPANIES.ACT)/771 (MB) 2021 IN CP/3025 (MB) 2019

under Section 66 of the Insolvency and Bankruptcy Code, 2016.

Anish Niranjan Nanavaty
(Resolution Professional of Reliance Communications Infrastructure Limited)

...**Applicant**

V/s

Worldtel Tamil Nadu Private Limited & Ors.

…**Respondents**

In the matter of

COMPANY PETITION (IB) NO. 3025 OF 2019

State Bank of India

…Petitioner

V/s

Reliance Communications Infrastructure Limited.

…Corporate Debtor

Order delivered on: 15.07.2026

***Coram**:*

Shri Prabhat Kumar
Hon'ble Member (Technical)

Shri Sushil Mahadeorao Kochey
Hon'ble Member (Judicial)

Appearances:

For the Applicant	:	Adv. Anushka Bharadwaj, Adv. Rishabh Jaisani and Adv. Kriti Kalyani.
For the Respondent	:	Adv. Rohit Gupta a/w Adv. Bhakti Chandan and Adv. Ayaan Zariwala.

ORDER

1. This Application IA 771/2021 is filed on 18.3.2021 by Mr. Anish Niranjan Nanavaty ("Applicant/RP"), the Resolution Professional of Reliance Communications Infrastructure Limited ("Corporate Debtor") in the Corporate Insolvency Resolution Process ("CIRP"), under Section 66 of the Insolvency and Bankruptcy Code, 2016 ("Code"), seeking following reliefs:-

   a) *Order and declare that the (i) loss booked by the Corporate Debtor with respect to the receivables from Respondent No. 3 and Respondent No. 2 to the extent of Rs. 4.60 crores, and (ii) assignment of Respondent No. 3 and Respondent No. 2's receivables of Rs. 560 crores by the Corporate Debtor to Respondent No. 1 at Rs. 100 crores, constitutes a fraudulent transaction under Section 66 of the Code and grant consequential reliefs thereto; and;*

   b) *Grant any other relief, including under Sections 66 and 67 of the Code, that this Hon'ble Tribunal may deem fit.*

2. The Applicant had, initially, filed present application arraying M/s Worldtel Tamil Nadu Private Limited ("Respondent No. 1/WTPL"), M/s Macronet Mercantile Private Limited ("Respondent No. 2/MMPL"), and M/s Netizen Engineering Private Limited ("Respondent No. 3/NEPL") only. Thereafter,

pursuant to liberty granted vide order dated 1.10.2025, the Applicant arrayed the suspended board members of the corporate debtor as Respondents, namely, Mr. Suresh Ranagachar as Respondent No. 4, Mr. Shrenikbhai Vaishnav Rameshchandra as Respondent No. 5, Mr. Gautam Bhailal Doshi as Respondent No. 6 Ms. Grace Thomas as Respondent No. 7, Mr. Dagdulal Kasturchand Jain as Respondent No. 8, and Mr. Parthiv Vinayakant Parekh as Respondent No. 9. The copy of amended Application was served on all respondents, and they filed their replies.

3. This Tribunal, vide order dated 25.09.2019, admitted Company Petition (IB) No. 3025 of 2019 filed by State Bank of India under Section 7 of the Insolvency and Bankruptcy Code, 2016 against the Corporate Debtor herein and the Applicant herein was appointed as the Interim Resolution Professional. Subsequently, on 22.10.2019, the Committee of Creditors of the Corporate Debtor resolved to appoint Mr. Anish Nanavaty, the Applicant herein, as the Resolution Professional of the Corporate Debtor.

4. The Applicant appointed auditors M/s Batliboi and Purohit, Chartered Accountants to conduct a transaction audit of the Corporate Debtor as per the provisions of the Insolvency and Bankruptcy Code, 2016. Pursuant thereto, the auditors submitted an addendum report dated 18.02.2021 to the audit report dated 24.09.2020, identifying the *(i) loss booked by the Corporate Debtor with respect to the receivables from Respondent No. 3 and Respondent No. 2 to the extent of Rs. 4.60 crores, and (ii) assignment of Respondent No. 3 and Respondent No. 2's receivables of Rs. 560 crores by the Corporate Debtor to Respondent No. 1 at Rs. 100 crores* as a fraudulent transaction under section 66 of the Insolvency and Bankruptcy Code, 2016.

5. The Resolution Plan, in the matter of Corporate Debtor, was approved by CoC on 30.08.2021 and thereafter by this Tribunal vide order dated 19.12.2023. Clause 3.7.4 of the approved resolution plan contemplates, inter alia, that in

the event any transaction is avoided/ set aside by this Tribunal in terms of Section 43, 45, 47, 49, 50 or 66 of the Insolvency Code and any amount received by the RP or the Corporate Debtor in furtherance thereof, whether prior or post the approval of the resolution plan by the Tribunal or after effective date (as defined under the approved resolution plan) shall be solely for the benefit of the financial creditors of Corporate Debtor. In the meeting of the monitoring committee on 10th February, 2024, the members of the monitoring committee authorized the applicant herein "to issue power of attorney, vakalatnama and / or such other authorisations to the authorized persons for representation in connection with the ongoing disputes / litigations of RCIL (including avoidance application) ".

6. The Applicant has stated that he has analysed the transactions and has determined that the same would tantamount to a fraudulent transaction under Section 66 of the Code as the Impugned Transaction has led to a loss to the Corporate Debtor and the effect of the Impugned Transaction is detrimental to the interests of the bonafide creditors of the Corporate Debtor, and if the Corporate Debtor had received the monies, the same could have been utilised to repay the creditors of the Corporate Debtor..

7. The Applicant has quoted the relevant portions of the Auditor’s Report, which reads as under –

"*There is significant doubt on the recoverability of the amount considering the financial position of WTPL. Also based on the scrutiny of financial statements for the relevant years we observed that, WTPL was not operational at the time of assignment of Rs.560 crores receivable at Rs.100 crores by booking loss of Rs.460 crores. Prima facie this seems to be diversion of funds. Also, the details or the explanation as to how the assignment value i.e. Rs. 100 crores has been determined was not provided to us by the Representative/Management of the Corporate Debtor. The*

Representative/Management of the Corporate Debtor has replied that the transaction with related party has been approved by the Board but based on our verification of the Board Minutes we did not find the specific mention of these transactions. Hence this entire amount i.e. Rs.560 crores have been considered as a fraudulent transaction under section 66 of the IBC 2016."

8. The transactions impugned in the present application as fraudulent in terms of Section 66 of IBC pertains to the receivables, from NEPL/ Respondent No.3 amounting to Rs. 430 crores in Financial Year 2015-16 and MMPL/ Respondent No.2 amounting to Rs. 130 crores in Financial Year 2016-17 both aggregating to Rs.560 crores, assigned to Respondent No.1, viz. WTPL, for a consideration of Rs.100 crores in the financial year 2016-17, thereby booking a loss to the extent of Rs.460 crores ("Impugned Transaction"). Further, the consideration for such assignment receivable from Respondent No. 1 was shown as an interest free loan to Respondent No.1 in the balance sheet/financial statement of financial year 2016- 17 of the Corporate Debtor.

9. Heard the Counsel and perused the material on record.

10. Indubitably, WTPL is 100% subsidiary of Corporate Debtor and the Corporate Debtor is also a 100% subsidiary of RCOM. NEPL and MMPL are alleged to be potentially related parties, however, there is no such term recognized or defined in the IBC. The value of shares of WTPL, as reflected from its worth, is owned by Corporate Debtor. RCOM was also admitted in CIRP at the relevant time, and the applicant herein was appointed as Resolution Professional in that CIRP as well, and CoC in both CIRPs, namely RCOM and Corporate Debtor was substantially controlled by same set of creditors.

11. The Applicant has reproduced the response of the Representative of the Corproate Debtor, which reads as under :

"RCOM had paid advance (i.e. funded) Rs 500 crore to RCIL on 18th March 2016 and advised RCIL to pay the said amount as capital advance to NEPL for various capital expenditure projects. Receivable from MMPL of Rs130 crore was towards marketing and infrastructure sharing services provided and billed by RCIL. In FY 2017, RCIL assigned the capital advance from NEPL of Rs 430 crore and Receivable from MMPL of Rs 130 crore to WTPL, a Wholly-owned Subsidiary (WoS) for an amount of Rs 100 crore. Trade Receivable of Rs. 130 Cr. from MMPL and Capital Advance of Rs.430 Cr. to NEPL were assigned to Worldtel Tamilnadu Private Limited for consideration of Rs.100 Cr. Consequently, loss of Rs.460 Cr. arising on assignment to WoS resulted in lower book profit and reduced MAT incidence. RCIL transferred the receivables (asset) to its WoS. RCIL continues to reflect Rs.100 Cr. as receivable from WTPL as at 31 March 2020 and through WoS still retains the control to receive from NEPL and MMPL the entire value of Rs 560 crore. At RCIL as well as RCOM Consolidation, the transactions between holding company and subsidiaries get eliminated and therefore, have no impact.

12. The allegation of the Applicant is based on loss caused to the corporate debtor by assignment of receivables amounting to Rs. 560 crores due from MMPL and NEPL to its subsidiary i..e WTPL, by the Corporate Debtor for a consideration of Rs. 100 crores thus causing loss of Rs. 460 crores.

13. It is also noted that, during the course of the argument, Ld. Counsel for Respondents offered that if the RP desires, he can take the decision to cancel the assignment and bring the receivables back to the Corporate Debtor as Respondent No.1 is in RP's control. However, there is no challenge to the assignment of receivable per-se, which could have been impugned in terms of section 49 of IBC, hence, this tribunal can not set-aside the said assignment, even if it considers such assignment as undervalued transaction entered by

Corporate Debtor to keep the assets of corporate debtor from reach of its creditors in the absence of relevant prayer.

14. Admittedly, no evidence has been placed on record to demonstrate if the fair value of such receivables was more than the consideration as on date of such assignment. Nonetheless, transfer of an asset to its wholly owned subsidiary by a Holding Company, even for understated consideration, does not alter the value of Holding Company as available to creditors of Holding Company, at consolidated level as any benefit, if any, passed to the subsidiary company stands reflected in the value of shares thereof held by the Holding Company. The Applicant as well as CoC must have factored the fair value of shares of WTPL, while approving the Resolution Plan in the matter of Corporate Debtor if such subsidiary formed part of the Resolution Plan. In case, such subsidiary was kept out of Resolution Framework for independent monetization thereof, the benefit, if any, passed on to WTPL as alleged, such benefit still accrues to its shareholder, i.e. Corporate Debtor, and in turn to its creditors. Accordingly, in any case, there can not be a case of loss having being caused to the Corporate Debtor to the detriment of its creditor's interest by assignment of its receivables by Corporate Debtor to its wholly owned subsidiary at alleged understated consideration, as there is no decrease in the economic value of the corporate debtor by such transaction.

15. Further, the ground of non-payment of said consideration by WTPL to the corporate debtor also does not have any impact on the value of shares held by Corporate Debtor in WTPL, as in case of payment thereof, the net assets of WTPL would have remained unchanged on account of reduction in asset value by a corresponding reduction in the liability. Similar holds good for the argument in relation to such consideration being interest free. Nonetheless, it is relevant to note that the receivables from NEPL and MMPL were also non-interest bearing. Hence, there is no case of one interest bearing advance being replaced by non interest bearing advance. Also, Respondent

No. I being not operational at the time of the Impugned Transaction and having no business activity (since FY 2015-16) is not a relevant factor in the present case for the aforesaid reasons and can not said to indicate a diversion of funds in any manner.

16. In case of ***Renuka Devi Rangaswamy vs Mr. Madhusudan Khemka (NCLAT Chennai), (2023) ibclaw.in 384 NCLAT***, it is held that "*The intent to `defraud', is to be judged, by its `effect' on a `Person', who is the `object of conduct', in question.".* As explained above, there is no effect on the creditors by such transfer, even if it is admitted that the said assignment of receivables was for a consideration lesser than its fair value.

17. In view of above discussion and judicial precedents laying down that the intent to `defraud', is to be judged, by its `effect' on a `Person', who is the `object of conduct', in question, we are of considered opinion that the impugned transactions do not meet the ingredients of section 66 of IBC.

18. Hence, IA 771 of 2021 is dismissed and disposed of.

Sd/-
Prabhat Kumar
Member (Technical)

Sd/-
Sushil Mahadeorao Kochey
Member (Judicial)