

IN THE NATIONAL COMPANY LAW TRIBUNAL

AMARAVATI BENCH

(Through Hybrid Mode)

Item No.2

IA (IBC)/365/2026 in CP(IB)/76/7/AMR/2022

(CP Admitted on 25.07.2024)

IN THE MATTER OF:

State Bank of India

... Financial Creditor

Versus

M/s. Mangalagiri Textile Mills Pvt. Ltd

... Corporate Debtor

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

Rule: 11 of NCLT Rules, 2016

Order delivered on 04.09.2026

CORAM:

SHRI KISHORE VEMULAPALLI, HON'BLE MEMBER (JUDICIAL)

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

PRESENT:

In IA (IBC)/365/2026:

For the Applicant

: Ms. Aishwarya Ch., Advocate.

Liquidator

: Mr. G. Ramakantha Rao

ORDER

IA (IBC)/365/2026:

This Interlocutory Application (hereinafter referred to as the “**IA**” or “**IA 365/2026**”) is filed under Regulation 2B of the IBBI (Liquidation Process) Regulations, 2016 [hereinafter referred to as the “**Liquidation Regulations**”] read with Section 60(5) of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as the “**IBC**” or “**Code**”) read with Rule 11 of the National Company Law Tribunal Rules, 2016 (hereinafter referred to as the “**NCLT Rules**”) by Mr. Golla Ramakantha Rao (hereinafter referred to as the “**Applicant**”), who is the Liquidator of the

Mangalagiri Textile Mills Private Limited (hereinafter referred to as the “**Corporate Debtor**”), with the following prayers:

- (i) Grant leave to the Applicant to explore and consider a possibility of scheme of compromise or arrangement under Section 230 of the Companies Act, 2013 (hereinafter referred to as the “**CA 2013**”) read with Regulation 2B of the Liquidation Regulations; and
- (ii) pass such other or further order or orders as this Adjudicatory Authority may deem fit and proper in the facts and circumstances of the case and in the interest of justice.

2. The content of the IA, as submitted by the Applicant during the course of hearing, are as below:

- (i) The Corporate Debtor was admitted into the Corporate Insolvency Resolution Process (hereinafter referred to as the “**CIRP**”) vide this Adjudicating Authority Order dated 25.07.2024 in Company Petition bearing no. CP(IB)/76/7/AMR/2022 filed by the State Bank of India (hereinafter referred to as the “**SBI**”) under Section 7 of the Code. The Committee of Creditors (hereinafter referred to as the “**CoC**”) was constituted with the SBI as the sole financial creditor holding 100% voting share, the other financial creditor being a related party and consequently having no right of representation, participation or voting under the first proviso to Section 21(2) of the Code.
- (ii) During the CIRP, several Expressions of Interest were received and resolution plans were evaluated. The resolution plan submitted by Dr. G. Nagasaina Rao, a member of the suspended Board of

Directors (hereinafter referred to as the “**Dr.Rao**” of the “Suspended Director”), was found compliant and the same was approved by the CoC. However, Dr. Rao failed to furnish the required performance bank guarantee Performance Bank Guarantee (hereinafter referred to as the “**PBG**”) despite extensions, resulting in failure of implementation of the approved resolution plan.

- (iii) As the resolution plan failed, the Resolution Professional (hereinafter referred to as the “**RP**”) filed an application bearing no. IA(Liq)/(IBC)/3/2026 in C.P. (IB) No. 76/7/AMR/2022 under Section 33 of the Code and this Adjudicating Authority, vide its Order dated 21.07.2026 ordered liquidation of the Corporate Debtor and appointed the Applicant as the Liquidator. The Applicant thereafter, made the public announcement in Form-B on 22.07.2026 in ‘Business Line’ and ‘Andhra Jyothi’, in compliance with Regulation 12 of the Liquidation Regulations.
- (iv) The Applicant convened the 1st meeting of the CoC on 27.07.2026, the minutes whereof were circulated on 28.07.2026 and the results of voting, on 31.07.2026. At that meeting, the Applicant placed before the CoC the contents of the liquidation order, including the recording that no recommendation under Regulation 39BA, had been made. The sole financial creditor clarified that it was open to the exploration of a compromise or arrangement even at that stage; and that the proposal of a compromise or arrangement had in fact, been discussed in the meetings of the CoC held during the CIRP, but did not appear to have been carried into the application filed by

the RP seeking the liquidation of the Corporate Debtor; and that it preferred to pursue lawful available options for maximisation of value, including a compromise or arrangement, for an early resolution.

- (v) On 29.07.2026, the Applicant received a representation from Dr. Rao, describing himself as promoter and guarantor, seeking initiation of a compromise or arrangement under Section 230 of the CA 2013 read with Regulation 2B of the Liquidation Regulations and requested that his proposal be placed before the SBI. Dr. Rao stated that the Corporate Debtor was an Micro, Small and Medium Enterprise (hereinafter referred to as the “**MSME**”) and by virtue of Section 240A of the Code, he is eligible to offer a compromise or arrangement. He further stated that he has tied up with SRC Infra Developers Private Limited, Bengaluru (hereinafter referred to as the “**SRCIDPL**”), for the funds required to settle the compromise. On 31.07.2026, the SRCIDPL addressed a letter to the Corporate Debtor, with copies to the Applicant and SBI, expressing its interest in the land and other immovable assets of the Corporate Debtor and its willingness to participate in a formal sale process

- (vi) In these circumstances, the Applicant convened the 2nd meeting of the CoC on 04.08.2026, wherein, the CoC after deliberation, recorded that although it had not explicitly recommended the exploration of a compromise or arrangement in the IA filed under Section 33 of the Code, it was never opposed to that possibility and remained willing to explore it. The CoC thereupon resolved, with

100% voting share, to authorise the Applicant expressly to file an application before this Adjudicating Authority seeking permission to explore and consider a compromise or arrangement under Section 230 of the CA 2013.

- (vii) With effect from 26.05.2026 by virtue of Section 21(11) of the Code, as inserted by the Insolvency and Bankruptcy Code (Amendment) Act, 2026, the CoC constituted during the CIRP would function during liquidation and supervises the liquidation process. No fresh claims have been received in liquidation and thus, the claims admitted during CIRP have been adopted in the liquidation process and therefore, the voting rights of the CoC members remaining the same, as they were during CIRP.
- (viii) With effect from 14.10.2025, clauses (e) and (f) of Regulation 32 and Regulation 32A of the Liquidation Regulations were omitted, whereby sale of the Corporate Debtor or its business as a going concern is no longer an available mode of liquidation.
- (ix) Regulation 2B(1) of the Liquidation Regulations provides that where a compromise or arrangement is proposed under Section 230 of the CA 2013, it shall be completed within ninety days of the order of liquidation, and the second proviso thereto provides that the liquidator shall file the proposal of compromise or arrangement only in cases, where such recommendation has been made by the CoC under regulation 39BA of the CIRP Regulations, and the liquidator shall not file such proposal after the expiry of thirty days from the liquidation commencement date.

- (x) Section 230(1) of the CA 2013 expressly names the liquidator appointed under the IBC, as a person upon whose application the Tribunal may act in the case of a company, which is being wound up, and Regulation 2B contemplates the filing of the proposal of compromise or arrangement by the liquidator.
- (xi) The CoC comprises SBI alone, holding 100% of the voting share, has resolved unanimously that the possibility of a compromise or arrangement be explored and directed the Applicant to move this Adjudicating Authority.
- (xii) This Adjudicating Authority has jurisdiction under Section 60(5) of the Code and Rule 11 of the NCLT Rules to grant the leave sought. Section 60(5) of the Code confers jurisdiction over any question of law or fact arising out of or in relation to the liquidation of a corporate debtor and Rule 11 of the NCLT Rules preserves the inherent power to make such orders, as may be necessary, for meeting the ends of justice.
- (xiii) In the alternative and without prejudice, if this Adjudicating Authority is of the view that the period of thirty days from the liquidation commencement date prescribed in the second proviso to Regulation 2B(1), or the period of ninety days prescribed in Regulation 2B(1), is likely to be exceeded, such period may be excluded or extended, and the time so taken be excluded from the liquidation period in terms of Regulation 2B(2).

3. The Counsel appearing for the Liquidator also argued that the possibility of a compromise or arrangement under Section 230 of the CA 2013 was expressly proposed in the 22nd meeting of the CoC held on 15.12.2025, vide Agenda Item No. B5 under Regulation 39D of the CIRP Regulations, which require the CoC to discuss and decide the fee of the Liquidator, in the event an order for liquidation were to be passed under Section 33 of the Code, for the following periods, namely, the "Period, if any, used for compromise or arrangement under Section 230 of the CA 2013" and "balance period of liquidation". At the said meeting the CoC after deliberation, resolved, with 100% voting share, that the fee payable to the Liquidator "for the period, if any, used for the compromise or arrangement under section 230 of the CA 2013 and for the balance period of liquidation" be fixed under Regulation 4 of the Liquidation Regulations. Thus, the CoC applied its mind to, and made express provision for, a period being used for a compromise or arrangement under Section 230 of the CA 2013 in the event of the Corporate Debtor being ordered to be liquidated. The Applicant has also been informed by the CoC that the exploration of a compromise or arrangement was discussed at the aforesaid meeting, and the CoC desired that the same be carried forward, but it was inadvertently neither recorded in the minutes of the said meeting and nor recorded as a recommendation of the CoC under Regulation 39BA of the CIRP Regulations and was, in consequence, not carried into the application filed under Section 33 of the Code, due to which this Adjudicating Authority has recorded, in its Order dated 21.07.2026, that the CoC had made no recommendation for

the exploration of the possibility of a compromise or arrangement under Regulation 39BA of the CIRP Regulations.

4. It is pertinent to note that the Applicant has placed the reliance on the proceedings of the 22nd meeting of the Committee of Creditors held on 15.12.2025. However, a perusal of the minutes of the said meeting does not disclose any resolution or recommendation by the CoC under Regulation 39BA of the CIRP Regulations, recommending or authorising the exploration of a compromise or arrangement under Section 230 of the CA 2013. In fact, the absence of such a recommendation is specifically noticed in the Order dated 21.07.2026, whereby liquidation Order was passed. The mere fact that, while fixing the fee of the Liquidator, the CoC contemplated the possibility of a period being utilised for compromise or arrangement cannot, by itself, be construed as a substantive recommendation under Regulation 39BA. The subsequent resolution passed by the CoC after commencement of liquidation authorising the Liquidator to file the present IA cannot retrospectively convert the earlier deliberation into a recommendation under Regulation 39BA or cure the statutory requirement contemplated under Regulation 2B. Therefore, the Applicant cannot derive any right under Regulation 2B on the basis of the proceedings of the 22nd meeting of the Committee of Creditors.

5. The Counsel appearing for the Liquidator also referred to the judgment of the **Hon'ble NCLAT, Principal Bench, New Delhi, in *Shahid Ali v. Kuldeep Verma & Ors., Comp. App. (AT) (Ins.) Nos. 655***

& 656 of 2025. We have considered the said judgment and find the same to be distinguishable on facts, and of no assistance to the Applicant in the present case. It is argued that the Appellate Tribunal considered the scope of Regulation 2B of the Liquidation Regulations, particularly the second proviso requiring a recommendation of the CoC under Regulation 39BA. In the said case, there was admittedly no recommendation under Regulation 39BA and the Liquidator had relied upon the said proviso to oppose consideration of a scheme; however, the Hon'ble NCLAT held that the second proviso to Regulation 2B could not control or curtail the substantive opportunity contemplated under Regulation 2B(1) for submitting a compromise or arrangement under Section 230 of the Companies Act, 2013, and accordingly permitted the appellant therein to submit a scheme of compromise or arrangement.

6. We have considered the aforesaid said judgment and find the same to be distinguishable on facts and of no assistance to the Applicant in the present case. In ***Shahid Ali (Supra)***, after the resolution plan submitted by another PRA i.e., M/s SJPB Hathua Sugar & Bio refinery Pvt. Ltd., becoming non-responsive, the suspended Director submitted the Resolution Plan, which was ultimately not approved by the CoC, following which the CoC resolved to seek liquidation of the Corporate Debtor and the Hon'ble NCLAT, in those circumstances, permitted the suspended Director to submit a scheme of compromise or arrangement under Regulation 2B of CIRP Regulations. In the present case, however, the Resolution Plan submitted by the same suspended Director, Dr. Rao was approved by the CoC, but Dr. Rao failed to furnish the requisite

Performance Bank Guarantee despite sufficient opportunities, due to which the plan became unresponsive and consequently, the CoC resolved to file the Application for liquidation of the Corporate Debtor. Thus, the factual and procedural circumstances in Shahid Ali are materially different from those obtaining in the present case and, more particularly, when the same suspended director have failed to submit the PBG in his plan approved by the CoC..

7. Further, the letter dated 29.07.2026 of Dr. Rao, the Suspended Director of the Corporate Debtor is simply a letter without any proposal and the letter of SRCIDPL is merely an expression of Interest in participating in the sale process for the land and other immovable assets of the Corporate Debtor. We observe that it is the very same suspended Director, Dr. Rao who was accommodated by the CoC by granting several extensions for submitting/ revising the Resolution Plan and after approval of the Resolution Plan by the CoC, by allowing several extensions to deposit the PBG, however, Dr. Rao failed to deposit the PBG, which failure directly resulted in liquidation of the Corporate Debtor. The some of the instances of accommodation allowed by the CoC are summarised below:

- (i) The last date of submission of resolution plans was 07.12.2024 and the RP vide email dated 07.12.2024, informed the CoC regarding receipt of email dated 06.12.2024 from Dr. Rao requesting to grant extension of 3 weeks' time for submission of resolution plan and the CoC vide email dated 16.12.2024, extended the last date of submission of resolution plan till 28.12.2024.

- (ii) Dr. Rao again asked for further extension vide email dated 11.01.2025, which was granted by the CoC.
- (iii) Due to the compromise settlement negotiations between SBI and Dr. Rao, in his capacity as personal guarantor, the RP was directed by the SBI, not to open the resolution plans received till 28.02.2025.
- (iv) After failure to fructify the compromise deal, the CoC during the 13th CoC meeting dated 12.05.2025, decided to consider the Resolution Plan of Dr. Rao along with the other 2 PRAs.
- (v) In the 14th CoC meeting dated 06.06.2025, due to certain non-compliances, the PRAs were informed to re-submit their rectified Resolution Plan, which were submitted on 10.07.2025 and opened during the 15th CoC meeting dated 14.07.2025. Thereafter, Dr. Rao, Resolution Plan remained as the sole compliant Plan, which was discussed during 16th CoC meeting dated 28.07.2025. The CoC decided not to provide any further opportunity to other PRAs, and Dr. Rao was informed to resubmit his Resolution Plan after correcting clerical error and inconsistencies, which was compiled only on 11.08.2025, beyond the time granted by the CoC.
- (vi) The Resolution Plan submitted by Dr. Rao was put for voting during the 17th CoC meeting dated 20.08.2025, wherein the CoC again permitted Dr. Rao to submit Revised Resolution Plan, which was submitted on 23.09.2025 and put for voting during the 19th CoC meeting dated 25.09.2025.

- (vii) During the 20th CoC meeting dated 21.10.2025, Dr. Rao was again granted time to submit a consolidated addendum, which was submitted on 08.12.2025, after which the CoC vide its voting dated 09.12.2025, approved the Clarified Resolution Plan dated 23.09.2025 along with the addendum dated 08.12.2025. However, Dr. Rao failed to submit the PBG and vide email dated 22.12.2025, requested to provide 4 working days for submission of the same, which was provided by the CoC.
- (viii) Dr. Rao failed to submit the PBG, which was again discussed during the 24th CoC meeting dated 05.01.2026, and while the meeting was still going on, the RP received an email from the from Dr. Rao to adjourn the meeting to 06.01.2026.
- (ix) In the 25th CoC meeting dated 07.01.2026, explanation was sought from Dr. Rao for noncompliance, however, he once again requested for an extension to submit the PBG on 12.01.2026 and the CoC, informed Dr. Rao to formally submit his request of further extension.
- (x) However, Dr. Rao failed to submit the PBG and formal request along with supporting documents, which were discussed in the 26th CoC meeting dated 23.01.2026, and the CoC vide e-voting dated 30.01.2026 decided to liquidate the Corporate Debtor.

Thus, the letter of Dr. Rao, appears to have been submitted only to delay the liquidation process of the Corporate Debtor, which is also reflected from his conduct in the CIRP process.

8. We further observed from the Liquidation Order dated 21.07.2026 of this Adjudicating Authority that the minutes of 22nd meeting of the CoC held on 15.12.2025 had recorded the reason of not proceeding for PUFE application, that the Financial Creditor, who is the sole member of the CoC, has obtained approval of the resolution plan from their apex committees stating that there were no conclusions and certainty as to avoidable transactions and further, if the Resolution Applicant fails to implement the resolution plan, this exercise needs to be carried out to find out such details and conclude the avoidable transactions, during liquidation. In view of the above, it was indicated in the Liquidation Order that one of the reason for delaying the discussions on the PUFE transactions in the CoC and consequently, filing the PUFE Application may be to accommodate the resolution plan of the suspended director as being MSME, the suspended director would become ineligible under Section 29A(g) of IBC. Therefore, in the Liquidation Order, the Liquidator was directed to examine the Transaction Audit Report, subsequent financial statements provided by the suspended directors and other information available on record and take a call to file appropriate Application(s) under section 43, 45, 49, 50 and 66 of the Code within one month and file appropriate application within a period of two months. The compliance of the above order is still pending. In view of the foregoing, it appears that the Suspended Director has approached this Adjudicating Authority, through the present IA filed by the Liquidator, with a view to avoiding the consequences of the PUFE transactions noticed in the liquidation order and has not approached with clean hands.

9. As a sequel to the aforesaid discussions, we are of the considered view that the present IA is not a fit case for exercise of jurisdiction under Section 60(5) of the Code or for invocation of the inherent discretionary powers under Rule 11 of the NCLT Rules, 2016.

10. Accordingly, **IA (IBC)/365/2026 in CP(IB)/76/7/AMR/2022 is dismissed and disposed of.**

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

Sd/-
(KISHORE VEMULAPALLI)
MEMBER (JUDICIAL)