IN THE NATIONAL COMPANY LAW TRIBUNAL, BENGALURU BENCH

[Through Physical hearing/ VC Mode (Hybrid)]

ITEM No.03
I.A No. 150, 341, 511 & 1079/2026
CP (IB) No.249/BB/2024

IN THE MATTER OF:

Maximus ARC LTd	...	Petitioner
Vs		
Sri Balaji Cement & Power Ltd	...	Respondent

Petition under Section 7 of I & B Code, 2016

Order delivered on: 28.10.2026

CORAM:

SHRI SUNIL KUMAR AGGARWAL
HON'BLE MEMBER (JUDICIAL)

SHRI RADHAKRISHNA SREEPADA
HON'BLE MEMBER (TECHNICAL)

COUNSELS PRESENT:

For RP	:	Ms. JVL Bharathi
For Respondent No.2 in I.A 511/26	:	Ms. Vismaya
For IA Applicant No.341, 150, 511/2026:		Mr. Srinivasalu

ORDER

Heard the Ld. Counsel for the parties.

I.A No. 150/2026
The application is allowed by separate order.

I.A No. 341/2026 & I.A No.1079/2026:
List the I.A for **orders on 02.11.2026.**

I.A No. 511/2026:

1. This Application is filed by Mr. VVSR Anjaneyulu, Suspended Director of the Corporate Debtor seeking the following reliefs:-

Interim Prayer:

Pending disposal of the present application, this Tribunal may be pleased to:

a) *Direct that the voting share based on disputed excess claims shall remain subject to final adjudication by this Tribunal;*
b) *Direct the Resolution Professional not to treat the disputed excess amounts as final for CoC decision-making purposes*

MAIN PRAYER:

a) *Direct the Resolution Professional to conduct a fresh verification and reconciliation of the claims admitted in favour of M/s P.D. Enterprises and M/s Maximus ARC Limited;*
b) *Direct Respondent No.2 and Respondent No.3 to furnish complete statements of account, interest workings, penal charges calculations, ledger extracts and supporting documents forming basis of their claims;*
c) *Direct the Resolution Professional to revise and rectify the admitted claims after proper verification and reconciliation;*
d) *Direct re-computation of CoC voting shares based on the corrected claim amounts*
e) *Pass such other order or orders as this Tribunal may deem fit and proper in the interest of justice and equity.*

2. The Applicant states that in respect to **M/s P.D. Enterprises** (Respondent No.2), the claimant itself calculated the outstanding at Rs. 33,40,51,749 as on 01.08.2025 but the RP admitted it at Rs.40,85,58,976, resulting in an excess admission of Rs.7,45,07,227 without proper scrutiny or reconciliation and regarding **M/s Maximus ARC Limited** (Respondent No.3), the Applicant submits that the debt assigned by HDFC Bank showed an outstanding of Rs. 14,36,36,462.71 as on 25.07.2024, which increased to Rs.15,24,59,174 by 30.09.2024 and further to Rs. 17,73,23,264 as admitted by the Resolution Professional on 01.08.2025. The Applicant alleges that no detailed statements, interest calculations, or contractual basis were furnished for the substantial escalation of Rs.36,86,801.29.

3. The Respondent No.1 to 3 have objected to this application on the ground that Applicant being the suspended Director of the Corporate Debtor does not have locus to file this application, Applicant has not produced documents in support of his application

4. We have heard this application and perused the material on record.

5. Having considered the rival submissions and the material placed on record, we are of the view that the issues raised by the Applicant primarily concern the correctness of the computation of the claims admitted by the Resolution Professional and the consequential determination of the voting shares of the respective Financial Creditors in the Committee of Creditors. At this stage, we are not inclined to enter into a final adjudication of the exact amount payable to either of the aforesaid creditors in the absence of a complete reconciliation supported by the underlying statements of account and relevant calculations.
6. The Resolution Professional, being responsible for verification and maintenance of the list of creditors under the provisions of the Insolvency and Bankruptcy Code, 2016 and the applicable CIRP Regulations, is required to maintain the particulars of the claims admitted, including the amount admitted and the basis thereof. Where any discrepancy or additional information is brought to the notice of the Resolution Professional, the same requires due examination and appropriate reconciliation. The objections raised by the Applicant cannot, therefore, be rejected merely on the ground that he is a Suspended Director, without the Resolution Professional first placing the relevant computation and supporting particulars on record. This direction, however, shall not be construed as an expression of opinion on the Applicant's allegations regarding excess admission.
7. Accordingly, without expressing any opinion on the correctness of the amounts admitted qua M/s. P.D. Enterprises and M/s. Maximus ARC Limited, we deem it appropriate to direct the Resolution Professional to place on record a creditor-wise statement setting out the calculation and basis of the claims admitted in favour of the aforesaid creditors. The statement shall, to the extent applicable, contain the principal amount, interest calculated up to the insolvency commencement date, rate and period of interest applied, contractual basis for charging interest, penal interest or other charges, payments and adjustments accounted for, and the reconciliation between the amount claimed and the amount admitted.
8. The Resolution Professional shall file the aforesaid statement of calculation and reconciliation, duly supported by the relevant documents **within two weeks**.

9. The direction has been issued only to confirm mathematical calculations of the submitted claims and may not be construed to accord any sanctity or locus to the version of applicant.

10. Accordingly, **IA No. 511/2026 is disposed of**.

-Sd/-

RADHAKRISHNA SREEPADA
MEMBER (TECHNICAL)

-Sd/-

SUNIL KUMAR AGGARWAL
MEMBER (JUDICIAL)

IN THE NATIONAL COMPANY LAW TRIBUNAL, BENGALURU BENCH

(Exercising powers of Adjudicating Authority under The Insolvency and Bankruptcy Code, 2016)

I.A. No. 150/2026

in

C.P. (IB) No. 249/BB/2024

(filed under Section 60 (5) and 240A of the Insolvency & Bankruptcy Code, 2016 read with Regulation 36A of IBBI (CIRP) Regulations, 2016)

IN THE MATTER OF:

Mr. V.V.S.R. Anjaneyulu Vattem
Erstwhile Promoter & Suspended Director of
M/s Sri Balaji Cement and Power Limited
R/o. H.No.5/5/81/12/B, Plot No.60,
Behind Metro Kukatpally,
Hyderabad – 500072 …Applicant

Versus

1. **Mr. Gullapalli Kishore Babu**
   Resolution Professional of
   M/s Sri Balaji Cement and Power Limited
   H.No.11-11-169, Sowbhagyapuram,
   Road No.1, Kothapet, Hyderabad – 500035 … Respondent No.1/RP

2. **M/s. Maximus ARC Limited**
   302B, Jain Sadguru Image's Capital Park,
   VIP Hills, Image Gardens Road,
   Madhapur, Hyderabad,– 500081 ...Respondent No.2/ CoC Member

IN THE MAIN MATTER OF:

M/s. Maximus ARC Limited …Petitioner / Financial Creditor

Vs.

M/s. Sri Balaji Cement and Power Limited … Respondent / Corporate Debtor

Order Delivered on: 28.10.2026

Coram: Shri Sunil Kumar Aggarwal, Hon'ble Member (Judicial)
Shri Radhakrishna Sreepada, Hon'ble Member (Technical)

Counsels Present:
For the Applicant : Mr. Ch. Srinivasalu
For the Respondent No.1 : Ms. JVL Bharathi

O R D E R

1. This Interlocutory Application has been filed on 27.02.2026 under Section 60 (5) & 240A of the Insolvency & Bankruptcy Code, 2016 ("IBC/Code") read with Regulation 36A of IBBI (CIRP) Regulations, 2016 and Rule 11 of NCLT Rules, 2016 by the Suspended Director of Corporate Debtor *M/s. Sri Balaji Cement and Power Limited* ("Applicant") against the Respondents for following reliefs: -

    a. *Direct the Resolution Professional and Committee of Creditors to include the Applicant in the final list of Prospective Resolution Applicants;*
    b. *Permit the Applicant, along with M/s Aikyam Stressed Assets Fund-I as Prospective Resolution Applicant-I, jointly with the MSME promoter to submit a Resolution Plan for the Corporate Debtor;*
    c. *Until disposal of the instant Application, stay all further proceedings, meetings and any decisions on the Resolution Plans if any submitted by other PRAs.*
    d. *Declare the rejection of the Resolution Plan submitted by the Applicant as illegal, arbitrary, and contrary to the provisions of the IBC, 2016 and consequently stall the ongoing COC meetings and finalisation of any Resolution Plans if any, submitted by other PRAs.*
    e. *Pass such other order(s) as this Hon'ble Tribunal may deem fit in the interest of justice and equity.*

2. Brief facts of the application are given hereunder

    a) The Corporate Debtor, originally known as ***M/s. South India Cements Limited***, had availed Cash Credit and Letter of Credit facilities from Bank of Maharashtra, MSME Cell, Koti, and Hyderabad, which were

sanctioned after due diligence, including verification of the RBI defaulters list and CIBIL reports of the Corporate Debtor and its Directors. The name of the Company was subsequently changed to ***M/s. Sri Balaji Cement and Power Limited*** and the credit facilities were enhanced from time to time.

b) The HDFC Bank Limited subsequently took over the said facilities from Bank of Maharashtra and enhanced the total exposure of the Corporate Debtor after carrying out credit verification. Due to coal supply disruptions, liquidity stress and operational losses, the Corporate Debtor could not service its loan obligations. The loan was thereafter, assigned by HDFC Bank Limited to M/s. Maximus ARC Limited, which had initiated proceedings under Section 7 of the Code.

c) The Corporate Insolvency Resolution Process of the Corporate Debtor commenced pursuant to order dated 01.08.2025 passed by this Authority and the initial Form-G was published for inviting Expressions of Interest and, subsequently, fresh Form-G was published on 11.01.2026.

d) The Applicant, being an erstwhile Promoter and Suspended Director of the Corporate Debtor, which is a registered MSME, submitted his EOI on 27.01.2026 claiming eligibility under Section 240A of the Code and furnished MSME certificate and a declaration that he is not disqualified under Section 29A of the Code. The Applicant further informed the Resolution Professional that **M/s. Aikyam Stressed Assets Fund-I** was willing to participate as a co-investor and proposed that the said entity would invest 50% equity as Prospective Resolution Applicant-I jointly with the MSME promoter under the proposed Resolution Plan.

e) To the utter surprise of Applicant, however, the Resolution Professional, vide communication dated 07.02.2026 and 17.02.2026 informed that his name has not been included in the final list of Prospective Resolution Applicants. As the Applicant was allegedly a “Wilful Defaulter” in relation to M/s. Karnataka Cements Limited. The Applicant had then

submitted representations dated 09.02.2026 and 10.02.2026, enclosing CIBIL reports and seeking to demonstrate that neither he nor the concerned entity was presently reflected as a wilful defaulter and that the material relied upon by the Resolution Professional did not constitute a valid basis for excluding him from the list of Prospective Resolution Applicants.

f) M/s. Karnataka Cements Limited was originally promoted by Mr. Samir P. Shaw and his family and the loans in question pertained to the period 1992-93 and the account referred to in the RBI defaulters list pertained to the previous management whereas he had become a Director only after the account had been transferred and restructured. It is contended that the Indian Overseas Bank has never informed the Applicant that he has been declared a wilful defaulter. The Applicant also relies upon the CIBIL reports and contends that the latest reports do not classify either the Applicant or M/s. Karnataka Cements Limited as wilful defaulters. On this basis, the Applicant submits that his exclusion from the provisional/final list of PRAs is arbitrary, illegal and contrary to the principles of natural justice and that he is entitled to participate in the CIRP along with M/s. Aikyam Stressed Assets Fund-I.

g) The Applicant contends that the Corporate Debtor is a registered MSME bearing UDYAM Registration No. UDYAM-KR-15-0000204 and under Section 240A of the Code promoters of MSMEs are explicitly exempted from disqualification under Section 29A, except clauses (c) and (h). Therefore, rejection of the Applicant without any valid declaration of wilful default is arbitrary, contrary to settled law and in violation of the legislative intent of MSME protection under Section 240A of the Code.

h) The Applicant submits that, upon circulation of the final list of Prospective Resolution Applicants, he had raised objections vide communication dated 18.02.2026 under Regulation 36A(11) of the CIRP Regulations, 2016 and requested that his name be included in the final

list but the same was not allowed by the Resolution Professional of the Corporate Debtor. It is contended that the continuation of the CIRP without considering his eligibility would permanently prejudice his opportunity to revive the Corporate Debtor.

i) The Applicant has thus urged for being provided a fair chance by directing the Respondents to consider the Resolution Plan submitted by the Applicant and prays for declaring the rejection of his Resolution Plan as illegal, arbitrary, and contrary to the provisions of IBC, 2016, etc.

3. The Respondent No.1/Resolution Professional has filed his statement of objections on 19.05.2026 contending as under: -

a) This application is misconceived and liable to be dismissed. The Corporate Insolvency Resolution Process of the Corporate Debtor commenced on 01.08.2025 and public announcement was made on 06.08.2025, the Committee of Creditors was constituted on 22.08.2025 and the Respondent was confirmed as Resolution Professional by 100% voting share in the first meeting of the CoC held on 30.08.2025 and the Form-G was initially published on 22.10.2025 inviting Expressions of Interest. Six parties submitted EoIs and upon evaluation, four Prospective Resolution Applicants were shortlisted. The Request for Resolution Plan and Information Memorandum were thereafter shared with the shortlisted PRAs and the last date for submission of Resolution Plans was fixed as 08.01.2026

b) As the last date for submission of Resolution Plan approached, three shortlisted PRAs sought extension of time and several other parties also expressed interest in participating in the resolution process due to which the CoC, in its 7th meeting held on 08.01.2026, resolved not to extend the last date and further resolved that, if no Resolution Plan was received, a fresh Form-G would be issued in the interest of value maximisation, enhanced competition, price discovery, transparency and

protection of stakeholders' interests. Since no Resolution Plan was received by 08.01.2026, a fresh Form-G was published on 11.01.2026.

c) Subsequently after publication of the Fresh Form-G on 11.01.2026, Applicant, by claiming the benefit available to promoters of an MSME Corporate Debtor, submitted his EOI dated 27.01.2026 along with the MSME certificate and a declaration that he was not disqualified under Section 29A of the Code and requested that M/s. Aikyam Stressed Asset Fund-I be considered as a Joint Prospective Resolution Applicant along with him, vide letter dated 04.02.2026.

d) The Resolution Professional conducted due diligence of the EoIs received and examined the Applicant's eligibility, including under Section 29A (b), and also verified the ***TransUnion CIBIL*** data relating to suit-filed and non-suit-filed cases and upon verification of the relevant records, found that Applicant's name was found appearing as a 'wilful defaulter' in the TransUnion CIBIL/public records in respect of credit facilities availed by ***M/s. Karnataka Cements Limited*** from Indian Overseas Bank. In view of the discovery of the applicant's name as a wilful defaulter, Resolution Professional vide e-mail dated 07.02.2026 informed the Applicant that his name is not included in the prospective list of Resolution Applicants and he was called upon to furnish documentary evidence establishing that he is not a wilful defaulter for being placed before the CoC for its consideration.

e) In Response, the applicant sent two letters dt. 09.2.2026 and 10.2.2026 wherein citations and legal provisions relating to MSME status of CD and the exemption granted to Suspended Directors under Section 240A of the IBC but no document was submitted to show that his debt was cleared and his name has been excluded by RBI from the list of wilful defaulters

f) The Resolution Professional thereafter placed the Applicant's case, including his explanations and clarifications, before the CoC in its 8th

meeting held on 12.02.2026. The CoC considered the Applicant's submissions, including his reliance on CIBIL reports, his explanation regarding the duration of his association with M/s. Karnatak Cements Limited and his proposal to participate through a consortium with a SEBI-registered AIF and recorded that since no material has been produced evidencing formal de-classification of the Applicant as a wilful defaulter in accordance with the RBI Master Directions, he is not eligible.

g) Further, the CoC specifically considered its own powers and recorded that its commercial wisdom operates within the four corners of the statute and that it has no power to relax, waive or override a statutory ineligibility under Section 29A of the Code and rejected the Applicant's request for inclusion in the final list of Prospective Resolution Applicants, whether individually or in consortium with any other entity, and authorised the Resolution Professional to take consequential steps.

h) The Respondent has relied upon the decision of Hon'ble NCLAT in ***Namdev Hindurao Patil v. Virendra Kumar Jain, Liquidator, Warana Dairy and Agro Industries Ltd. & Ors., Comp. App. (AT) (Ins.) No.858 of 2023,*** wherein it was held that the object of Section 29A is to prevent persons such as wilful defaulters from regaining control of the Corporate Debtor; that even MSMEs are ineligible to participate in the resolution process if they are declared wilful defaulters; and that the relevant eligibility is to be considered with reference to the applicable stage of the resolution process. Although MSMEs are granted exemption from certain provisions of Section 29A, such exemption does not extend to Section 29A (b). The Applicant's status as promoter of an MSME Corporate Debtor does not, by itself, remove the statutory disqualification arising from his classification as a wilful defaulter.

i) The Resolution Professional submits that determination of eligibility under Section 29A is his statutory obligation under Section 25(2) (h)

read with Regulation 36A of the CIRP Regulations. The CoC, in turn, does not possess jurisdiction to waive or relax a statutory disqualification. Since the public records indicate that the Applicant continues to be classified as a wilful defaulter under the RBI framework, the Resolution Professional was duty-bound not to include his name in the final list of Prospective Resolution Applicants.

j) The Applicant's has not demonstrated that such classification has been set aside by any competent authority. Consequently, the Applicant was rightly excluded from the final list of Prospective Resolution Applicants. The Respondent also relies upon the proceedings of 9th CoC meeting held on 21.02.2026, wherein the Applicant was permitted to address the CoC and place additional material concerning M/s. Karnatak Cements Limited. After considering his submissions, the CoC concluded that the material placed by the Applicant did not alter the existing legal position regarding his ineligibility/disqualification and rejected the Applicant's request for inclusion in the final list of Prospective Resolution Applicants, whether individually or through a consortium, and recorded that it lacked statutory authority to relax or waive a disqualification under Section 29A.

4. The Respondent No.2/Maximus ARC, a CoC member of the Corporate Debtor has filed his statement of objections stating as under:

a) The submissions of the RP that Applicant submitted his EOI claiming the benefit of Section 240A, but on verification under Section 29A(b) by RP the Applicant's name was found in wilful-defaulter records. The Applicant was also given an opportunity by CoC and RP to furnish documentary material establishing that he is not a wilful defaulter, but the material furnished by him does not show that the classification of Applicant as a wilful defaulter had been removed.

b) The Respondent No.2 reiterates the submissions of the RP that CoC in its 8th meeting stated that Section 29A(b) renders a wilful defaulter

ineligible to submit a Resolution Plan; Section 240A does not exempt the disqualification under Section 29A(b); the disqualification operates independently of the status of the borrower; participation through a consortium does not cure personal ineligibility; CIBIL reports or other explanations cannot override a subsisting wilful-defaulter classification under the RBI guidelines and CoC has no jurisdiction to relax, waive or override a statutory disqualification under Section 29A because its commercial wisdom operates within the statutory framework. Accordingly, the decision not to include the Applicant in the final list of Prospective Resolution Applicants, whether individually or in consortium, is justified.

c) Respondent No.2 further submits that determination of eligibility under Section 29A is a statutory obligation of the Resolution Professional under Section 25(2)(h) read with Regulation 36A of the CIRP Regulations and that, upon verification of public records indicating the Applicant's classification as a wilful defaulter, the Resolution Professional was duty-bound not to include him in the final list of Prospective Resolution Applicants. Such classification continues to subsist in public credit records and is not shown to have been set aside by any competent authority.

d) The Respondent No.2 accordingly submits that the Applicant's exclusion from the final list of Prospective Resolution Applicants was in accordance with the Code and the applicable CIRP framework and that the present application is liable to be dismissed.

5. The Applicant has filed Rejoinder to the statement of objections filed by RP and stated that:

a) The counter filed by the Resolution Professional is based solely on entries appearing in CIBIL/public databases reflecting the name of Karnataka Cements as a wilful defaulter in which Applicant is a director, is not legally valid because mandatory procedure prescribed

under the RBI Master Directions was not followed because RP has failed to conduct proper due diligence but mechanically relied upon incomplete credit information without independently verifying the legality of the classification, the existence of a final order and such action does not constitute proper verification of eligibility as required under Section 25 of the IBC.

b) The alleged transactions relates to a period approximately 25–30 years ago and concerns Karnataka Cements when applicant was not its promoter. Even after Karnataka Cements was wilful defaulter, regulated banks, including Bank of Maharashtra and HDFC Bank, had sanctioned credit facilities after due diligence and the latest credit records do not establish an operative disqualification. The Applicant therefore submits that Section 29A (b) applies only where the person is a wilful defaulter on the relevant date and a disputed, stale and procedurally defective entry cannot result in perpetual ineligibility.

c) The Applicant has lodged a complaint (No. N202627023108012) before the RBI Ombudsman against Indian Overseas Bank in relation to appearance of his name as wilful defaulter in respect of Karnataka cements alleging violation of RBI guidelines, absence of notice and hearing, inaccurate reporting and wrongful inclusion in the wilful-defaulter records. Further, the Corporate Debtor is an MSME and Applicant's proposal was intended to facilitate revival of the Corporate Debtor, protect workers, maximise value and achieve resolution instead of liquidation but the RP and CoC failed to consider the revival objective underlying Section 240A of the IBC.

d) The Applicant asserts that the commercial wisdom of the CoC cannot validate an action founded upon an illegal and unverified assumption about wilful defaulter status of Karnataka cement in which applicant is a director. The issue before this Authority concerns the legality of the Applicant's exclusion from the process and not the commercial merits

of any resolution plan. The Applicant seeks to distinguish the judgments relied upon by the Resolution Professional on the ground that those cases concerned lawful and subsisting declarations of wilful defaulter, whereas, in the present case, the validity of mandatory RBI procedure is stated to have not been followed and no final declaration order has been produced on record.

e) In view of the abovementioned reasons, the Applicant states that as no legally valid and subsisting declaration of wilful defaulter in respect to Karnataka cement has been established against him, the RP be directed to reconsider Applicant's eligibility in accordance with law

6. The Applicant has also filed Rejoinder to the statement of objections filed by Maximus ARC contending as under:

a) The allegations and contentions raised by Respondent No.2 that **M/s. Sri Chakra Financial Services** in which he is a director as a wilful defaulter due to which he has been disqualified to submit a Plan for the Corporate Debtor under Section 29A (b) of the Code without establishing the existence of a legally valid and final declaration that M/s Sri Chakra Financial Services is wilful defaulter under the applicable Reserve Bank of India (RBI) framework.

b) The Applicant has never been served with a final order declaring M/s. Sri Chakra Financial Services, to be a wilful defaulter after following the mandatory procedure prescribed under the RBI (Commercial Banks-Treatment of Wilful Defaulters and Large Defaulters) Directions, 2025 due to which he has sent a representation dated 10.03.2026 to the Deputy General Manager, Stressed Assets Recovery Branch, SBI, Hyderabad, requesting removal of his name from the wilful-defaulters list on the ground of non-compliance with the RBI Directions as extract uploaded by SBI does not constitute a final adjudicatory determination. He further submits that the legality of the wilful-defaulter classification and consequential reporting to RBI and

Credit Information Companies are already under challenge before the Hon'ble High Court of Telangana in ***Writ Petition No. 8948 of 2021***.

c) Thereafter, SBI, vide letter dated 19.03.2026, acknowledged that the matter was sub-judice before the High Court and that it was not in a position to undertake a parallel review while the matter remained under judicial consideration due to which the alleged classification of M/s. Sri Chakra Financial Services as a wilful defaulter has not attained legal finality and cannot automatically render him ineligible under Section 29A (b) of the IBC. It is further submitted that Respondent No.2 has relied upon unverified database extracts to declare M/s. Sri Chakra Financial Services as a wilful defaulter without producing any final order of RBI framework and the commercial wisdom of the CoC cannot determine disputed questions concerning the legality of alleged wilful-defaulter classification of Applicant without adjudication by Hon'ble High Court of Telangana.

d) The Corporate Debtor is a MSME under Section 240A of the IBC and rejection of his participation as a Prospective Resolution Applicant, despite the disputed and non-final nature of the alleged wilful-defaulter classification, defeats the object of the Code and causes prejudice to both the Applicant and the CIRP.

e) In view of the above, the Applicant has prayed that this Application be allowed; that he be not treated as disqualified under Section 29A(b) of the IBC in the absence of a final and legally sustainable declaration of wilful defaulter; he be permitted to participate as a Prospective Resolution Applicant in the CIRP of the Corporate Debtor in accordance with Section 240A of the IBC;

7. We have heard Learned Counsels for the parties and carefully perused the material on record.

8. This Application has been filed by a suspended director of the Corporate Debtor against the decision of the RP and the CoC of the Corporate Debtor to

declare him ineligible under Section 29 A of the Code to submit a Resolution Plan for the Corporate Debtor because two companies i.e. M/s. Karnataka Cements Limited and M/s. Sri Chakra Financial Services, in which the Applicant is a Director are in the wilful defaulters' list.

9. The Applicant has stated that M/s Karnataka cement is in Liquidation and he has wrongly been categorised as a wilful defaulter by Indian Overseas Bank even though the loans in question pertained to the period 1992-93 when the previous management led by Mr. Samir P. Shaw was at the helm. The Applicant became a director only after the account had been transferred and restructured. M/s Sri Chakra Financial Services has wrongly been categorised as 'wilful defaulter' by Stressed Assets Recovery Branch, SBI, Hyderabad even though he was never been served with a final order in this behalf passed after following the mandatory procedure prescribed under the RBI (Commercial Banks-Treatment of Wilful Defaulters and Large Defaulters) Directions, 2025 due to which Applicant addressed a representation dated 10.03.2026 to the Deputy General Manager, Stressed Assets Recovery Branch, SBI, Hyderabad, requesting for removal of his name from the wilful-defaulters list on the ground of non-compliance with the RBI Direction as extract uploaded by SBI does not constitute a final adjudicatory determination. Further the legality of wilful-defaulter classification and the consequential reporting to RBI and Credit Information Companies is under challenge before the Hon'ble High Court of Telangana in Writ Petition No. 8948 of 2021.

10. The Respondent No.1/RP and the Maximus ARC on the other hand have submitted that the name of the Applicant appears as Director of M/s. Karnataka Cements Limited as well as M/s. Sri Chakra Financial Services due to which he is ineligible under Section 29A(b) of the Code and cited ***Namdev Hindurao Patil v. Virendra Kumar Jain, Liquidator, Warana Dairy and Agro Industries Ltd. & Ors., Comp. App. (AT) (Ins.) No. 858 of 2023,*** wherein it was held that the object of Section 29A is to prevent persons such as wilful defaulters from regaining control of the Corporate Debtor and

although MSMEs are granted exemption from provisions of Section 29A (c) and (h) of the Code, such exemption does not extend to Section 29A(b).

11. The principal issue that arises for consideration is whether the Applicant being the erstwhile promoter and suspended Director of the Corporate Debtor in his individual capacity or in a consortium with M/s Aikyam Stressed Assets Fund-I is ineligible to act as a Prospective Resolution Applicant of the Corporate Debtor under Section 29A of the Code, on the ground that M/s. Karnataka Cements Limited and M/s. Sri Chakra Financial Services, in which the Applicant is stated to be a Director, have been reflected in the 'wilful defaulters' list.

12. Before examining the rival contentions, it is appropriate to reproduce Section 29A of the Code, as follows:

Section 29A — Person not eligible to be resolution applicant
"A person shall not be eligible to submit a resolution plan, if such person, or any other person acting jointly or in concert with such person—

(a) is an undischarged insolvent;
(b) is a wilful defaulter in accordance with the guidelines of the Reserve Bank of India issued under the Banking Regulation Act, 1949;
(c) at the time of submission of the resolution plan has an account, or an account of a corporate debtor under the management or control of such person or of whom such person is a promoter, classified as non-performing asset in accordance with the guidelines of the Reserve Bank of India issued under the Banking Regulation Act, 1949 or the guidelines of a financial sector regulator issued under any other law for the time being in force, and at least a period of one year has lapsed from the date of such classification till the date of commencement of the corporate insolvency resolution process of the corporate debtor:
Provided that the person shall be eligible to submit a resolution plan if such person makes payment of all overdue amounts with interest thereon and charges relating to non-performing asset accounts before submission of resolution plan;
Provided further that nothing in this clause shall apply to a resolution applicant where such applicant is a financial entity and is not a related party to the corporate debtor.

Explanation I.—For the purposes of this proviso, the expression 'related party' shall not include a financial entity, regulated by a financial sector regulator, if it is a financial creditor of the corporate debtor and is a

related party of the corporate debtor solely on account of conversion or substitution of debt into equity shares or instruments convertible into equity shares or completion of such transactions as may be prescribed, prior to the insolvency commencement date.

Explanation II.—For the purposes of this clause, where a resolution applicant has an account, or an account of a corporate debtor under the management or control of such person or of whom such person is a promoter, classified as non-performing asset and such account was acquired pursuant to a prior resolution plan approved under this Code, then, the provisions of this clause shall not apply to such resolution applicant for a period of three years from the date of approval of such resolution plan by the Adjudicating Authority under this Code;

(d) has been convicted for any offence punishable with imprisonment—

(i) for two years or more under any Act specified under the Twelfth Schedule; or
(ii) for seven years or more under any other law for the time being in force:

Provided that this clause shall not apply to a person after the expiry of a period of two years from the date of his release from imprisonment:
Provided further that this clause shall not apply in relation to a connected person referred to in clause (iii) of Explanation I;

(e) is disqualified to act as a director under the Companies Act, 2013:
Provided that this clause shall not apply in relation to a connected person referred to in clause (iii) of Explanation I;
(f) is prohibited by the Securities and Exchange Board of India from trading in securities or accessing the securities markets;
(g) has been a promoter or in the management or control of a corporate debtor in which a preferential transaction, undervalued transaction, extortionate credit transaction or fraudulent transaction has taken place and in respect of which an order has been made by the Adjudicating Authority under this Code:

Provided that this clause shall not apply if a preferential transaction, undervalued transaction, extortionate credit transaction or fraudulent transaction has taken place prior to the acquisition of the corporate debtor by the resolution applicant pursuant to a resolution plan approved under this Code or pursuant to a scheme or plan approved by a financial sector regulator or a court, and such resolution applicant has not otherwise contributed to the preferential transaction,

undervalued transaction, extortionate credit transaction or fraudulent transaction;

(h) has executed a guarantee in favour of a creditor in respect of a corporate debtor against which an application for insolvency resolution made by such creditor has been admitted under this Code and such guarantee has been invoked by the creditor and remains unpaid in full or part;

(i) is subject to any disability, corresponding to clauses (a) to (h), under any law in a jurisdiction outside India; or

(j) has a connected person not eligible under clauses (a) to (i).

Explanation I.— For the purposes of this clause, the expression 'connected person' means—
(i) any person who is the promoter or in the management or control of the resolution applicant; or
(ii) any person who shall be the promoter or in management or control of the business of the corporate debtor during the implementation of the resolution plan; or
(iii) the holding company, subsidiary company, associate company or related party of a person referred to in clauses (i) and (ii):

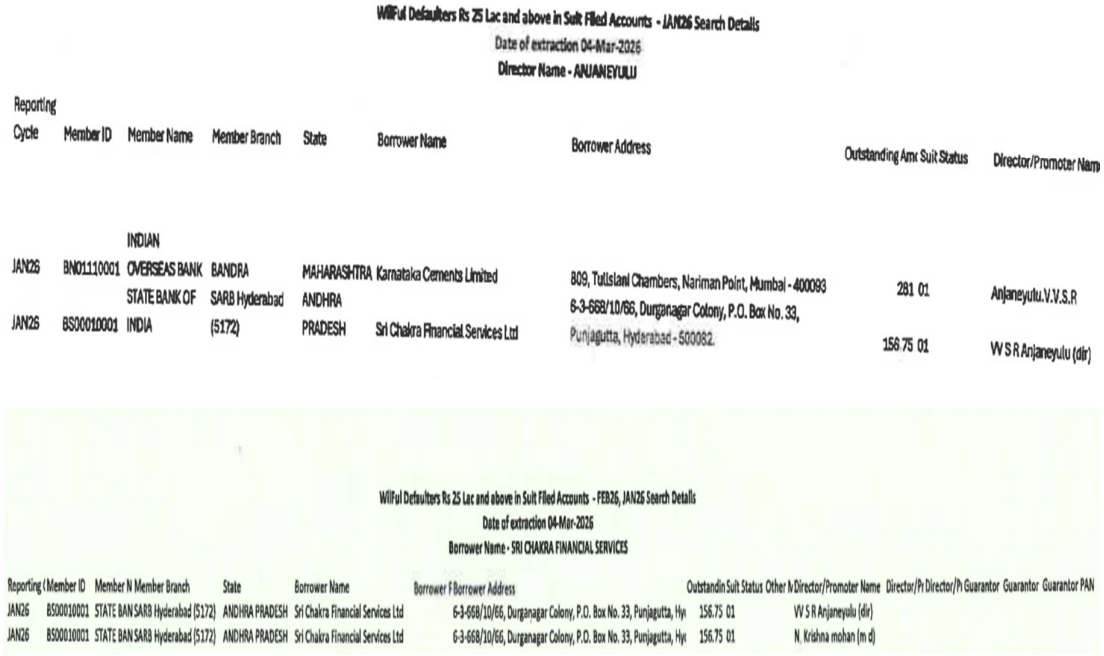
Provided that nothing in clause (iii) of Explanation I shall apply to a resolution applicant where such applicant is a financial entity and is not a related party of the corporate debtor.
Provided further that the expression 'related party' shall not include a financial entity, regulated by a financial sector regulator, if it is a financial creditor of the corporate debtor and is a related party of the corporate debtor solely on account of conversion or substitution of debt into equity shares or instruments convertible into equity shares or completion of such transactions as may be prescribed, prior to the insolvency commencement date.
Explanation II.- For the purposes of this section, 'financial entity' shall mean the following entities which meet such criteria or conditions as the Central Government may, in consultation with the financial sector regulator, notify in this behalf, namely: —

(a) a scheduled bank;
(b) any entity regulated by a foreign central bank or a securities market regulator or other financial sector regulator of a jurisdiction outside India which jurisdiction is compliant with the Financial Action Task Force Standards and is a signatory to the International Organisation of Securities Commissions Multilateral Memorandum of Understanding;

(c) any investment vehicle, registered foreign institutional investor, registered foreign portfolio investor or a foreign venture capital investor, where the terms shall have the meaning assigned to them in regulation 2 of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 made under the Foreign Exchange Management Act, 1999;
(d) an asset reconstruction company registered with the Reserve Bank of India under section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
(e) an Alternate Investment Fund registered with the Securities and Exchange Board of India;
(f) such categories of persons as may be notified by the Central Government."

13. A plain reading of the provision makes it evident that the ineligibility contemplated under Section 29A is statutory in nature and must be determined with reference to the particular clause sought to be invoked. It is not in dispute that Applicant is an MSME with its Udyam certificate issued on 16.08.2020 due to which applicant is eligible for waiver of applicability of Section 29A (c) and 29A (h) read with Section 240A of the Code.

14. In the present case, the Respondents have principally relied upon the wilful-defaulter status of M/s. Karnataka Cements Limited and M/s. Sri Chakra Financial Services, in which the Applicant is a Director, to contend that the Applicant is ineligible under Section 29A (b) of the Code to participate in the resolution process of the Corporate Debtor. The Resolution Professional has further contended that the Applicant has failed to produce material evidencing removal of his name as a wilful-defaulter in respect of M/s. Karnataka Cements Limited and M/s. Sri Chakra Financial Services whereas the Applicant disputes the validity and legal effect of the classification relied upon by the Respondents. Here we reproduce the relevant extract of documents on the basis which M/s. Karnataka Cements Limited and M/s. Sri Chakra Financial Services are categorised as wilful defaulter:-



Wilful Defaulters Rs 25 Lac and above in Suit Filed Accounts - JAN26 Search Details
Date of extraction 04-Mar-2026
Director Name - ANJANEYULU

Reporting Cycle	Member ID	Member Name	Member Branch	State	Borrower Name	Borrower Address	Outstanding Amt	Suit Status	Director/Promoter Nam
JAN26	BN01110001	INDIAN OVERSEAS BANK	BANDRA	MAHARASHTRA	Karnataka Cements Limited	809, Tulsiani Chambers, Nariman Point, Mumbai - 400093	281	01	Anjaneyulu.V.V.S.R
JAN26	BS00010001	STATE BANK OF INDIA	SARB Hyderabad (5172)	ANDHRA PRADESH	Sri Chakra Financial Services Ltd	6-3-668/10/66, Durganagar Colony, P.O. Box No. 33, Punjagutta, Hyderabad - 500082.	156.75	01	W S R Anjaneyulu (dir)

Wilful Defaulters Rs 25 Lac and above in Suit Filed Accounts - FEB26, JAN26 Search Details
Date of extraction 04-Mar-2026
Borrower Name - SRI CHAKRA FINANCIAL SERVICES

Reporting (	Member ID	Member N	Member Branch	State	Borrower Name	Borrower F	Borrower Address	Outstandin	Suit Status	Other N	Director/Promoter Name	Director/Pr	Director/Pr	Guarantor	Guarantor	Guarantor PAN
JAN26	BS00010001	STATE BAN	SARB Hyderabad (5172)	ANDHRA PRADESH	Sri Chakra Financial Services Ltd		6-3-668/10/66, Durganagar Colony, P.O. Box No. 33, Punjagutta, Hy	156.75	01		W S R Anjaneyulu (dir)					
JAN26	BS00010001	STATE BAN	SARB Hyderabad (5172)	ANDHRA PRADESH	Sri Chakra Financial Services Ltd		6-3-668/10/66, Durganagar Colony, P.O. Box No. 33, Punjagutta, Hy	156.75	01		N. Krishna mohan (m d)					

15. A perusal of the above make it clear that the Applicant is not categorised as a wilful defaulter in his personal capacity but the companies in which he is a director are categorised as wilful defaulters and we find it necessary to distinguish between the ineligibility of a corporate entity and an individual who may be associated with it. Section 29A (b) refers to a person who is a wilful defaulter in accordance with the applicable guidelines of the Reserve Bank of India and if a person is director in another company which has been included in the wilful-defaulters records then the said person cannot be said to be a wilful defaulter for the purpose of Section 29A (b) of the Code because it is necessary to examine whether the Applicant himself has been classified as a wilful defaulter. The said reasons can be used to classify a person as a wilful defaulter for the purpose of 29A(c) and (h) of the Code but the same will not be applicable in the present case because the applicant is MSME due to which the provisions of clauses (c) and (h) of section 29A shall not apply to the Applicant in respect of Corporate Insolvency Resolution Process of the Corporate Debtor.

16. We do not have any material before us establishing the Applicant's independent ineligibility to submit a resolution plan under the applicable provisions of Section 29A except Section 29A(c) and (h) of the Code and the fact that the Applicant is a Director in M/s. Karnataka Cements Limited or M/s. Sri Chakra Financial Services does not, by itself, conclude the inquiry under Section 29A(b) of the Code. The Applicant states that even these entities do not suffer such ignominy currently but the tag somehow is not getting removed.

17. We have considered the judgment of Hon'ble NCLAT in ***Namdeo Hindurao Patil v. Virendra Kumar Jain, Liquidator of Warana Dairy and Agro Industries Ltd., Company Appeal (AT) (Ins.) No. 858 of* 2023** which states that the benefit of Section 240A does not extend to clause (b) of Section 29A and when an applicant who is himself a wilful defaulter, cannot claim immunity from that disqualification only because the corporate debtor is an MSME. However, the issue in the present case is not whether Applicant is a wilful defaulter and using Section 240A of the Code to escape the same but is whether the Applicant is a wilful defaulter in its individual capacity under the applicable provisions of Section 29A of the Code which excludes Section 29A(c) and (h) of the Code and the Respondents have not been able to establish the Applicant's ineligibility under the aforesaid provisions on the basis of the material placed before us.

18. In view of the foregoing discussion, we are of the considered view that the exclusion of the Applicant from the list of Prospective Resolution Applicants cannot be sustained and hold that the Applicant is, entitled to participate in the resolution process in accordance with the Code and the applicable CIRP Regulations.

19. **Accordingly, I.A. No. 150/BB/2026 is allowed with following directions:**

    a) The decision of the Resolution Professional to exclude the Applicant from the final list of Prospective Resolution Applicants is set aside.

b) The Resolution Professional is directed to include the Applicant in the list of Prospective Resolution Applicants, subject to fulfilment of the other applicable eligibility criteria under the Code and the CIRP Regulations. The Applicant's proposed participation along with M/s. Aikyam Stressed Assets Fund-I shall be subject to independent verification of the eligibility of the proposed consortium and its members in accordance with law.

-Sd/-

RADHAKRISHNA SREEPADA
MEMBER (TECHNICAL)

-Sd/-

SUNIL KUMAR AGGARWAL
MEMBER (JUDICIAL)