S.No.01

IN THE NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH – II
VC AND PHYSICAL (HYBRID) MODE
ATTENDANCE CUM ORDER SHEET OF THE HEARING HELD ON
25.11.2026 AT 10:30 A.M.

IA (IBC)/1033/2025 in
CP (IB) No.716/9/HDB/2019
U/s 9 of IBC

IN THE MATTER OF:
Sheetal Ispat Pvt Ltd

…Petitioner/s

Vs
RKI Builders Pvt Ltd

…Respondent/s

C O R A M:-
SHRI. RAJEEV BHARDWAJ, HON'BLE MEMBER (JUDICIAL)
SHRI. SANJAY PURI, HON'BLE MEMBER (TECHNICAL)

O R D E R

IA (IBC)/1033/2025

Present: Mr. Viswaraj, Ld. Counsel for the Applicant.

Mr. Amir Bavani, Ld. Counsel for the Respondent.

Orders pronounced, recorded vide separate sheets.

In the result, this application is dismissed.

Sd/-
MEMBER(T)

Sd/-
MEMBER(J)

siva

IN THE NATIONAL COMPANY LAW TRIBUNAL

HYDERABAD BENCH, COURT-II

I.A (IBC) No. 1033 of 2025

IN

C.P (IB) No. 716/9/HDB/2019

[Under Section 60(5) r/w Section 74 of Insolvency and Bankruptcy Code, 2016 r/w Rule 11 of NCLT Rules]

IN THE MATTER OF M/s. SHEETAL ISPAT PVT. LTD. vs. M/s. RKI BUILDERS PVT. LTD.

Between:

Chairman of Monitoring Committee,

M/s. RKI Builders,

Mr. Kalvakolanu Murali Krishna Prasad,

H.No. 8-27, Plot No. 106, Road No. 10,

Vyshali Nagar, Karmanghat.,

HYD- 500079.

.....Applicant

AND

1. **Adavalli Rajendra Prasad,**
   (Erstwhile Director)
   Villa No. 6, Meple Town, Suncity,
   HYD- 500086.

.....Respondent No. 1

2. **Kesidi Sreedhar Reddy,**
   (Erstwhile Director),
   2-4-1053/1/302, Road No. 4, Samathapuri Colony,
   Alkapuri Colony, Ramakrishnapuram,
   HYD-500102

.....Respondent No. 2

Date of Order: 25.11.2026

IN THE NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH, COURT-II

I.A (IBC) No. 1033 of 2025
IN
C.P (IB) No. 716/9/HDB/2019
Date of Order: 25.11.2026

Coram:

Hon'ble Shri Rajeev Bhardwaj, Member (Judicial)

Hon'ble Shri Sanjay Puri, Member (Technical)

Counsels Present

For Applicant : Mr. M. Maharshi Viswaraj, Ld. Counsel

For Respondents : Mr. Amir Bavani, Ld. Counsel

1. The present Application is filed by Mr. Kalvakolanu Murali Krishna Prasad Resolution Professional for M/s. RKI Builders Pvt. Ltd. seeking the following reliefs against the Suspended Board of Directors:
   a) Declare that the acts of Respondent Nos. 1 and 2 in opening and operating undisclosed bank accounts, modifying escrow arrangements without authority, diverting receivables, and effecting unauthorized transactions during the CIRP - amount to willful violation of the moratorium under Section 14 of the Insolvency and Bankruptcy Code, 2016.
   b) Hold that the conduct of the Respondents is in contravention of Section 19(1) and 19(2) of the Code and amounts to non-cooperation with the Resolution Professional and Monitoring Committee.
   c) Initiate penal action under Section 74(1) of the IBC, 2016, against the Respondents for knowingly and wilfully violating the moratorium and defeating the object of the CIRP.
   d) Direct that the payments made by Respondents during moratorium be forthwith refunded by the said Respondents and credited into the designated account of the Corporate Debtor maintained in accordance with the approved Resolution Plan, failing which appropriate coercive steps may be initiated for recovery under law;
   e) Permit the Applicant to amend this Application at a later stage to include additional documents, audit findings, parties, and further

reliefs as may become necessary based on the Transaction Audit Report or ongoing discovery of facts.

Application

2. It is submitted that M/s. RKI Builders Private Limited **(Corporate Debtor)** was admitted into Corporate Insolvency Resolution Process **(CIRP)** vide order dated 08.12.2022, and Mr. Raj Kumar Sarda was appointed as the Interim Resolution Professional (IRP). Subsequently, in the 2nd meeting of the Committee of Creditors (CoC) held on 03.03.2023, the Applicant, Mr. Kalvakolanu Murali Krishna Prasad, was appointed as the Resolution Professional (RP), which appointment was approved by this Authority vide order dated 20.03.2023 in I.A. (IBC) No. 482 of 2023, filed by Canara Bank.

3. It is submitted that the CoC was reconstituted with seven members on 19.01.2024, which was taken on record by this Authority on 12.02.2024. M/s. Readers Stores India Private Limited submitted the sole Resolution Plan, which was opened in the 8th CoC meeting held on 23.01.2024. Canara Bank, the lead member of the CoC, advised the Resolution Applicant to improve its offer of Rs. 10 Crores, particularly with regard to the allocation to the creditors. The Resolution Applicant stated that the allocation could be revisited by the CoC at its discretion.

4. It is further submitted that the modified Resolution Plan, providing for payments of Rs. 11 Crores and dated 04.10.2024, was placed before the CoC in its 11th meeting held on 18.10.2024. E-voting was conducted between 19.10.2024 and 26.10.2024, and the Plan was approved with 82.14% voting share. Upon issuance of the Letter of Intent, the Resolution Applicant deposited performance security of Rs. 1.10 Crores. Accordingly, I.A. (Plan) No. 23 of 2024 was filed seeking approval of the Resolution Plan, which was approved by this Authority vide order dated 29.01.2025.

5. It is submitted that, in compliance with the approved Resolution Plan, the Successful Resolution Applicant (SRA) made an upfront payment of 25% of the total resolution amount, i.e., Rs. 2.75 Crores. The receipt of the amount was noted in the first Monitoring Committee meeting held on 07.02.2025, and the amount was distributed towards reimbursement of CIRP expenses and payment to creditors in accordance with the approved Resolution Plan on 14.02.2025.

6. It is alleged that, during the implementation of the Resolution Plan, the Applicant came to know that Respondent Nos. 1 and 2, the erstwhile directors of the Corporate Debtor, had opened a new bank account in the name of the Corporate Debtor without the knowledge or consent of the RP. They are also alleged to have carried out unauthorised transactions through such undisclosed accounts and continued operating the existing bank accounts during the CIRP. The suspended management had disclosed only the Canara Bank account as the official bank account of the Corporate Debtor.

7. It is submitted that the Corporate Debtor had entered into sub-contractual arrangements with various third parties, under which commission or other consideration was payable to the Corporate Debtor. The RP and CoC had instructed that all such amounts be credited exclusively to the Corporate Debtor's current account maintained with Canara Bank, and certain payments were accordingly received in the said account during the CIRP. However, during implementation of the Resolution Plan, the Chairman of the Monitoring Committee noticed certain allegedly unauthorised transactions through the Corporate Debtor's current account maintained with ICICI Bank, RTC X Roads Branch, Hyderabad. Accordingly, the Chairman approached the Bank on 19.02.2025, sought the account statements and initiated updation of the KYC records of the Corporate Debtor.

8. It is further submitted that, upon obtaining the statement of the escrow account, the Chairman directed that no further debit transactions be permitted. A sum of Rs. 13.31 lakhs, being commission payable to the Corporate Debtor by a sub-contractor, was lying unutilised in the escrow account. Since, under the Resolution Plan, the cash and cash equivalents of the Corporate Debtor as on the date of approval were to be retained by Canara Bank, which held the first charge over the current assets and receivables, the Chairman addressed a communication dated 17.03.2025 to ICICI Bank, Mahankali Temple Lane Branch, requesting transfer of the said balance to the Corporate Debtor's Canara Bank account.

9. It is alleged that the Corporate Debtor had entered into a sub-contract agreement with Linear Construction Private Limited, providing for revenue sharing in the ratio of 96% in favour of Linear Construction Private Limited and 4% in favour of the Corporate Debtor. However, during the moratorium, on 03.08.2024, R1 allegedly altered the sharing ratio unilaterally, without any authority or approval, to 99.5% in favour of Linear Construction Private Limited and 0.5% in favour of the Corporate Debtor. The Applicant contends that the alteration was made without the knowledge, consent or approval of the RP or the CoC.

10. The Applicant submits that the SRA represented that a substantial portion of the funds lying in the escrow accounts pertained to third-party contractors and that continued freezing of the accounts would cause financial hardship to them. On the assurance of the SRA and subject to the Applicant remaining a co-signatory to the current account, operational access to the ICICI Bank account maintained at RTC X Roads Branch was permitted by the SRA's representative.

11. It is further alleged that, during the CIRP, a suspended director opened and operated a current account with Rajadhani Cooperative Urban Bank without the knowledge, approval or authorisation of the RP or CoC. To safeguard the interests of the stakeholders and prevent further unauthorised transactions, the Applicant issued a communication dated 01.04.2025 to the Bank, directing it not to permit any debit transactions and seeking the account statement. The Branch Manager furnished the statement of account on 09.06.2025.

12. It is submitted that, in the 3rd CoC meeting, the representative of Canara Bank advised the Chairman to file an appropriate application before this Authority in view of the apparent violation of Section 14 of the Code. Further, in the 3rd and 4th Monitoring Committee meetings, it was decided to appoint a Transaction Auditor to examine the bank transactions in detail. Accordingly, M/s. PVRM Associates, Chartered Accountants, was appointed as the Transaction Auditor, and the report was awaited at that stage.

13. The Applicant submits that Section 14 of the Code imposes a moratorium upon admission of a CIRP, while Section 19(1) requires the personnel of the Corporate Debtor, including its suspended directors, to extend all assistance and cooperation to the RP in managing the affairs of the Corporate Debtor during the CIRP.

14. It is contended that the alleged suppression of bank accounts and transactions, alteration of revenue-sharing terms with sub-contractors and non-disclosure of material financial information amount to non-cooperation under Section 19(2) of the Code. The Applicant further relies upon Section 74(1), which prescribes penal consequences where the Corporate Debtor or any of its officers knowingly or wilfully contravenes the provisions of Section 14.

15. The Applicant accordingly alleges that the suspended directors acted in conscious disregard of the moratorium and suppressed material information from the RP and CoC, necessitating the filing of the present Application.

Counter

16. The Respondents contend that the present Application is premature and not maintainable, as the Applicant has failed to establish the essential ingredients of Section 74(1) of the Code. In this regard, they rely upon the order of the NCLT, Mumbai Bench, in **Mr. Om Prakash Agarwal v. Mr. Hemendra Bosmiya & Ors., I.A. No. 1342 of 2022 in C.P. (IB) No. 3119 of 2018**, wherein it was observed that the intention of the suspended directors to cheat or defraud the Corporate Debtor by entering into transactions during the CIRP is required to be examined.

17. It is submitted that, on a conjoint reading of the said decision and Section 74(1) of the Code, penal liability can arise only where the requisite intention to defraud or cheat is established through corroborating documentary evidence. The Respondents point out that the Applicant has merely alleged that they "appear to have carried out several unauthorised transactions" without specifying or quantifying the transactions. They further contend that, although the Applicant stated in the 4th Monitoring Committee meeting that the information was obtained through "discrete enquiries", no material was produced to establish the source, authenticity or veracity of the allegations.

18. The Respondents submit that the Transaction Audit Report had not been prepared or placed before this Authority when the Application was filed. They rely upon **Ankit Bhuwalka v. IDBI Bank Limited & Anr., W.P. No. 12 of 2025**, decided by the Hon'ble Bombay High Court, wherein it was observed that the graver the consequences of a civil action, the higher

the degree of proof required. Accordingly, they contend that the allegations cannot be founded on surmises or conjectures.

19. The Respondents further rely upon the decisions of the NCLT, Mumbai Bench, in **Mr. Jayesh Natvarlal Sanghrajka v. Mr. Jayesh Vallabhdas Kaneria & Ors., I.A. No. 4447 of 2023 in C.P. No. 283 (MB)/2023**, and the NCLAT, New Delhi, in **Sapan Mohan Garg, RP of Sort India Enviro Solutions Ltd. v. Manish G. Patel & Anr., C.A. (AT) (Ins.) No. 837 of 2021**. They contend that prosecution under Section 70 of the Code, which is stated to be pari materia with the relevant penal provision under Section 74(1), cannot be initiated by the RP before the Adjudicating Authority.

20. It is submitted that, although the RP is responsible for keeping the Corporate Debtor as a going concern, the said responsibility was substantially undertaken by R1, who, according to the Respondents, acted bona fide and generated substantial revenue for the Corporate Debtor during the CIRP. They allege that the Applicant failed to consider intangible assets, including goodwill, project pipeline and order-book strength, during valuation, citing paucity of time, resulting in the SRA's final bid of Rs. 11 Crores being substantially lower than the fair realisable value of the Corporate Debtor's assets.

21. The Respondents submit that R1 had raised concerns with the Applicant through WhatsApp communication dated 29.12.2024, which were allegedly denied by the Applicant. They further state that, on 25.09.2023, R1 informed the Applicant that contractors were interested in undertaking work for the Corporate Debtor worth approximately Rs. 50 Crores. The Applicant, vide email dated 02.11.2024, authorised R1 to participate in e-tendering and negotiate contracts on behalf of the Corporate Debtor. R1 also forwarded another tender proposal on

11.11.2024, which was acknowledged by the Applicant with approval to proceed.

22. It is therefore contended that, having authorised R1 to undertake business transactions on behalf of the Corporate Debtor, the Applicant was aware that R1 would operate the Corporate Debtor's bank accounts and undertake transactions necessary to pursue tenders and other business activities.

23. The Respondents further submit that the Applicant was aware of the sales, debits and credits arising from the business activities undertaken by them. They contend that essential business registrations and statutory compliances, including GST, PF, ESI and local licences, were undertaken by the Respondents at their own expense to keep the Corporate Debtor operational. R1 also repeatedly reminded the Applicant to arrange payment of salaries to employees during the CIRP. In these circumstances, the Applicant is stated to be estopped from alleging unauthorised conduct.

24. It is submitted that, on 18.04.2023, the Applicant sought a meeting with R1 to discuss pending contracts and formulate a plan for securing new business for the Corporate Debtor. The Respondents also rely upon the WhatsApp communication dated 19.09.2023, which, according to them, shows that R1 apprised the Applicant of the banking transactions relating to the work undertaken by the Corporate Debtor through R1's efforts.

25. The Respondents state that R1 was deputed to represent the Corporate Debtor before various authorities and business associates, including the Additional Commissioner of Central Tax, Hyderabad GST Commissionerate, for a personal hearing, vide letter dated 18.04.2023. They further rely upon the WhatsApp communication dated 10.09.2023, wherein R1 undertook to follow up with contractors and sub-contractors,

and the communication dated 25.09.2023, wherein the Applicant requested R1 to follow up with the concerned parties for compliance and recovery of dues.

26. R1 also relies upon the decision of the NCLT, New Delhi, in **Chandra Prakash, Resolution Professional v. Sandeep Mehndiratta, I.A. No. 1255 of 2021 in C.P. (IB) No. 2039 of 2019**, to contend that the Respondents acted with the sole intention of keeping the Corporate Debtor as a going concern and neither sought to unjustly enrich themselves nor intended to defraud the Corporate Debtor or its creditors. Accordingly, they contend that the ingredients of Section 74(1) are not attracted

27. It is submitted that R1 had furnished details of the sundry debtors of the Corporate Debtor to the Applicant through email and WhatsApp communications dated 21.07.2023. However, the Applicant allegedly failed to take effective steps for recovery. The Respondents state that the Applicant issued a batch of emails and letters dated 05.08.2023 to M/s. Max Infra Private Limited, M/s. Engineering Projects India Limited, M/s. Raghav Constructions, M/s. Triveni Earth Movers, M/s. Navayuga Engineering and M/s. Sri Venkateswara Constructions, demanding payment of the outstanding dues, with R1 marked in the communications. They further rely upon the minutes of the 9th CoC meeting dated 17.08.2024 to contend that no amounts had been recovered from the debtors for over a year.

28. The Respondents allege that the Applicant neither operated nor visited the registered office of the Corporate Debtor and instead directed them to manage its day-to-day operations. They also rely upon the email dated 30.04.2025 issued by the SRA, which, according to them, raised specific allegations against the Applicant regarding his conduct during the CIRP.

29. It is further contended that the Applicant had effectively delegated his responsibilities to R1 and is now attempting to attribute the consequences of such conduct to the Respondents. In this regard, they refer to the Applicant's direction dated 31.08.2023 to R1 to take charge of the Corporate Debtor's property at Abids along with Mr. Ravikanth, a former employee, and the WhatsApp communication dated 07.05.2025, which allegedly shows that R1 was also asked to prepare the Standard Operating Procedure for the Monitoring Committee.

30. The Respondents further rely upon emails dated 17.04.2023 and 18.04.2023 to contend that the Applicant had authorised R1 to represent the Corporate Debtor before debtors, contractors and sub-contractors and to appear before the Additional Commissioner of Central Tax. They refer to IBBI Circular No. IP/003/2018 dated 03.01.2018, Notification No. IBBI/2017-18/GN/REG027 dated 27.03.2018, inserting Section 7(2)(bb) in the IBBI (Insolvency Professionals) Regulations, 2016, and Disciplinary Order No. IBBI/DC/80/2021, to contend that the Applicant had acted contrary to the prescribed duties and standards of conduct of an Insolvency Professional.

31. The Respondents contend that the Applicant's allegation that they operated undisclosed and existing bank accounts without his knowledge is inconsistent with his own conduct. According to them, if the Respondents were able to operate the accounts, it would indicate that the Applicant had not taken control of them; conversely, if the Applicant had taken control, the transactions could not have occurred without his knowledge or consent.

32. It is submitted that the Applicant's statement that the Respondents had disclosed only the Canara Bank account is factually incorrect. The Respondents rely upon the WhatsApp communication dated 28.06.2024, wherein the Applicant sought bank statements of the Corporate Debtor's

ICICI Bank account, and another communication dated 04.11.2024, wherein he followed up with R1 regarding another bank account.

33. The Respondents further state that, through WhatsApp communication and email dated 29.12.2024, the Applicant acknowledged his knowledge of the Corporate Debtor's ICICI Bank account. They also refer to the Applicant's email dated 02.11.2023 addressed to Bank of Maharashtra, which, according to them, establishes that he was aware of the Corporate Debtor's account maintained with that Bank. Thus, they dispute the Applicant's assertion that he came to know of the other bank accounts only during implementation of the Resolution Plan.

34. On the basis of the above communications, the Respondents invoke the principle of falsus in uno, falsus in omnibus and question the credibility of the Applicant's allegations concerning the opening and operation of undisclosed bank and escrow accounts.

35. With regard to the alleged unilateral alteration of the escrow arrangement with Linear Construction Private Limited, the Respondents contend that the Applicant and CoC were aware of the revised terms. They point out that the co-signatory to the amended escrow arrangement was the common promoter of the SRA, who had also participated in the subsequent CoC and Monitoring Committee meetings. They further rely upon the minutes of the 3rd Monitoring Committee meeting, which record the SRA's explanation that the change in the escrow mechanism was necessitated by the Corporate Debtor's failure to meet its TDS obligations during the CIRP, as a result of which Linear Construction Private Limited had to discharge the TDS liabilities on behalf of the Corporate Debtor to ensure compliance and uninterrupted execution of government contracts.

36. The Respondents also rely upon the WhatsApp communication dated 29.06.2024 to contend that the Applicant was aware of the Corporate Debtor's escrow accounts and that R1 had furnished the relevant details. They further state that R1 provided a detailed clarification regarding the Corporate Debtor's bank accounts through email dated 21.04.2025 and had also responded to the allegations raised by the Applicant through WhatsApp communication dated 18.03.2025.

37. It is submitted that the bank statements annexed to the Application do not establish the alleged diversion of funds. According to the Respondents, the statement of the Corporate Debtor's account with Rajadhani Cooperative Urban Bank does not reflect any debit transactions and the royalty amounts were routed through the bank accounts operated under the supervision of the CoC. They further contend that, through their efforts, certain amounts were recovered from M/s. Triveni Earth Movers and deposited into the Corporate Debtor's Canara Bank account, as acknowledged by the Applicant in his email dated 10.03.2024.

38. The Respondents contend that they had consistently furnished the necessary information, documents and assistance to the Applicant. They refer to the disclosure made by R1 on 19.01.2024 regarding the financial assets of the Corporate Debtor for valuation purposes, on the basis of which the valuer prepared a note that was confirmed by R1. They also rely upon the clarifications furnished by R1 to the Transaction Auditor through email dated 09.05.2025.

39. In view of the above, the Respondents contend that the Application is based on misleading statements and unsubstantiated allegations and is therefore liable to be dismissed.

Rejoinder

40. The Applicant submits that the counter-affidavit bears only the signature of R1 and is not accompanied by any power of attorney or authorisation on behalf of R2. Accordingly, the Applicant contends that the counter-affidavit cannot be taken on record insofar as it purports to represent R2.

41. The Applicant denies the preliminary objections and submissions made by the Respondents as false, misconceived and incorrect. It is contended that the conduct of the Respondents was deliberate and mala fide, with the intention of misappropriating the assets of the Corporate Debtor.

42. The Applicant relies upon the Transaction Audit Report, which allegedly records that R1 operated multiple bank accounts, including an account with Rajdhani Cooperative Bank, during the CIRP without the knowledge, approval or authorisation of the RP or CoC. The Report is stated to have identified transfers aggregating to Rs. 5,50,32,000/- from the Corporate Debtor to the personal bank account of the suspended director. Out of this amount, payments aggregating to Rs. 3,33,83,851/- were stated to be supported by verifiable records, leaving a balance of Rs. 2,16,48,149/- receivable from the suspended director as on 31.03.2025. The Applicant contends that several payments lacked narration and supporting documents, amounts received directly from creditors into the personal account of the suspended director were not accounted for in the books of the Corporate Debtor, and proof was not furnished for substantial amounts claimed to have been paid on behalf of the Corporate Debtor.

43. The Applicant submits that the above findings indicate misappropriation and breach of fiduciary duties and attract Section 74(1) of the Code. The Transaction Audit Report is also stated to have identified irregularities in

transactions with M/s. Trandyne Engineers Private Limited. While the said entity declared sales of Rs. 5,55,05,014/-, payments received from the Corporate Debtor allegedly amounted to Rs. 10,84,36,054/-, resulting in an amount of Rs. 4,63,81,041/- being shown as receivable from the said entity.

44. It is further submitted that the Transaction Audit Report records that the escrow-sharing ratio was altered from 96:4 to 99.5:0.5 without the approval of the RP or CoC, resulting in an alleged excess payment of Rs. 1,03,47,927/- to Linear Construction Private Limited. The Report also refers to a payment of Rs. 17,00,000/- to Sanwariya Gold, stated to be a gold trader having no business nexus with the Corporate Debtor, and a payment of Rs. 37,65,240/- towards Keyman Insurance, for which no policy document or past practice was identified.

45. The Applicant disputes the reliance placed by the Respondents on WhatsApp communications, contending that the requisite certificate under Section 63 of the Bharatiya Sakshya Adhiniyam, 2023, was not filed. It is further alleged that the sub-contract arrangement with Linear Construction Private Limited was altered on 03.08.2024 during the subsistence of the CIRP, without the authority, consent or approval of the RP or CoC. The Applicant also refers to the common promoter of the SRA and Linear Construction Private Limited being a co-signatory to the communication concerning the revised escrow arrangement and alleges that the alteration was undertaken with the knowledge and involvement of the concerned persons.

46. The Applicant questions the Respondents' explanation regarding the account maintained with Rajadhani Cooperative Urban Bank and submits that they have failed to explain the capacity in which the account was opened and operated. It is further contended that the RP's failure to take over or operate certain bank accounts cannot be construed

as implied or blanket permission to the suspended directors to operate them.

47. The Applicant submits that the decisions relied upon by the Respondents are inapplicable to the facts of the present case. It is contended that the communications relied upon by the Respondents were limited to specific tasks and were intended only to facilitate cooperation and obtain information from the suspended management. Such communications cannot be construed as delegation or outsourcing of the RP's statutory functions.

48. It is further submitted that mere exchange of communications or operational discussions cannot amount to consent permitting a suspended director to operate bank accounts, modify escrow arrangements, alter revenue-sharing terms or exercise management control during the CIRP. The Respondents' claim that they undertook GST filings, statutory compliances, salary payments and renewals from their own resources is stated to be irrelevant. The Applicant contends that any such activities ought to have been undertaken under the supervision and authority of the RP and not independently by the suspended directors.

49. The Applicant also disputes the purported unconditional apology tendered by the Respondents, contending that they continue to justify and defend the alleged unauthorised acts. It is submitted that an apology accompanied by denial of wrongdoing cannot absolve the Respondents of the alleged statutory violations during the moratorium.

50. The Applicant accordingly submits that the Respondents cannot justify their alleged conduct on the grounds of business continuity, good faith or purported consent, particularly in view of the moratorium imposed under Section 14 of the Code.

Additional Submissions

51. In I.A (IBC) No. 39 of 2026, the Applicant had sought following relief:

> *"a. Take on record that the Successful Resolution Applicant (SRA) has fully implemented the Resolution Plan as approved by this Hon'ble Tribunal and the Applicant has distributed the Resolution Plan Amount, to all stakeholders in accordance with the terms of the Resolution Plan.*
>
> *b. Consequently, discharge the Applicant as the Resolution Plan was fully implemented."*

52. This Authority issued the following order dated 20.01.2026 in I.A (IBC) No. 39 of 2026:

> *"This application has been moved by the applicant to take on record the report regarding implementation of Resolution Plan and distribution of the resolution amount. Keeping in view the submissions made in the application, the same is taken on record. As such the Resolution Professional is also discharged. Accordingly, this application is allowed and disposed of."*

53. The Respondents also filed another Application, I.A (IBC) No. 261 of 2026 seeking the following relief:

> *"To dismiss the Application bearing I.A. No. 1033 of 2025 filed by the Respondent herein in the main Company Petition as infructuous owing to the Respondent herein having been rendered as functus officio by operation of the order dated 20.01.2026 passed by this Hon'ble Tribunal."*

54. In respect of the I.A (IBC) No. 261 of 2026, this Authority issued the following order dated 05.03.2026:

> *"This application has been filed in IA(IBC)/1033/2025 praying to dismiss the IA(IBC)/1033/2025 on the ground that the Respondent has become functus-offico because of the order dated 20.01.2026 passed by this Authority. This fact can be brought to our notice simply by filing an IA for taking on record the said document. Instead of this, the applicant has changed the nomenclature by submitting that this application be disposed of along with IA(IBC)/1033/2025 as the Respondent has been functus-offico.*

In view of the submissions made in the application and particularly the fact that the order dated 20.01.2026 has been passed by this Authority after filing of IA(IBC)/1033/2025, this application is disposed of with directions that the said order be made part of the IA(IBC)1033/2025."

55. Aggrieved by the order dated 05.03.2026, the Respondents approached the Hon'ble NCLAT. Vide order dated 10.04.2026, the Hon'ble NCLAT observed:

"5. The Ld. Tribunal, while recording its anguish as to the manner in which the factum of the order of 20.01.2026 was attempted to be placed before Ld. Tribunal, the Ld. Tribunal has proceeded to dispose of the IA with the direction that the order dated 20.01.2026, will be made part of IA (IBC)/1033/2025. If we see the impugned order in its entirety, there was no conclusive decision that had been taken on IA (IBC)/261/2026, except for deferring consideration of the effect of an order of 20.01.2026 on IA (IBC)/1033/2025 when the said IA is to be considered on merits.

6. In that eventuality, at this moment, there cannot be a direct prejudice to the Appellant, where the direction is for deferring the consideration of the effect of an order dated 20.01.2026 on IA (IBC)/1033/2025. While closing this company appeal, we dispose of it with the request to Ld. Tribunal that when the said IA is taken up for consideration, which we are informed that it is likely to be listed for consideration on 27.04.2026, the Ld. Tribunal would consider to answer first the effect of the order dated 20.01.2026 of IA (IBC)/1033/2025, as to whether at all, the circumstances do require consideration of IA (IBC)/1033/2025 on merits.

Subject to the aforesaid, this company appeal stands closed."

56. The Applicant also filed I.A. (IBC) No. 651 of 2026 seeking *"to take on record and consider the Transaction Audit Report and the Additional Transaction Audit Report for the purpose of effective and proper adjudication of I.A. (IBC) No. 1033 of 2025."*

Findings

57. We have heard the counsels of all the parties and perused the entire records.

58. M/s. RKI Builders Private Limited (Corporate Debtor) was admitted into Corporate Insolvency Resolution Process (CIRP) vide order dated 08.12.2022 in C.P. (IB) No. 716/9/HDB/2019. Mr. Raj Kumar Sarda was appointed as the Interim Resolution Professional. Subsequently, in the 2nd meeting of the Committee of Creditors (CoC) held on 03.03.2023, the Applicant, Mr. Kalvakolanu Murali Krishna Prasad, was appointed as the Resolution Professional, which appointment was approved by this Authority vide order dated 20.03.2023 in I.A. (IBC) No. 482 of 2023.

59. During the CIRP, M/s. Readers Stores India Private Limited emerged as the Successful Resolution Applicant (SRA), with a voting share of 82.14%. The Applicant filed I.A. (Plan) No. 23 of 2024 seeking approval of the Resolution Plan, which was approved by this Authority vide order dated 29.01.2025.

60. Thereafter, vide order dated 20.01.2026 passed in I.A. (IBC) No. 39 of 2026, this Authority took on record the report regarding implementation of the Resolution Plan and distribution of the resolution amount and discharged the Applicant from his responsibilities as the Resolution Professional.

61. In view of the said order, the Respondents filed I.A. (IBC) No. 261 of 2026 seeking dismissal of the present Application as infructuous on the ground that the Applicant had become functus officio. This Authority, vide order dated 05.03.2026, did not decide the issue on merits but directed that the order dated 20.01.2026 be placed on record in the present Application. The Respondents challenged the said order before the Hon'ble NCLAT. Vide order dated 10.04.2026, the Hon'ble NCLAT

observed that no conclusive decision had been taken in I.A. (IBC) No. 261 of 2026 and requested this Authority, while considering the present Application, to first examine the effect of the order dated 20.01.2026 and determine whether the circumstances warrant adjudication of the Application on merits.

62. Briefly stated, the Applicant's case is that, during the implementation of the Resolution Plan, he came to know that the Respondents had opened and operated bank accounts in the name of the Corporate Debtor without the knowledge or consent of the Resolution Professional or the CoC and had carried out unauthorised transactions. It is alleged that, during the CIRP, the Respondents had disclosed only the Canara Bank account, while other accounts maintained in the name of the Corporate Debtor were not disclosed.

63. The Applicant has further alleged that the revenue-sharing arrangement under the sub-contract with Linear Construction Private Limited, which provided for sharing of revenue in the ratio of 96% in favour of Linear Construction Private Limited and 4% in favour of the Corporate Debtor, was altered to 99.5% and 0.5%, respectively, without the authorisation of the Resolution Professional or the CoC vide letter dated 03.08.2024 to ICICI Bank. The Applicant has also referred to certain transactions allegedly carried out by the erstwhile directors through the current account maintained with ICICI Bank, RTC X Roads Branch, Hyderabad.

64. In support of these allegations, the Applicant relied upon the Transaction Audit Report and submitted that amounts of Rs. 2,16,48,149/- and Rs. 4,63,81,041/- were shown as receivable from Mr. Rajendra Prasad (Suspended Director/R1) and M/s. Trandyne Engineers Private Limited, respectively. The Applicant also referred to a payment of Rs. 17,00,000/- to Sanwariya Gold, an entity stated to be engaged in a different line of business, and payments towards Keyman Insurance Premium, which,

according to the Applicant, were not supported by the requisite documents or past practice. We also note that different amounts have been referred to by the Applicant in this regard in the Application and the rejoinder.

65. The Respondents, on the other hand, relied upon the WhatsApp communications and email correspondence exchanged between R1 and the Applicant and contended that the business transactions and allied activities were undertaken with the knowledge, authorisation and approval of the Resolution Professional. In this regard, they relied upon the email dated 29.10.2024, whereby R1 requested the Applicant to obtain a digital signature on behalf of the Corporate Debtor for tender-related activities, including searching and quoting. The Applicant authorised the updation of the digital signature for the said purposes vide email dated 02.11.2024. The Respondents also referred to the authorisation granted to R1 to appear before the Additional Commissioner of Central Tax, Hyderabad GST Commissionerate.

66. The Respondents further relied upon the WhatsApp communications placed on record as Annexures R1, R2, R3, R6, R8 and R9 to contend that R1 had been actively assisting in the management of the Corporate Debtor with the knowledge and consent of the Applicant. In particular, they referred to the WhatsApp communication dated 29.06.2024, wherein the Applicant enquired about the escrow accounts maintained by the Corporate Debtor and R1 responded with details concerning its sub-contractors.

67. The Applicant, however, relied upon his subsequent email dated 21.04.2025, wherein he sought details and statements of the bank accounts maintained in the name of the Corporate Debtor, including accounts with Rajdhani Bank, Bank of Maharashtra and Union Bank of India, as well as details of any other operative or inoperative accounts.

In response, R1 stated that the Union Bank accounts had been opened approximately six to seven years earlier, one as an escrow account and the other as a current account, and had remained inoperative since inception. R1 further stated that, owing to non-completion of eKYC and changes in the Board of Directors reflected in the ROC records, the accounts could not be operated by any person other than the Resolution Professional. R1 also denied any intention to divert the funds of the Corporate Debtor and maintained that the transactions were undertaken to keep the company operational.

68. The Applicant has also questioned the alteration of the escrow arrangement with Linear Construction Private Limited. In this regard, the record refers to the communication dated 03.08.2024 addressed to ICICI Bank, intimating the revised sharing arrangement of 99.5% in favour of Linear Construction Private Limited and 0.5% in favour of the Corporate Debtor. The Applicant contends that no authorisation had been granted by him for such alteration. He has also referred to the 3rd and 4th meetings of the Monitoring Committee held on 18.03.2025 and 09.05.2025, wherein the members resolved to file an appropriate application before this Authority concerning the opening of a current account with Rajdhani Cooperative Urban Bank and the alleged unauthorised alteration of the escrow arrangement.

69. It is also relevant that the revised Resolution Plan submitted by the SRA was placed before the CoC in its 11th meeting held on 18.10.2024, and e-voting was conducted on 19.10.2024 and 26.10.2024. The Resolution Plan was subsequently approved by this Authority on 29.01.2025. The communication dated 03.08.2024 concerning the revised escrow arrangement was, however, issued prior to the consideration and approval of the Resolution Plan. It is further borne out from the record that Mr. Palla Krishna Kishore Reddy is the common promoter of the SRA, M/s. Readers Stores India Private Limited, and Linear Construction

Private Limited, and was also a co-signatory to the said communication addressed to ICICI Bank. These circumstances form part of the allegations raised by the Applicant concerning the alteration of the escrow arrangement and its implications for the Corporate Debtor.

70. Having noticed the rival submissions and the material relied upon by the parties, we now proceed to examine the effect of the order dated 20.01.2026 passed in I.A. (IBC) No. 39 of 2026. By the said order, this Authority took on record the report regarding implementation of the Resolution Plan and distribution of the resolution amount and expressly discharged the Applicant from his responsibilities as the Resolution Professional. The CIRP having culminated in the approval and implementation of the Resolution Plan, the Applicant ceased to hold the office and discharge the functions of the Resolution Professional of the Corporate Debtor.

71. The present Application was instituted, after the approval of Resolution Plan and prior to discharge of Applicant as RP, by the Applicant in his capacity as the Resolution Professional, seeking, inter alia, declarations regarding alleged violations of Sections 14 and 19 of the Code, initiation of penal action under Section 74(1) of the Code and directions for refund of amounts allegedly diverted from the Corporate Debtor. The allegations relate to the conduct of the suspended management during the CIRP and the Applicant's role in safeguarding the assets and affairs of the Corporate Debtor during that process.

72. At this stage, it is necessary to clarify the scope of the directions issued by the Hon'ble NCLAT. The Hon'ble NCLAT has not returned any finding either on the maintainability of the present Application or on the merits of the allegations. It has only requested this Authority to examine the effect of the order dated 20.01.2026 and determine whether the circumstances warrant adjudication of the Application on merits.

73. In this regard, Section 23 of the Code provides that the Resolution Professional shall conduct the CIRP and manage the affairs of the Corporate Debtor during the resolution process. Upon approval of the Resolution Plan under Section 31, the statutory role of the Resolution Professional ordinarily comes to an end, unless otherwise provided in the approved Resolution Plan or a subsequent order of this Authority.

74. In the present case, neither the approved Resolution Plan nor the order dated 20.01.2026 passed in I.A. (IBC) No. 39 of 2026 authorised the Applicant to continue prosecuting the pending proceedings before this Authority. Further, the Resolution Plan was approved on 29.01.2025, whereas the present Application was instituted thereafter. The subsequent order dated 20.01.2026, which merely recorded the implementation of the Resolution Plan and formally discharged the Applicant, cannot be construed as conferring or continuing any authority upon him to prosecute the present Application in his capacity as Resolution Professional.

75. In the absence of any specific authorisation by the CoC or SCC or any provision in the approved Resolution Plan permitting the Applicant to pursue such proceedings, it is implicit that the responsibility to take forward any surviving claims or proceedings concerning the affairs and assets of the Corporate Debtor rests with the Successful Resolution Applicant, through the management constituted pursuant to the approved Resolution Plan.

76. In ***Tata Steel BSL Limited v. Venus Recruiter Private Limited & Ors., LPA Nos. 37 and 43 of 2021***, decided on 13.01.2023, reported as ***2023 SCC OnLine Del 257***, the Hon'ble Delhi High Court held that avoidance proceedings are distinct from the CIRP and may survive its conclusion. The Court further recognised that an RP may continue to prosecute such proceedings where the application was filed prior to approval of the

Resolution Plan and the treatment of such proceedings was not accounted for in the Plan. However, the said judgment concerns avoidance applications and does not confer a general or continuing authority upon an RP to institute fresh proceedings after approval of the Resolution Plan.

77. Similarly, in ***M/s. Regen Powertech Private Limited v. M/s. Veeral Controls Private Limited & Ors.***, Company Appeal (AT) (CH) (Ins.) No. 347 of 2022, decided on 20.09.2022, ***(2022) ibclaw.in 791 NCLAT***, the Hon'ble NCLAT held that upon the CIRP attaining finality, the Resolution Professional becomes functus officio and cannot file, prefer or pursue applications on behalf of the Corporate Debtor. The responsibility to pursue such proceedings thereafter rests with the new management, in accordance with the approved Resolution Plan.

78. Applying the above principles, we observe that the present Application was filed after approval of the Resolution Plan and the Applicant has not demonstrated any provision in the approved Plan or any subsequent order authorising him to institute or continue the present proceedings in his capacity as RP. Further, the present Application is not shown to be an avoidance application filed during the CIRP, to which the principles laid down in Tata Steel BSL would apply. Therefore, the Applicant cannot claim continuing authority merely because he had not been formally discharged on the date of filing the Application.

79. We further observe that the reliefs sought by the Applicant, particularly the prayer for refund of amounts allegedly diverted, are couched in general terms. Though certain amounts are referred to in the Transaction Audit Report, the Applicant has not clearly identified the specific amounts sought to be recovered from each Respondent, correlated them with the alleged unauthorised transactions, or set out the precise basis for the refund claimed. We also note that different amounts have been

referred to in the Application and the rejoinder. Consequently, the exact extent of the alleged diversion and the corresponding liability sought to be fastened upon each Respondent are not clearly ascertainable from the reliefs sought.

80. We also take note of the allegation that the escrow-sharing arrangement with Linear Construction Private Limited was altered through the communication dated 03.08.2024, which was co-signed by a person who is also the promoter of the SRA. While this circumstance may warrant examination by a competent person or authority, it does not, by itself, establish diversion of funds or quantify any amount recoverable from the Respondents. The reliefs sought and the material relied upon do not sufficiently identify the funds allegedly diverted pursuant to the said alteration.

81. We are conscious that the allegations concerning non-disclosure of bank accounts, the transactions reflected in the Transaction Audit Report and the alteration of the escrow arrangement may have implications for the assets and interests of the Corporate Debtor. However, the seriousness of the allegations cannot, by itself, confer continuing authority upon the Applicant after his cessation from the office of RP. In the absence of any material establishing such continuing authority or adoption of the proceedings by the Corporate Debtor through its present management, we do not consider it appropriate to adjudicate the disputed transactions on merits in the present Application.

82. As regards the prayer for initiation of penal action under Section 74(1) of the Code, we do not consider it necessary to examine at this stage whether the alleged acts attract the penal consequences contemplated therein. No finding is being returned on the alleged culpability of the Respondents.

83. For the reasons stated above, and having regard to the order dated 20.01.2026 as well as the directions of the Hon'ble NCLAT dated 10.04.2026, we hold that the Applicant, having ceased to hold the office of RP upon approval of the Resolution Plan, cannot maintain the present Application in that erstwhile capacity.

84. Accordingly, the present Application is liable dismissed as not maintainable at the instance of the Applicant, without adjudication of the merits of the allegations. It is clarified that this order shall not be construed as an adjudication or validation of the transactions in question, nor shall it extinguish any substantive claim or right of recovery that may be available to the Corporate Debtor under law. The Corporate Debtor, through its present management, or any other person or authority competent under law, shall be at liberty to take appropriate steps in respect of the alleged transactions in accordance with law. No opinion is expressed on the rights and liabilities of the parties in any such proceedings.

Accordingly, the I.A (IBC) No. 1033 of 2025 is hereby **dismissed** and disposed of.

Sd/-

SANJAY PURI
MEMBER (TECHNICAL)

Sd/-

RAJEEV BHARDWAJ
MEMBER (JUDICIAL)