

**BEFORE THE HON'BLE NATIONAL COMPANY LAW TRIBUNAL,**

**HYDERABAD BENCH - II**

I.A. No. Of 2023

In

CP (IB) No 252/9/HDB/2021

In the matter of **Saibhaskar Irons Ltd**

**Dr. K. V. Srinivas**

Resolution Professional,  
Saibhaskar Irons Limited

... Applicant

Vs

1. Mr. RATNAGIRI BABU MADALA
2. Mr. M. Chaitanya,
3. Ms SAKUNTALA MADALA

(Members of suspended Board of Directors of  
Saibhaskar Irons Limited)

... Respondents

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Date: .12.2023

Place: Hyderabad



Applicant



**Transaction Audit Report  
carried on behalf of  
Dr. K. V. Srinivas  
Resolution Professional  
in the matter of  
M/s Saibhaskar Irons Limited**

**CIRP Commencement date – 24<sup>th</sup> April 2023**

**Conducted by**

**M/s. Sarath & Associates  
Chartered Accountants**

4<sup>th</sup> Floor, Maas Heights,  
8-2-577/B, Road No 8, Banjara Hills,  
Hyderabad – 500034.  
Email: ss@sarathcas.in



**INTRODUCTION**

We, M/s Sarath & Associates, Chartered Accountants, have been appointed by Mr. K.V Srinivas ("Resolution Professional/RP"), to carry out the Transaction Audit of M/s Saibhaskar Irons Limited ("Corporate Debtor"), Hyderabad vide communication dated 23<sup>rd</sup> Aug, 2023.

Section 20 of the Insolvency & Bankruptcy Code, 2016 amongst others, gives authority to Resolution Professional to appoint Accountants, Legal or Other Professionals as may be necessary for discharging duties mandated u/s 25 of the said Code. Our appointment by Resolution Professional is given pursuant to above provisions, for carrying out the Transaction Audit as per the scope of work given

**Scope of Transaction Audit as given:**

Sl. No.	Areas to be covered
a)	Review of the loans and advances made to other entities including advances made to the related parties, for potential indications of diversion thereof, if any. Related parties could include vendors, directors, entities and Key personnel.
b)	Business operations of the Corporate Debtor for the period from April' 2015 to 24 <sup>th</sup> of April, 2023 (previous 8 years from CIRP from commencement date);
c)	Financial and Operational payments of the Corporate Debtor for the period from April' 2015 to 24 <sup>th</sup> of April, 2023 (Previous 8 years from CIRP from commencement date);
d)	To prepare and analyze cash flow statement for the period from April' 2015 to 24 <sup>th</sup> of April, 2023;
e)	Examination of the transactions of Corporate Debtor which may come under the ambit of sections 43, 45, 46, 49, 50 and 66 of the Insolvency and Bankruptcy Code, 2016 for the above period;



## Executive Summary

- Our Methodology for carrying out the said Transaction Audit included
  - Verification of the books of accounts with corresponding supportings, to the extent available;
  - Review of Financial Statements provided to us (Data from 2017-18 annual report made available) and its analysis thereof;
  - Determination of Related Parties from the given data as well as public domain verification for cross checking purposes;
  - Bank Statements verification & cross checking with books of accounts
  - Ledger Scrutiny (Ledgers for the years 18-19, 19-20 and 1.4.22 to 24.4.23 is only provided, which were verified)
- During the check period, we have gone through the overall review of the financials trends at macro level and noted the Key features/observations which are highlighted and reported at appropriate places. We have also come across several apparent anomalies, as appearing from the prima facie review of the Financials
- Bank loans availed by Corporate Debtor had become NPA earlier. Subsequently, it was noted that company obtained several unsecured loans from directors/promoters and it was noted from the verification of books of accounts/vouchers/records that majority of these unsecured loans taken by the Company were utilised to repay the bank loans. The movement of these unsecured loans are captured in the report.
- We have come across instances of Preferential Transactions falling under Section 43 of the Insolvency & Bankruptcy Code 2016, details of which have been elaborately discussed in the detailed report.
- We have come across instances of Undervalued Transactions falling under Section 45 of the Insolvency & Bankruptcy Code 2016, involving sale of assets/properties at significantly lower price than the book value, details of which have been reported in the detail.
- We have come across instances of Fraudulent Transactions falling under Section 66 of the Insolvency & Bankruptcy Code 2016, which includes instances of unverifiable/ untraceable



Book Debts, instances of transfer of several assets of the Company at significant lower values etc., details of which have been reported in detail.

### **COMPANY OVERVIEW**

M/s Saibhaskar Irons Limited (herein after referred as "Company' or "Corporate Debtor") is incorporated as a Private Limited Company on 20<sup>th</sup> December, 2007 and has been converted into limited company during 2010-11 having its registered office situated at Plot No. 73, Lane No. 5, Road no. 72, Prasashan Nagar, Jubilee Hills, Hyderabad – 500086.

Saibhaskar Irons Limited incorporated in the year 2007 has its primary focus on the manufacturing and trading of Billets and TMT Bars. The company has started its commercial operations from march 2010. The company has started production of TMT unit from the august 2012. And the Factory is located at Survy No:56, Nagarajupalli village, Martur Mandal in Bapatla District (Earlier Prakasam District), Andhra Pradesh.

### **COMPANY BASIC DETAILS (AS PER MCA SITE)**

CIN	U27100TG2007PLC056809
Company Name	SAIBHASKAR IRONS LIMITED
ROC Code	ROC-Hyderabad
Registration Number	056809
Company Category	Company Limited by Shares
Company Sub Category	Non-Govt company
Class of Company	Public
Authorized Capital (Rs)	37,00,00,000
Paid up Capital (Rs)	35,78,73,700
Date of Incorporation	20/12/2007
Registered Address	Plot No. 73, Lane No. 5, Road no. 72, Prasashan Nagar, Jubilee Hills, Hyderabad, Telangana – 500086.



As per MCA Website, the company is currently managed by the following Board of Directors and Key Managerial Personnel

SI No	Name	Designation	Date of Appointment	Cessation Date	DIN
1	RATNAGIRI BABU MADALA	Director	20-12-2007		01690676
2	CHAITANYA MADALA	Managing Director	20-12-2007		01742431
3	SAKUNTALA MADALA	Director	01-11-2011	01-11-2023	00077044

Details of companies for which the directors of Saibhaskar Irons Ltd are holding the position of directors

Name	Company
RATNAGIRI BABU MADALA	MSR REALTORS PRIVATE LIMITED; (U70102AP2007PTC055795) SAIBHASKAR CONSTRUCTIONS AND DEVELOPERS PRIVATE LIMITED (U45209AP2007PTC056480)
CHAITANYA MADALA	SAIBHASKAR CONSTRUCTIONS AND DEVELOPERS PRIVATE LIMITED (U45209AP2007PTC056480)
SAKUNTALA MADALA	SAIBHASKAR CONSTRUCTIONS AND DEVELOPERS PRIVATE LIMITED (U45209AP2007PTC056480) YUVACHAITANYA HOUSING PRIVATE LIMITED (U45400AP2007PTC054969) MSR REALTORS PRIVATE LIMITED (U70102AP2007PTC055795) JANACHAITANYA CAPITAL PRIVATE LIMITED (U65910AP1996PTC025075) JANACHAITANYA HOUSING PRIVATE LIMITED (U70102AP1990PTC011073) SRUSTI INFRASTRUCTURES PRIVATE LIMITED (U45400AP2007PTC054970)



**Details of CIRP initiated against the Company**

NCLT had admitted the claim of M/s Steel Exchange India Limited in CP (IB) NO. 252/9/HDB/2021 and appointed Sri Dr K V Srinivas as the Interim Resolution Professional, who subsequently is the present Resolution Professional. Accordingly, CIRP of the Saibhaskar Irons Limited had commenced on 24<sup>th</sup> April, 2023.

**DETAILS OF DOCUMENTS RECEIVED**

Given below is the snapshot of information received.

Particulars
<ul style="list-style-type: none"> <li>• Annual Reports for the Financial years 2017-18, 2018-19, 2019-20, 2020-21, 2021-22 and provisional financial statements as on 24.04.2023</li> <li>• General ledger for 2018-19, 2019-20 and from 01.04.2022 to 24.04.2023</li> <li>• Title deeds of land purchased at Nagarajupalli village, Martur Mandal, Bapatla District (earlier Prakasam District), Andhra Pradesh.</li> <li>• Copies of Sale Deed &amp; Govt Encumbrance Certificate in respect of certain Assets disposed off</li> <li>• Invoices for FY 2011-12 to 2016-17 and 2020-21 &amp; 2021-22</li> <li>• Sanction letters of SBI, BOB &amp; Indian Bank</li> <li>• OTS Sanction letters from SBI, BOB &amp; MAXIMUS asset reconstruction company (assigned by Indian Bank on 21.03.2018)</li> <li>• No due certificate from SBI, BOB &amp; MAXIMUS asset reconstruction company</li> <li>• KVB statement from 01.11.2020 to 04.09.2023</li> <li>• BOB statement from 17.4.2015 to 21.6.2023</li> <li>• Pending Cases against corporate debtor</li> <li>• Committee of creditors as on 2.8.2023</li> <li>• List of creditors as on 2.8.2023</li> <li>• Plant &amp; Machinery for the last 4 years</li> </ul>



**Review of the loans and advances made to other entities****FOLLOWING IS THE POSITION/MOVEMENT OF LOANS & ADVANCES GIVEN AS PER THE ANNUAL FINANCIALS**

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Advances given	46,32,779	46,26,718			20,00,000	

**Our comments:**

1. As per the Books of Accounts and corresponding vouchers with narrations stated against the transaction, it was noted that the Corporate Debtor has made a payment of Rs. 20,00,000 to one M/s Lotus trading company Chennai on 17.12.2022 from Karur Vysya Bank Ltd bearing cheque no - 000139. However there was no any opening balance which had to be payable Lotus trading company in the given ledger.
2. Advances appearing in FY 2018-19 and FY 2019-20 are not appearing subsequently, indicating that these are squared off/adjusted

**Details of transactions with other Group Companies/Related Parties is as under:-****As per financials, following are the related parties**

Related party name	Nature of relationship
SAKUNTALA MADALA	Director
RATNAGIRI BABU MADALA	Director
CHAITANYA MADALA	Director

**TABLE SHOWING YEAR WISE MOVEMENT OF TRANSACTIONS IN RELATED PARTY WITH REGARD TO LOANS**

	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Given by Company						
Taken by Company				41,87,22,930		



Based on the Financials, it was noted that interest free unsecured loans were taken from Directors Mrs. Sakuntala Madala, Mr. Ratnagiri Babu Madala and Mr. Chaitanya Madala and as noted from the books of accounts, these were used to pay loans earlier taken from SBI, BOB & Indian Bank Consortium where SBI is the Lead Banker under OTS scheme. The following are the balances towards loans from Directors on 31.3.2022 as per audited financial statements.

(Amount in Rs.)		
1	Mr. Chaitanya Madala	<b>37,03,60,333</b>
2	Mrs. Sakuntala Madala	<b>3,85,67,373</b>
3	Mr. Ratnagiri Babu	<b>97,95,224</b>

**BUSINESS OPERATIONS OF THE CORPORATE DEBTOR FOR THE PERIOD FROM APRIL' 2020 TO 24TH OF APRIL, 2023**

(Amt in Rs.)

Particulars	2020-21	2021-22	1.4.22 to CIRP date
<b>Revenue from Operations</b>			
Revenue from sale of products	486305		
Revenue from sale of services			
Other income	47,99,410	15,05,397	6,461
<b>Total revenue</b>	<b>52,85,715</b>	<b>15,05,397</b>	<b>6,461</b>
<b>Cost of materials consumed</b>			
Changes in inventories	1,83,53,979	1,57,83,445	1,18,015
Employee benefit expense			
Finance costs	-	1,549	-
Depreciation expense	-	68,62,317	7,43,396
Expenditure pertaining to Production activities			
Other expenses	12,80,643	2,38,37,296	57,044
<b>Total expenses</b>	<b>1,96,34,622</b>	<b>4,64,84,607</b>	<b>9,18,455</b>
<b>Profit before prior period, exceptional, extraordinary items and tax</b>	<b>-1,43,48,907</b>	<b>-4,49,79,210</b>	<b>-9,11,994</b>
Exceptional items before tax			
<b>Total profit before tax</b>	<b>-1,43,48,907</b>	<b>-4,49,79,210</b>	<b>-9,11,994</b>
Current tax			
Deferred tax			
<b>Total profit (loss) for period</b>	<b>-1,43,48,907</b>	<b>-4,49,79,210</b>	<b>-9,11,994</b>



**Our Comments:-**

The above Audited Financials upto the Financial Year 2021-22 were available.  
From 1<sup>st</sup> April, 2022 till the CIRP date, above details are provisional/unaudited as furnished.

It was noted that in *the independent auditor's report for the year 2021-22, the Statutory Auditor of the Company has given 'adverse opinion' on the Financials of the Company.*

Reportedly, the basis for adverse opinion states that "Andhra Pradesh Central Power Distribution Corporation Limited raised demand against the Company towards the payment of line charges and the company disputed the issue in the High Court of Andhra Pradesh and subsequently filed civil appeal SLP No. 12398 in Hon'ble Supreme Court of India.

Hon'ble Supreme Court of India dismissed the petition filed by the Company. Subsequently, APCPDCL issued Property Recovery notice against the company under the Revenue Recovery Act, 1864 for recovery of Rs. 9,64,91,223 Electricity Dues plus interest thereon; *however, no effect was given for this amount in company's books and records.*

Further, as noted, the Property, Plant and equipment become scrap and was sold during 2020-21 and 2021-22.

Based on the our review of the Financial Statements as well as other corresponding details/ data/documents/communication, we have noted that from the FY 2017-18 onwards, there are no business operations as such till CIRP date, except during FY 2020-21.

***on this backdrop, following points needs attention in this regard:***

- It is noted that during year 2020-21 there were sale of goods within the state to the extent of Rs.4,86,305 /- based on GST portal uploaded data. However, based on the invoices provided to us the sales for the year 2020-21 was Rs.5,76,89,587 /-. which



are inclusive of IGST invoices. Further as per audited financial statements for the FY 2020-21 output IGST is recorded at Rs.23,24,764 /-. However, as per invoices provided output IGST was Rs. 1.06 crores for Rs.5.72 crores worth sales value as determined. Hence, it could be seen that there is apparent mis-match in the GST reported values and the books of accounts/ audited financials provided to us.

- For the Financial Year 2021-22 there were invoices worth Rs.4,21,47,588 /- but no sales were recorded in the audited financial statements. However, when checked it was noted that these pertain to Sale of Fixed Assets
- During the year 2018-19 the company recorded Rs. 5.22 crores minimum commitment charges under Other Income.
- During 2019-20 and 2020-21 an amount of Rs. 2.67 crores and Rs. 9.15 crores was recognised in Reserves & Surplus towards Capital receipts from SBI and BOB & Maximum Arc respectively.
- ***During 2020-21 and 2021-22 PPE were sold at a loss of Rs.23.70 crores and Rs.14.83 crores respectively and these losses were recorded directly in Reserves & Surplus, instead of going through Profit & Loss Account which is the normal accounting practice.***
- ***Further, during 2021-22 the company has written off an amount of Rs.2.21 crores as bad debts.***
- On 10.4.2023 1.63 acres of land was sold and profit on sale of Rs.50,63,390 /- is recognised in Reserves & Surplus as a capital receipt.

*Above comments are made based on verification of Financials produced to us.*



### BALANCE SHEET ANALYSIS OF THE CORPORATE DEBTOR FOR THE PERIOD FROM 2020-21 ONWARDS

(Amt Rs. In crores)

Particulars	2020-21	2021-22	01.04.2022 to (Till CIRP date)
<b>EQUITY AND LIABILITIES</b>			
Share capital	35.79	35.79	35.79
Reserves & Surplus	-101.19	-120.52	-120.11
Share application money pending allotment	0.39	0.39	0.39
<b>Non-Current Liabilities</b>			
Long term borrowings	64.28	61.21	62.04
Other Long term Liabilities			
Long term Provisions			
Deferred Tax Liabilities (Net)	2.86	2.86	2.86
<b>Current liabilities</b>			
Short-term borrowings	0.40		
Trade payables	26.60	25.13	23.93
Other current liabilities	7.05	6.91	7.11
Short-term provisions	0.71	0.16	0.16
<b>TOTAL</b>	<b>36.88</b>	<b>11.92</b>	<b>12.17</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
(i) Tangible assets	21.44	1.55	1.46
(ii) Intangible assets			
Non current Investment			
Deferred Tax Asset			
Long-term loans and advances	0.01		
Other Non-current assets		0.02	0.02
<b>Current assets</b>			
Trade receivables	12.97	9.97	10.17
Current investments			
Cash and bank balances	0.53	0.02	0.16
Inventories	1.59	0.01	-
Short-term loans and advances	0.33	0.33	0.34
Other current assets			
<b>TOTAL</b>	<b>36.88</b>	<b>11.92</b>	<b>12.17</b>

- While gone through the books of accounts, we came across long outstanding amounts of numerous creditors lying in liabilities without any movement.
- It was noted that the company has raised interest free unsecured loans from Directors and other parties from the FY 2017-18 (based on the data we are provided with) and these loan balances increased significantly during the year ended 2019-20.



- From the perusal of the financial statements and OTS scheme documents from the lenders it is observed that the unsecured loan proceedings were utilized to settle the loans under OTS schemes.
- During 2021-22 the company sold PPE and received Rs. 5.05 crores and major proceedings were utilized to pay for unsecured loans.
- During 2020-21 and 2021-22 the company sold major of its PPE and the resultant loss on sale, other than sale of land, was Rs.38.54 crores
- As noted from financials that there was Income tax payable for the Financial years 2018-19 and 2019-20 of Rs. 47,75,861 and 46,75,861 respectively as per the Books of Account. However the company has not earned any profits during those relevant years. Hence it is not known on what reported income was filed before Income Tax Authorities.
- It was noted that the value of Inventory came down from Rs.1.59 Crores in 2020-2021 to Rs.0.012 crores during 2021-2022. Surprisingly, there is no sales during 2021-22; however there is 'reduction in inventory' accounted for in the Profit & Loss Account during this year, which raises suspicion on the nature of this write off entry
- Directors remuneration was provided for the financial years given below

Year	Directors Remuneration
2020-21	15,83,364
2019-20	25,61,878
2018-19	25,61,878

**FINANCIAL AND OPERATIONAL PAYMENTS OF THE CORPORATE DEBTOR FOR THE PERIOD FROM APRIL' 2021 TO 24TH OF APRIL, 2023**

- Noted that after the loans of Corporate Debtor became NPA, the Banks agreed for OTS option during 2019-20. The company had raised funds from its Promoters, Directors, Related Parties etc., interest free unsecured loans and repaid the bank loans along with proceeds from sale of PPE.



- Corporate Debtor has obtained several unsecured loans which were taken before 2022-23 (Reporting Period). Here, we have not come across any formal agreements executed by the Corporate Debtor to avail these unsecured loans. Repayment of the Rs. 2.29 crores have taken place during CIRP reporting period. Our analysis regarding this transaction under IBC provisions are given separately.

**Details of unsecured loans as on 24<sup>th</sup> April, 2023:**

S.No	List of Unsecured loans	Amount As on 24.04.2023 (Rs)
1	M Chaitanya	37,86,60,333.50
2	J C F	11,79,09,500.00
3	M Sakunthamma	3,85,67,373.00
4	Madala Ratna Giri Babu	97,95,224.00
5	Roshan enterprises	82,80,000.00
6	Emjay Steel Udyog Pvt Ltd	50,00,000.00
7	Ameen steels	42,00,000.00
8	Juvairiya impex	40,49,141.00
9	K b s metals	37,00,543.00
10	Mithra &Maithrea Enterprises	36,13,387.00
11	D R A Industries Limited	33,00,000.00
12	Jayaram Enterprises	30,00,000.00
13	Sushma enterprises	29,00,000.00
14	Quality Steels	26,53,778.00
15	Vetrivel enterprises	26,00,000.00
16	R B Steels & Alloys (India) pvt Ltd	23,39,310.00
17	Vigneswara enterprises	22,45,385.00
18	Kamakshi steels	20,00,000.00
19	Sri Sainath Enterprises	20,00,000.00
20	Victory Enterrises	19,00,000.00
21	Guntupalli mastanamma	16,31,500.00
22	Kantipudi Steels	16,30,762.00
23	Lakshmi gayatri industries pvt ltd	15,11,674.00
24	A S Metals	14,40,090.00
25	Sri Sai steels	13,68,764.00
26	Roshni Enterprises	10,00,000.00
27	Srinivas Steels	9,00,000.00
28	MA Rasheed	8,00,000.00
29	Aare Uma Maheswari	7,50,000.00
30	Lakshmi Narayana & Co	6,00,000.00



*[Handwritten signature]*

31	Sri chakradhar lorry supply office	5,94,171.00
32	Sanjay deviprasad rai	5,88,743.00
33	Sri Venkareswra Old Iron Trading Corporation	5,12,755.00
34	Technomax Furnaces	5,00,599.00
35	M Ramanaiah	5,00,000.00
36	M Saroja	5,00,000.00
37	Madala Pooja	5,00,000.00
38	V L Kantharao	5,00,000.00
39	Sona enterprises	4,48,154.00
40	Chaitanya Constructions	4,00,000.00
41	Penumuchu Rajendra Prasad	4,00,000.00
42	Savera trading company	3,40,000.00
43	M Sirisha	2,50,000.00
44	M Srinivasa Reddy	2,50,000.00
45	Sri Sai contractors	2,39,494.00
46	Audatex solutions pvt ltd	2,00,000.00
47	B Mutyala rao	2,00,000.00
48	P Chandramouli	2,00,000.00
49	P Ramesh	2,00,000.00
50	Valiveti Venkateswara rao	2,00,000.00
51	Vamsi Krishna	2,00,000.00
52	Kurra Veeraiah	1,85,000.00
53	T V Rao	1,50,000.00
54	G Appaji	1,00,000.00
55	G Koteswararao	1,00,000.00
56	K S Charyulu	1,00,000.00
57	K Sridhar	1,00,000.00
58	K V Ganesh babu	1,00,000.00
59	M Venkateswara rao	1,00,000.00
60	P Seshagiri	1,00,000.00



*[Handwritten signature]*

61	S Janaradhna rao	1,00,000.00
62	S V S Developers	1,00,000.00
63	T S Sai babu	1,00,000.00
64	U V Rao	1,00,000.00
65	V Venkata rao	1,00,000.00
66	M V S S P Kumar	80,000.00
67	B Siva Prasad	70,000.00
68	Nagabhyru Subba Rao	70,000.00
69	Kamepalli China Ragavaiah	65,000.00
70	Valeti Nageswara Rao	55,000.00
71	B B Chalam	50,000.00
72	B Kameswara Rao	50,000.00
73	B V Siva reddy	50,000.00
74	G Anitha devi	50,000.00
75	Gutta Suresh	50,000.00
76	Kali Prasad	50,000.00
77	N Sambasiva rao	50,000.00
78	P M Rao	50,000.00
79	V N Rao	50,000.00
80	Bellamkonda Rambabu	4,800.00
	<b>Total</b>	<b>62,04,00,480.50</b>



**ANALYSIS OF CASH FLOWS FOR THE PERIOD FROM APRIL' 2020 TO 24<sup>TH</sup> APRIL, 2023;**

**FOLLOWING TABLE SHOWS THE CASH FLOW STATEMENT FOR THE PERIOD UNDER COVERAGE**

Particulars	Amount (in Rs.)		
	Year ended 2020-21	Year ended 2021-22	Upto 24-04-2023
<b>Cash flows from operating activities</b>			
Profit before extraordinary items and tax	-1,43,48,908	-4,49,79,211	-9,11,994
Depreciation and Amortisation expenses			
Other adjustments for which cash effects are investing or financing cash flow	9,14,56,811	1,549	-6462
<b>Total adjustments to profit (loss)</b>	<b>7,71,07,903</b>	<b>-4,49,77,662</b>	<b>-9,18,456</b>
Adjustments for working capital [Abstract]			
(Decrease) increase in inventories	1,83,53,979	1,57,83,445	1,18,015
(Decrease) increase in trade receivables	1,62,05,279	2,99,29,085	-19,68,700
(Decrease) increase in Long term loans and advances	-18,582	-1,06,467	
(Decrease) increase in Short term provisions			12,670
(Decrease) increase in Short term Loans and advances	12,28,617	15,648	-51,120
(Decrease) increase in other current assets			
(Decrease) increase in trade payables	-1,60,37,149	-1,47,51,584	-1,20,00,002
(Decrease) increase in other current liabilities	-53,15,422	-68,00,214	20,00,000
Net Movement for working capital	<b>1,44,16,722</b>	<b>2,40,69,913</b>	<b>-1,18,89,137</b>
Net cash flows from (used in) operations	<b>9,15,24,625</b>	<b>-2,09,07,749</b>	<b>-1,28,07,593</b>
Interest paid	-	-	-
Income taxes paid (refund)	-	-	-
Net cash flows from (used in) operating activities before extraordinary items	<b>9,15,24,625</b>	<b>-2,09,07,749</b>	<b>-1,28,07,593</b>
Payment for extraordinary items	-	-	
<b>Net cash flows from (used in) operating activities</b>	<b>9,15,24,625</b>	<b>-2,09,07,749</b>	<b>-1,28,07,593</b>
<b>Cash flows from used in investing activities [Abstract]</b>			
Proceeds from sales of tangible assets	5,72,03,280	5,05,39,905	59,54,157
Purchase of tangible assets			
Interest received			6,462
Sale of Fixed Assets (Gross Value)-Transfer to WIP			
Net cash flows from (used in) investing activities before extraordinary	5,72,03,280	5,05,39,905	59,60,619
Payment for extraordinary items			
Net cash flows from (used in) Investing activities	<b>5,72,03,280</b>	<b>5,05,39,905</b>	<b>59,60,619</b>
<b>Cash flows from used in financing activities [Abstract]</b>			
Proceeds from / Repayment of borrowings	2,89,99,894	-3,47,49,306	83,00,000
Interest paid	-17,24,94,811	-1,549	
Net cash flows from (used in) financing activities before extraordinary	-14,34,94,811	-3,47,50,855	
Payment for extraordinary items			
Net cash flows from (used in) financing activities	<b>-14,34,94,811</b>	<b>-3,47,50,855</b>	<b>83,00,000</b>



Net increase (decrease) in cash and cash equivalents before effect of exchange rate changes			
Net increase (decrease) in cash and cash equivalents	52,32,988	-51,18,699	14,53,026
<b>Cash and cash equivalents cash flow statement at beginning of period</b>	107,513	53,40,501	2,21,802
<b>Cash and cash equivalents cash flow statement at end of period</b>	53,40,501	2,21,802	16,74,828

- The company has taken loans from State Bank of India, Bank of Baroda and Indian Bank (Loans from Indian bank were transferred to Maximus ARC Limited subsequently under SARFAESI Act on 21.3.2018) for working capital purpose and the loans were sanctioned during the year 2014-15 and term loan from SBI was taken in earlier year to 2014-15.
- During the year 2019-20 OTS Schemes were offered to the above specified lenders and from the perusal of the audited financial statements, during the year 2019-20 total SBI term loan and loan for working capital purpose was settled and during 2020-21 loans from BOB and Maximus ARC Limited, were settled except Rs.40.00 Lacs in Bank of Baroda. And this was also settled during the year 2021-22
- Outstanding balances of loans before immediately before their settlements as per audited balance sheets are as follows:

Year	Lender	Outstanding Balance
2018-19	SBI Term Loan	3,42,33,600
2018-19	SBI Working Capital Loan	30,41,93,235
2019-20	Bank of Baroda	9,35,16,226
2020-21	Bank of Baroda	40,00,000
2019-20	Maximus ARC Limited (6,80,50,473+1,49,28,112)	8,29,78,585

- Unsecured loans outstanding balance on 31.03.2019 was Rs.35,23,03,954 and the same was increased to Rs. 61,38,49,893 on 31.03.2020. On observation of finance costs in audited financial statements the following expenses are recognised and payments are made.

Year	Interest recognised in Profit & Loss Statement	Interest paid as per cash flow statement
2016-17	4,52,02,794	4,52,02,794



2017-18	3,51,38,669	3,51,38,669
2018-19	2,29,58,503	2,29,58,503
2019-20	61,30,419	61,30,419
2020-21	-	<b>17,24,94,811</b>
2021-22	1549	1,549

From the above it could be observed that there were no interest accruals or outstandings for the year ending on 31.03.2020 and audited financials also not shown any such outstanding/accrual balance of interest.

As per audited financial statements for the FY 2021-22 unsecured loans from promoters are having balance of Rs. 41,87,22,930 which is interest free loan and remaining unsecured loan from others also is interest free loan (notes on accounts - Note I).

Based on the above we observed that there is no liability to the company to pay interest to any parties. However there is interest payment of Rs.17,24,94,811 /- in cash flow statement for the year ended 31.03.2021. Here, it was explained/clarified that it is accounting presentation/disclosure difference.

- It is observed from the audited financial statements for the FY 2021-22 in related party disclosures, the company paid Rs.2.29 crores towards repayment of unsecured loans.

It could be seen from the above as well as on going through the books of accounts and bank statements, that no major recoveries from debtors were identified and no new loans from bankers were obtained. Whatever the funds infused in to company during the reporting period, these are in the form of unsecured loans from Promoters, Directors, Related Parties and some are in the nature of temporary funding from group companies. It was noted from the examination of the books of accounts that majority of these amounts were utilised to repay the bank loans and meet the admin expenses of corporate debtor. Any other payments apart from these, wherever identified, are captured in the report at the appropriate places.



### Details of Bank Account where operations routed

On perusal of the books of accounts, bank accounts operated by the Company, we have noted that most of the transactions during this period have been routed through the following bank accounts

Sl No.	Financial Year	Main Bank accounts where transactions routed
1.	2020-21	• Karur Vysya Bank Ltd. (4856281000000056)
2.	2021-22	• Karur Vysya Bank Ltd. (4856281000000056)
3.	From 1.4.22 to CIRP date	• Karur Vysya Bank Ltd. (4856281000000056)

### Examination of the transactions of Corporate Debtor which may come under the ambit of sections 43, 45, 46, 49, 50 and 66 of the Insolvency and Bankruptcy Code, 2016 for the given Check Period

#### TRANSACTIONS COMING UNDER SECTION 43

Section 43 of the IBC is reproduced below: -

43. Preferential transactions and relevant time:

43. (1) Where the liquidator or the resolution professional, as the case may be, is of the opinion that the corporate debtor has at a relevant time given a preference in such transactions and in such manner as laid down in sub-section (2) to any persons as referred to in sub-section (4), he shall apply to the Adjudicating Authority for avoidance of preferential transactions and for, one or more of the orders referred to in section 44.

(2) A corporate debtor shall be deemed to have given a preference, if

(a) there is a transfer of property or an interest thereof of the corporate debtor for the benefit of a creditor or a surety or a guarantor for or on account of an antecedent financial debt or operational debt or other liabilities owed by the corporate debtor; and

(b) the transfer under clause (a) has the effect of putting such creditor or a surety or a guarantor in a beneficial position than it would have been in the event of a distribution of assets being made in accordance with section 53.

(3) For the purposes of sub-section (2), a preference shall not include the following transfer

(a) transfer made in the ordinary course of the business or financial affairs of the corporate debtor or the transferee;

(b) any transfer creating a security interest in property acquired by the corporate debtor to the extent that



- (i) such security interest secures new value and was given at the time of or after the signing of a security agreement that contains a description of such property as security interest and was used by corporate debtor to acquire such property; and
- (ii) such transfer was registered with an information utility on or before thirty days after the corporate debtor receives possession of such property;

Provided that any transfer made in pursuance of the order of a court shall not, preclude such transfer to be deemed as giving of preference by the corporate debtor.

**Explanation:-** For the purpose of sub-section (3) of this section, "new value" means money or its worth in goods, services, or new credit, or release by the transferee of property previously transferred to such transferee in a transaction that is neither void nor voidable by the liquidator or the resolution professional under this Code, including proceeds of such property, but does not include a financial debt or operational debt substituted for existing financial debt or operational debt.

- (4) A preference shall be deemed to be given at a relevant time, if
- (a) it is given to a related party (other than by reason only of being an employee), during the period of two years preceding the insolvency commencement date; or
  - (b) a preference is given to a person other than a related party during the period of one year preceding the insolvency commencement date.

**Our Comments with regarding to identifying transactions coming under the above definition u/s 43: -**

We have carried out examination of the books of accounts and other relevant records available to identify whether there are any preferential transactions which comes under the ambit of Section 43 of the Insolvency & Bankruptcy Code and based on our examination of the same, we have come across the following preferential transactions, coming within the definition of 'preferential transaction' as stipulated in Section 43(1) read with Section 43(2) of the Insolvency & Bankruptcy Code as detailed below

**1. Preferential Payments to Managing Director**

While going through the books of accounts of the Corporate Debtor, it was observed that below highlighted amounts were transferred from Company Account to the personal account of the Managing Director who comes under the category of Related party & who is also a Key Share holder and Director. As noted, these payments pertain to amounts which were withdrawn by the Managing Director purportedly against repayment of loans taken from him earlier.



The details of the amounts withdrawn by Mr. Chaitanya during the period between 23.04.2021 to 24.04.2023 from Company Bank Account to his personal account are as under:

Date	VNo	Particulars	Amount (Rs)
20-04-2023	BP-24	The Karur Vysya Bank Ltd	5,00,000
11-04-2023	BP-22	The Karur Vysya Bank Ltd	1,00,000
11-04-2023	BP-19	The Karur Vysya Bank Ltd	9,00,000
06-04-2023	BP-17	The Karur Vysya Bank Ltd	30,00,000
06-03-2023	BP-14	The Karur Vysya Bank Ltd	12,00,000
17-11-2021	BP-86	The Karur Vysya Bank Ltd	30,00,000
30-10-2021	BP-80	The Karur Vysya Bank Ltd	30,00,000
16-09-2021	BP-76	The Karur Vysya Bank Ltd	10,00,000
21-08-2021	BP-67	The Karur Vysya Bank Ltd	12,00,000
19-08-2021	BP-65	The Karur Vysya Bank Ltd	5,00,000
19-08-2021	BP-64	The Karur Vysya Bank Ltd	20,00,000
13-08-2021	BP-61	The Karur Vysya Bank Ltd	5,00,000
09-08-2021	BP-59	The Karur Vysya Bank Ltd	5,00,000
30-07-2021	BP-50	The Karur Vysya Bank Ltd	9,00,000
29-07-2021	BP-47	The Karur Vysya Bank Ltd	10,00,000
15-07-2021	BP-41	The Karur Vysya Bank Ltd	5,00,000
13-07-2021	BP-37	The Karur Vysya Bank Ltd	5,00,000
13-07-2021	BP-35	The Karur Vysya Bank Ltd	10,00,000
14-06-2021	BP-31	The Karur Vysya Bank Ltd	20,00,000
<b>Total</b>			<b>2,33,00,000</b>

On examination of Bank statements, it is observed that there were withdrawals even after CIRP date also.

The details of the amounts withdrawn by Mr. Chaitanya after CIRP date (24.04.2023) from Company Bank Account to his personal account are as under:

Date	Particulars	Amount (Rs)
25-04-2023	The Karur Vysya Bank Ltd	15,00,000
25-04-2023	The Karur Vysya Bank Ltd	25,00,000
26-04-2023	The Karur Vysya Bank Ltd	30,00,000
28-04-2023	The Karur Vysya Bank Ltd	33,10,000
<b>Total</b>		<b>1,03,10,000</b>



## 2. Payment to M/s Lotus trading company

While going through the books of accounts of the Corporate Debtor, it was observed that payment of Rs. 20,00,000 /- was paid from Karur Vysya Bank to M/s Lotus trading company on 17.12.2022.

This conclusion is drawn based on the below mentioned considerations:

1. The company repaid the loan to the Managing Director and M/s Lotus trading company, while there were outstanding liabilities to other creditors. Hence, this repayment created a preference for the Managing Director and M/s Lotus trading company over other creditors.
2. Section 43(2) specifies that a preference occurs when there is a transfer of property or interest for the benefit of a creditor, guarantor, or surety for an antecedent financial debt or operational debt. In the instant case, the repayment of the loan to the Managing Director qualifies as such a transfer.
3. Section 43(4) states that a preference shall be deemed to be given at a relevant time if it is provided to a related party (other than by reason only of being an employee) during the two years preceding the insolvency commencement date. Accordingly, in this case, Managing Director qualifies as a related party. a preference is given to a person other than a related party during the period of one year preceding the insolvency commencement date.

**Therefore, it is evident that the company, by repaying the loan to, the Managing Director and M/s Lotus trading company, gave a preference to one creditor over others, which falls within the purview of Section 43 of IBC and and the total value of the transactions attracting to the provisions of section 43 is Rs. 3,56,10,000**

## TRANSACTIONS COMING UNDER SECTION 45

### **Section 45: Avoidance of undervalued transactions:**

45. (1) If the liquidator or the resolution professional, as the case may be, on an examination of the transactions of the corporate debtor referred to in sub-section (2) of Section 43 determines that certain transactions were made during the relevant period under section 46, which were undervalued, he shall make an application to the Adjudicating Authority to declare



such transactions as void and reverse the effect of such transaction in accordance with this Chapter.

(2) A transaction shall be considered undervalued where the corporate debtor

(a) makes a gift to a person; or

(b) enters into a transaction with a person which involves the transfer of one or more assets by the corporate debtor for a consideration the value of which is significantly less than the value of the consideration provided by the corporate debtor, and such transaction has not taken place in the ordinary course of business of the corporate debtor.

### Instances involving Undervalued Transactions in the instant case:

#### Sale of land held in the name of the Company at lower price

While going through the Books of accounts of the Corporate Debtor, we came across 2 instances where there was Sale of Land pertaining to the Company at a much lower price than the Market Value as per details given below

Sl. No.	Details of Land	Market Value as per Sale Deed	Sale value	Difference	Party to whom Transfer made
1.	Land admeasuring 3630 Sq Yds at Sy No 57/4A, Naga Rajupalli, Martoor SRO, Prakasham Dist sold vide Sale Deed No. 1680/2023 dt 10.4.2023	43,56,000	24,00,000	19,56,000	M/s Balaji Exports Mr S Suresh (Proprietor)
2.	Land admeasuring 4259.2 Sq Yds at Sy No 57/5, Naga Rajupalli, Martoor SRO, Prakasham Dist sold vide Sale Deed No. 1679/2023 dt 10.4.2023	51,12,000	28,16,000	22,96,000	M/s Balaji Granites S Bhaskar Proprietor
	<b>TOTAL</b>	<b>94,68,000</b>	<b>52,16,000</b>	<b>42,52,000</b>	



**Note about applicability of IBC in respect of above instances:**

We have carried out examination of the books of accounts and other relevant records available to identify whether there are any undervalued transactions which comes under the ambit of Section 45 of the Insolvency & Bankruptcy Code relating to above sale of assets and based on our examination of the same, **we are of the opinion that the Sale of above assets at significantly lesser value than the book value in respect of those assets comes under the ambit of undervalued transactions as listed in Section 45(2) of the Insolvency & Bankruptcy Code and the total value of the transactions attracting the provisions of section 45 is Rs. 42,52,000/-**

**TRANSACTIONS COMING UNDER SECTION 49**

Section 49: Transactions defrauding creditors:

49. Where the corporate debtor has entered into an undervalued transaction as referred to subsection (2) of section 45 and the Adjudicating Authority is satisfied that such transaction was deliberately entered into by such corporate debtor

- (a) For keeping assets of the corporate debtor beyond the reach of any person who is entitled to make a claim against the corporate debtor; or
- (b) In order to adversely affect the interests of such a person in relation to the claim, the Adjudicating Authority shall make an order
  - (i) Restoring the position as it existed before such transaction as if the transaction had not been entered into; and
  - (ii) Protecting the interests of persons who are victims of such transactions

Provided that an order under this section

- (a) Shall not affect any interest in property which was acquired from a person other than the corporate debtor and was acquired in good faith, for value and without notice of the relevant circumstances, or affect any interest deriving from such an interest, and
- (b) Shall not require a person who received a benefit from the transaction in good faith, for value and without notice of the relevant circumstances to pay any sum unless he was a party to the transaction.

**Our Comments: -**



*As could be observed from the wordings in the opening para of Section 49 above, this particular section is applicable where there are any undervalued transactions referred to in Section 45(2) of the Insolvency & Bankruptcy Code.*

**In the instant case, the fact of Sale of Company Land at significantly lesser value than the Govt Value, this is coming under Sec 45. As the property in question is Land, this had affected the interest of the Lenders and hence Section 49 is also attracted here and the total value of the transactions attracting the provisions of section 49 is Rs. 42,52,000/-**

### **TRANSACTIONS COMING UNDER SECTION 50**

#### **Section 50: Extortionate credit transactions:**

50. (1) Where the corporate debtor has been a party to an extortionate credit transaction involving the receipt of financial or operational debt during the period within two years preceding the insolvency commencement date, the liquidator or the resolution professional as the case may be, may make an application for avoidance of such transaction to the Adjudicating Authority if the terms of such transaction required exorbitant payments to be made by the corporate debtor.

(2) The Board may specify the circumstances in which a transaction which shall be covered under sub-section (1).

Explanation for the purpose of this section, it is clarified that any debt extended by any person providing financial services which is in compliance with any law for the time being in force in relation to such debt shall in no event be considered as an extortionate credit transaction.

#### **Our Comments:-**

*We have carried out examination of the books of accounts and other relevant records available to identify whether there are any extortionate credit transactions which comes under the ambit of Section 50 of the Insolvency & Bankruptcy Code and based on our examination of the same, we have not come across any instances of extortionate credit transactions as listed in Section 50 of the Insolvency & Bankruptcy Code.*

### **TRANSACTIONS COMING UNDER SECTION 66**



**Section 66: Fraudulent trading or wrongful trading:**

66. (1) If during the corporate insolvency resolution process or a liquidation process, it is found that any business of the corporate debtor has been carried on with intent to defraud creditors of the corporate debtor or for any fraudulent purpose, the Adjudicating Authority may on the application of the resolution professional pass an order that any persons who were knowingly parties to the carrying on of the business in such manner shall be liable to make such contributions to the assets of the corporate debtor as it may deem fit.

(2) On an application made by a resolution professional during the corporate insolvency resolution process, the Adjudicating Authority may by an order direct that a director or partner of the corporate debtor, as the case may be, shall be liable to make such contribution to the assets of the corporate debtor as it may deem fit, if

(a) before the insolvency commencement date, such director or partner knew or ought to have known that there was no reasonable prospect of avoiding the commencement of a corporate insolvency resolution process in respect of such corporate debtor; and

(b) such director or partner did not exercise due diligence in minimizing the potential loss to the creditors of the corporate debtor.

**Explanation: -**

For the purposes of this section a director or partner of the corporate debtor, as the case may be, shall be deemed to have exercised due diligence if such diligence was reasonably expected of a person carrying out the same functions as are carried out by such director or partner, as the case may be, in relation to the corporate debtor.

**Our Comments u/s 66 read with other connected relevant issues****Fixed Assets sold**

While verifying the books of accounts, we noted that almost all Fixed assets were sold during FY 21-22 and 22-23. Details of the same were given below.

**Summary of sale of assets made by the Company**

Sl. No.	Asset	Opening WDV As on 01.04.2020	Sale value	Profit (or) (Loss)
1	Factory Building	1,34,20,366	35,13,238	(99,07,128)
2	Factory Building new	10,35,65,788	1,95,28,428	(8,40,37,360)
3	Non Factory Building	2,85,64,482	27,93,831	(50,05,000)
4	Air Conditioners	3,53,587	1,33,754	(2,19,833)
5	Electrical Equipment	1,24,03,301	32,00,757	(92,02,544)



6	Other equipment	96,07,401	19,61,573	(76,45,828)
7	Tankers	34,270	11,556	(22,714)
8	Plant & Machinery	4,29,88,552	1,09,53,830	(3,20,34,722)
9	Plant & Machinery (Rolling)	29,56,60,604	5,86,21,700	(23,70,38,904)
10	Coffee Vending Machine	8,328	4,147	(4,181)
11	Slag Machine	3,35,332	1,17,177	(2,18,155)
12	Weighing Machine store	3952	1,427	(2,525)
13	Lab equipment	76,720	39,451	(37,269)
	<b>TOTAL</b>	<b>50,70,22,683</b>	<b>10,08,80,869</b>	<b>38,53,76,163</b>

The carrying value of these assets on the corporate debtor's books was Rs. 50,70,22,683, whereas the sale value was merely Rs. 10,08,80,869, **resulting in a loss of Rs.38,53,76,163.**

This significant variance between the carrying value and the sale value raises concerns of fraudulent transactions as defined under Section 66 of the IBC 2016. No supporting justification/ explanation was provided regarding the sale of these assets at lower values by the suspended directors thereby making it clear that such Directors have not exercised any due diligence in minimizing the potential loss to the creditors of the Corporate Debtor, which squarely attracts the provisions of Section 66(2)(b) of IBC, 2016.

### **Fictitious trade receivables**

In the course of the audit, we requested the resolution professional to obtain balance confirmations from all the receivables outstanding in the books of Sai Bhaskar Irons Limited as of March 31, 2023. The total outstanding receivables amount to Rs. 9.97 Crores. However, it is a matter of grave concern that we have been informed that majority of these parties have categorically denied having any prior transactions with Sai Bhaskar Irons Limited and have rejected any dues payable to SBIL. A list of these parties has been enclosed for reference.



S.No	Party Name	Address	Amount In Rs	Response
1	Integral Trading and Logistics India Pvt Ltd	# 31-33-122/1, 4th Floor, Presidency Towers, Near Neelamma Vepachettu, Visakapatama	5,45,59,932	Party has denied any transactions with CD.
2	Vizag Re-Bars Pvt Ltd	Plot No.1, Servey No.130, Jn Phama City, Parawada Mandal, Visakapatnam-531021	3,59,94,721	Vizag rebars has denied any balance outstanding with the party and has stated that he has a receivable from the party.
3	Sujana Universal Industries Ltd	Sy.No.172, Plot No.12/1, IDA, Bollaram, Medak Dist	47,79,870	Sujana has undergone CIRP and hence the amount which are nit claimed under CIRP has been lapsed.
4	TSN Old Irons Scrap Merchant	Vijaywada	11,00,000	No Response received
5	Srinivasa Enterprises	A1, IDA, Plot No.12, B-Block, Auto Nagar, Opp: SRMT, Visakapatnam-530026	6,29,132	No Response received
6	Raj Steel Enterprises	W1/1308-A, Cp Unner Cross Road, Ernakulam, Kerala	4,98,169	Raj steel has submitted his ledger extract and has denied for any payable amount.
7	R B Steels & Alloys (India) Pvt Ltd	45, S.No.2&3, PNS Layout Extension, 80 Feet Road, Kalyunnagar post, Bangalore	4,90,812	No Response received
8	Seven Star Stee	12-12-86/B, Padi Street, Islampet, Vijayawada	3,00,000	No Response received
9	Chennareddy Constructions	4/14/215/2, Chennareddy Enclave, 4th Floor, 3rd Lane, Anjaneyapet, Guntur	2,58,439	ChennaReddy has denied from any transactions from SBIL.
10	Sri Venkareswra Old Iron Trading Corporation	D.No.55-2-4, Police Station Road, Jawahar Auto Nagar, Vijayawada-522007	2,42,684	No Response received
11	Bhavva Cements Limited	Tangeda Vilege, Dachepalli Mandal, Guntur Dist	1,53,456	No Response received
12	N m d c Ltd	khanil Bhavan, 10-3-311/A, Castlehills, Masab tank, Hyderabad-500173	1,42,298	No Response received
13	Sree Prakasa Traders	Rs.No.32/2B, 100 Feet Road, Beside Kamineni Hospital, Penamaluri Mandal, Poraki	98,695	No Response received
14	Bharat crane service	Guntur	3,00,000	Neither the address nor the mailid has been shared by CD
15	K Srinivasarao	Guntur	2,21,400	Neither the address nor the mailid has been shared by CD
		<b>Total</b>	<b>9,97,69,608</b>	



*Taking all the above into consideration, the fictitious trade receivables accounted by CD amounted to Rs. 9,97,69,608 /- and we have categorized the above instance under Sec 66 of IBC, 2016.*

*Thus the total value of transactions attracting section 66 is Rs. 48,51,45,771 /-*

**Disclaimer and Limitations:**

The report and the observations should be read in conjunction with the following

- The engagement was carried out in accordance with our appointment dated 23<sup>rd</sup> August, 2023 and the scope mentioned therein.
- The coverage period is as mentioned in the engagement letter.
- All matters, issues and information referred to in this report are from data made available to us by the Company & Resolution Professional.
- Findings are based on the transactions reviewed and are based on the information/documents (including photocopies/scan copies) furnished and to the extent reviewed.
- We have relied on the documents/information furnished to us. Photocopies and Scanned documents were provided by Resolution Professional and the observations are made, based on analysis of those documents.
- This review is in the nature of a special review engagement and is not an audit of the accounts balances/financial statements.
- Under no circumstances shall S&A be liable, for any loss or damage, of whatsoever nature, arising from information being withheld or concealed from us or misrepresented by any person/agency to which information requests were made.



- S&A assumes no responsibility to any user of the report other than the Client, Resolution Professional in the instant case. Any other persons who choose to rely on our report do so entirely at their own risk.
- This report is furnished solely for the information of the client with its request to S&A to conduct a Transaction Review audit vide engagement letter stated above and should not be used, circulated, quoted or otherwise referred to for any other purpose, nor included or referred to in whole or in part in any document without our prior written consent (*except Regulatory Authorities*)
- For the listings/databases available in the public domain, S&A referred to the listings (available on date of the research) and has presented information accordingly. It is to be noted that some of these databases are/might not get updated regularly.
- Information for review was received by email (along with attachments) as well as through external drives such as pen drive etc. and reliance is placed on such information. Accuracy and correctness of such emails/shared folders and data copied on external drives were not verified for the purpose of this review.

Date : 09.12.2023  
Place : Hyderabad

**For Sarath & Associates  
Chartered Accountants  
Firm/Regn No.05120S**



Date	Name	Doc no	Extent of land	Date	Name	Doc no	Extent of land
18/09/2007	M Ratnagiri Babu	2810/2007	0.67	03/10/2007	M Chaitanya	2957/2007	0.07
18/09/2007	M Ratnagiri Babu	2810/2007	0.59	03/10/2007	M Chaitanya	2957/2007	1.28
18/09/2007	M Ratnagiri Babu	2816/2007	0.16	03/10/2007	M Chaitanya	2957/2007	0.14
18/09/2007	M Ratnagiri Babu	2816/2007	0.8	03/10/2007	M Chaitanya	2957/2007	0.33
07/01/2008	M Ratnagiri Babu	27/2008	0.9	03/10/2007	M Chaitanya	2957/2007	0.54
18/09/2007	M Ratnagiri Babu	2817/2007	0.3	03/10/2007	M Chaitanya	2957/2007	0.27
18/09/2007	M Ratnagiri Babu	2817/2007	0.15	03/10/2007	M Chaitanya	2957/2007	0.97
18/09/2007	M Ratnagiri Babu	2817/2007	0.3	13/02/2008	M Chaitanya	229/2008	0.84
18/09/2007	M Ratnagiri Babu	2817/2007	0.4	13/02/2008	M Chaitanya	229/2008	0.11
18/09/2007	M Ratnagiri Babu	2817/2007	0.36	13/02/2008	M Chaitanya	229/2008	0.2
18/09/2007	M Ratnagiri Babu	2817/2007	0.38	13/02/2008	M Chaitanya	229/2008	0.17
18/09/2007	M Ratnagiri Babu	2818/2007	0.28	13/02/2008	M Chaitanya	229/2008	0.11
18/09/2007	M Ratnagiri Babu	2818/2007	0.33	13/02/2008	M Chaitanya	229/2008	0.11
18/09/2007	M Ratnagiri Babu	2818/2007	0.13	13/02/2008	M Chaitanya	229/2008	0.1
18/09/2007	M Ratnagiri Babu	2819/2007	0.44	13/02/2008	M Chaitanya	230/2008	0.08
18/09/2007	M Ratnagiri Babu	2819/2007	0.26	13/02/2008	M Chaitanya	230/2008	0.13
<b>Total Extent of Land</b>			<b>6.45</b>	13/02/2008	M Chaitanya	230/2008	1.11
				13/02/2008	M Chaitanya	230/2008	0.84
				13/02/2008	M Chaitanya	230/2008	0.48
				13/02/2008	M Chaitanya	230/2008	0.45
				13/02/2008	M Chaitanya	230/2008	0.69
				13/02/2008	M Chaitanya	230/2008	0.28
				13/02/2008	M Chaitanya	230/2008	0.22
				13/02/2008	M Chaitanya	230/2008	0.53
				13/02/2008	M Chaitanya	230/2008	0.61
				13/02/2008	M Chaitanya	230/2008	0.24
				08/02/2008	M Chaitanya	203/2008	0.97
				08/02/2008	M Chaitanya	204/2008	1.16
<b>Total Extent of Land</b>							<b>13.03</b>

**66. Fraudulent trading or wrongful trading. -**

(1) If during the corporate insolvency resolution process or a liquidation process, it is found that any **business** of the corporate debtor has been carried on **with intent to defraud creditors** of the corporate debtor **or for any fraudulent purpose**, the Adjudicating Authority may on the application of the resolution professional pass an order that any persons who were knowingly parties to the carrying on of the business in such manner shall be liable to make such contributions to the assets of the corporate debtor as it may deem fit.

(2) On an application made by a resolution professional during the corporate insolvency resolution process, the Adjudicating Authority may by an order direct that a director or partner of the corporate debtor, as the case may be, shall be liable to make such contribution to the assets of the corporate debtor as it may deem fit, if-

(a) before the insolvency commencement date, such director or partner knew or ought to have known that there was no reasonable prospect of avoiding the commencement of a corporate



insolvency resolution process in respect of such corporate debtor;  
and

(b) such director or partner did not exercise due diligence in minimising the potential loss to the creditors of the corporate debtor.

1[(3) Notwithstanding anything contained in this section , no application shall be filed by a resolution professional under sub-section (2), in respect of such default against which initiation of corporate insolvency resolution process is suspended as per section 10A.]

*Explanation.* – For the purposes of this section a director or partner of the corporate debtor, as the case may be, shall be deemed to have exercised due diligence if such diligence was reasonably expected of a person carrying out the same functions as are carried out by such director or partner, as the case may be, in relation to the corporate debtor.

#### **67. Proceedings under section 66. -**

(1) Where the Adjudicating Authority passes an order under sub-section (1) or sub-section (2) of section 66, as the case may be, it may



give such further directions as it may deem appropriate for giving effect to the order, and in particular, the Adjudicating Authority may –

(a) provide for the liability of any person under the order to be a charge on any debt or obligation due from the corporate debtor to him, or on any mortgage or charge or any interest in a mortgage or charge on assets of the corporate debtor held by or vested in him, or any person on his behalf, or any person claiming as assignee from or through the person liable or any person acting on his behalf; and

(b) from time to time, make such further directions as may be necessary for enforcing any charge imposed under this section.

*Explanation.* – For the purposes of this section, “assignee” includes a person to whom or in whose favour, by the directions of the person held liable under clause (a) the debt, obligation, mortgage or charge was created, issued or transferred or the interest created, but does not include an assignee for valuable consideration given in good faith and without notice of any of the grounds on which the declaration has been made.



(2) Where the Adjudicating Authority has passed an order under sub-section (1) or (2) of section 66, as the case may be, in relation to a person who is a creditor of the corporate debtor, it may, by an order, direct that the whole or any part of any debt owed by the corporate debtor to that person and any interest thereon shall rank in the order of priority of payment under section 53 after all other debts owed by the corporate debtor.

A handwritten signature in blue ink, consisting of a series of loops and a long horizontal stroke at the end.

**BEFORE THE NATIONAL  
COMPANY LAW TRIBUNAL AT  
HYDERABAD BENCH**

I.A. No. Of 2023

In

CP (IB) No 252/9/HDB/2021

In the matter of **Sai Bhaskar Irons Ltd**

Between:

Dr Kondapalli Venkat Srinivas  
**RP, Sai Bhaskar Irons Ltd**  
.. **Applicant.**

Vs

1. Mr. RATNAGIRI BABU  
MADALA
2. Mr. M. Chaitanya,
3. Ms SAKUNTALA MADALA

**Respondents**

**APPLICATION UNDER SEC 66 OF  
INSOLVENCY AND BANKRUPTCY  
CODE 2016, R/w Rule 11 of NCLT  
Rules, 2016**

**FILED ON : .11.2023**

S.no of Resp	Mode of Service	Date of Service	Return Reason
1.	Email	14.12.23	NA
2.	Email	14.12.23	
3	email	14.12.23	

Next date of hearing	22.12.23
Status	Pending

Filed by :

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