



IN THE NATIONAL COMPANY LAW TRIBUNAL
AMARAVATI BENCH
(Through Hybrid Mode)

Item No.1
CP (IB)/19/7/AMR/2026

IN THE MATTER OF:

City Union Bank Ltd.

... Petitioner/ Financial Creditor

Versus

Bhavanam Spinning Mills Private Limited

... Respondent/ Corporate Debtor

Under Section: 7 of IBC, 2016

Order delivered on 29.09.2026

CORAM:

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

PRESENT:

For the Financial Creditor : Mr. Sreedhar Valiveti, Adv.

For the Corporate Debtor : Mr. Mayur Mundra, Adv.

ORDER

Order pronounced and recorded *vide* separate sheets. The Petition bearing **CP (IB)/19/7/AMR/2026** filed by the Financial Creditor under Section 7 of the IBC, 2016 is **admitted**, and the IRP is appointed.

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

Sd/-
(KISHORE VEMULAPALLI)
MEMBER (JUDICIAL)



IN THE NATIONAL COMPANY LAW TRIBUNAL

AMARAVATI BENCH AT MANGALAGIRI

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

CP (IB)/19/7/AMR/2026

**Under Section 7 of the Insolvency
and Bankruptcy Code, 2016 read
with Rule 4 of the Insolvency and
Bankruptcy (Application to
Adjudicating Authority) Rules, 2016**

IN THE MATTER OF:

City Union Bank Limited

having its registered office at
149, TSR (Big) Street, Kumbakonam-612001
And having its Branch at
Patnam Bazaar, Guntur, Andhra Pradesh
Represented by its .Assistant General Manager,
Kommamuri Kasi Srinivasa Prasad, S/o Narasimha Rao.

..... **Financial Creditor**

Vs

Bhavanam Spinning Mills Private Limited

CIN: U18100AP2005PTC046543
Having its registered office at
D. No. 1/1/773, House No. 27/2/2,
Vidhyangangar, S.B.I Office Colony, Ring Road,
Guntur-522007, Andhra Pradesh

..... **Corporate Debtor**

Order Delivered On 29.09.2026

**CORAM: HON'BLE SHRI KISHORE VEMULAPALLI, MEMBER (JUDICIAL)
HON'BLE SHRI UMESH KUMAR SHUKLA, MEMBER (TECHNICAL)**

Parties/Counsels Appearance:

For the Financial Creditor : Mr. Sridhar Valiveti, Advocate
For the Corporate Debtor : Mr. Mayur Mudra, Advocate

ORDER

PER: BENCH

The present Petition bearing no. CP(IB)/19/7/AMR/2026
(hereinafter referred to as "**CP 19/2026**" or the "**Petition**") was originally



e-filed on 10.06.2026 by the City Union Bank Limited (hereinafter referred to as the "**Financial Creditor**") through its authorized representative Mr. KK Srinivasa Prasad, duly authorised by Power of Attorney dated 01.02.2006, seeking initiation of the Corporate Insolvency Resolution Process (hereinafter referred to as the "**CIRP**") under Section 7 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as the "**IBC**" or the "**Code**") read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 (hereinafter referred to as the "**IB Rules**") against Bhavanam Spinning Mills Private Limited (hereinafter referred to as the "**Corporate Debtor**") for having defaulted an amount of Rs.63,15, 24,009/- as on 11.05.2026.

2. The Corporate Debtor is a Company incorporated on 15.06.2005 under the provisions of Companies Act, 1956 and its registered office is situated at D. No.1/1/773, House No. 27/2/2, Vidhyangangar, S.B.I Office Colony, Ring Road, Guntur-522007, Andhra Pradesh. Hence, the territorial jurisdiction lies with this Adjudicating Authority.

3. The Registry, vide Registrar Notice Ref. No. 740/2026 dated 18.06.2026 raised certain defects that the certain loan documents filed at pages 176, 183, 184, 185, 186, 187, 188, 196, 197, 198, 199, 201, 202, 203, 204, 206, 207, 208, 209, 211, 212, 213, 214, 216, 217 and 218 were not legible, and the Financial Creditor has filed the neat copies of the of the aforesaid documents for the consideration of the Registry. Pursuant to the above Notice, the Financial Creditor vide Diary No.1178 dated 08.07.2026, filed a Compliance Memo dated 23.06.2026, wherein it has



also filed Audited Balance Sheet of the Corporate Debtor for the financial year 2022-23 and Pan Card of the Financial Creditor.

4. Subsequently, the Financial Creditor vide Diary No.1177 dated 08.07.2026, filed the physical copy of the Petition and the matter was first listed on 15.07.2026.

FACTS OF THE CASE:

5. The facts of the case, as stated in the Petition by the Financial Creditor, are summarized below:

- (i) The Corporate Debtor, through its Directors and authorised representatives, approached the Financial Creditor from time to time for financial assistance. Upon appraisal of the financial standing of the Corporate Debtor, the Financial Creditor sanctioned and disbursed various credit facilities to the Corporate Debtor.
- (ii) The Corporate Debtor was sanctioned an Emergency Credit Line Scheme (hereinafter referred to as the "**ECLS**") facility of Rs.4,72,00,000/- vide sanction Letter dated 08.09.2020, and it executed the requisite loan documents, including the demand promissory note dated 16.09.2020 and loan agreements, evidencing its obligation to repay the said amount with interest.
- (iii) Thereafter, the Corporate Debtor was sanctioned an ECLGS 1.0 Extension facility of Rs.2,44,00,000/- vide sanction Letter dated 30.11.2021, which was duly availed upon execution of the requisite loan documents.



- (iv) Subsequently, the Financial Creditor sanctioned a CUB OSL Term Loan facility of Rs.16,00,00,000/- on 28.02.2022 to the Corporate Debtor, which was also availed by it upon execution of the requisite loan and security documents.
- (v) On the same date, i.e., 28.02.2022, the Financial Creditor sanctioned and disbursed an OLCC facility of Rs.31,00,00,000/- to the Corporate Debtor, which was substantial working capital utilised by the Corporate Debtor in the course of its business operations.
- (vi) Thereafter, the Corporate Debtor was sanctioned an OSL Demand Equal facility of Rs.10,00,00,000/- pursuant to the sanction letter dated 29.09.2023 and the Corporate Debtor executed the requisite loan and security documents in favour of the Financial Creditor.
- (vii) The aforesaid facilities, cumulatively aggregating to Rs.64,16,00,000/- were duly disbursed and availed by the Corporate Debtor and constitute financial debt within the meaning of Section 5(8) of the Code. In consideration of the aforesaid financial assistance, the Corporate Debtor executed various loan documents, including demand promissory notes, loan agreements, hypothecation agreements and other ancillary documents, and further created security interest in favour of the Financial Creditor by way of hypothecation of movable assets and equitable mortgage over immovable properties through deposit of title deeds, which security was periodically reaffirmed.



- (viii) The Corporate Debtor has, from time to time, acknowledged its liability by executing revival letters and balance confirmations, including acknowledgments dated 18.04.2023, 26.04.2024, 11.06.2024 and 14.08.2024, thereby admitting the subsistence of the debt and extending the period of limitation under Section 18 of the Limitation Act, 1963. Notwithstanding the financial assistance extended by the Financial Creditor, the Corporate Debtor failed to adhere to its repayment obligations and committed persistent and continuous defaults in servicing the loan accounts.
- (ix) In view of the continued default, the loan accounts of the Corporate Debtor were classified as Non-Performing Assets (hereinafter referred to as the “**NPA**”) on 01.10.2024 in accordance with the prudential norms prescribed by the Reserve Bank of India (hereinafter referred to as the “**RBI**”). The default committed by the Corporate Debtor has continued, and certain loan accounts remained irregular and unpaid. As per the books of account maintained by the Financial Creditor in the ordinary course of business and duly certified under the provisions of the Bankers’ Books Evidence Act, 1891, a sum of Rs.63,15,24,009/- is due and payable by the Corporate Debtor as on 11.05.2026, together with further interest, penal charges and incidental costs. Despite repeated demands, the Corporate Debtor has failed and neglected to discharge the aforesaid liability, thereby committing default within the meaning of the Code.



- (x) In view of the persistent default, the Financial Creditor invoked the provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (hereinafter referred to as the “**SARFAESI**”) and issued a demand notice dated 21.01.2025 under Section 13(2), calling upon the Corporate Debtor to discharge its outstanding dues within the statutory period. However, the Corporate Debtor failed to comply with the said notice.
- (xi) The present Petition is within limitation, the date of default being 01.10.2024, with acknowledgements of liability executed on 18.04.2023, 26.04.2024, 11.06.2024, and 14.08.2024. The cause of action arose from the Corporate Debtor’s failure to discharge its repayment obligations, continued upon classification of the accounts as NPA on 01.10.2024, and persists due to its failure to clear the outstanding dues despite issuance of the demand notice dated 21.01.2025.
- (xii) The existence of financial debt and occurrence of default are established by the documentary evidence on record, bringing the present Petition within the ambit of Section 7 of the Code.
- (xiii) It is prayed to admit the Petition; initiate CIRP against the Corporate Debtor; appoint an Interim Resolution Professional (hereinafter referred to as the “**IRP**”) as proposed by the Financial Creditor; declare a moratorium under Section 14 of the Code; and pass such other order(s) as may be deemed fit and proper in the facts and circumstances of the present case.



(xiv) The Financial Creditor have also enclosed the copies of the following documents along with the Petition:

- (a) General Power of Attorney dated 01.02.2006 authorising Mr KK Srinivasa Prasad to file the Petition;
- (b) Certificate of Incorporation of the Corporate Debtor;
- (c) Memorandum of Association and Articles of Association of the Corporate Debtor;
- (d) Notice dated 21.01.2025 issued under Section 13(2) of the SARFAESI to the Corporate Debtor;
- (e) Sanction letter dated 08.09.2020, under ECLGS Facility for an amount of Rs.4,72,00,000/- to the Corporate Debtor;
- (f) Demand promissory note dated 16.09.2020 issued by the Corporate Debtor to the Financial Creditor for an amount of Rs.4,72,00,000/-;
- (g) Loan cum Hypothecation Agreement dated 23.06.2006;
- (h) Loan cum Hypothecation Supplemental Agreement dated 16.09.2020;
- (i) Guarantee Agreement dated 16.09.2020 for an amount of Rs.4,72,00,000/-;
- (j) Letter of Revival-Secured Advances dated 18.04.2023;
- (k) Sanction Letter dated 30.11.2021, under ECLGS 1.0 (Extension) Facility for an amount of Rs.2,44,00,000/-;
- (l) Demand promissory note dated 01.12.2021 issued by the Corporate Debtor to the Financial Creditor for an amount of Rs. 2,44,00,000/-;



- (m) Loan cum Hypothecation Supplemental Agreement dated 01.12.2021;
- (n) Letter of Revival-Secured Advances dated 11.06.2024;
- (o) Confirmation of Balance dated 10.06.2024;
- (p) Sanction letter dated 26.02.2022 issued by the Financial Creditor, under OLOC Facility for an amount of Rs.31,00,000,000/- and OSL-Term-Equal Facility for an amount of Rs.16,00,00,000/- to the Corporate Debtor;
- (q) Loan cum Hypothecation Supplemental Agreement dated 28.02.2022;
- (r) Demand promissory note dated 28.02.2022 issued by the Corporate Debtor to the Financial Creditor for an amount of Rs.31,00,00,000/-;
- (s) Letter of Continuity dated 28.02.2022;
- (t) Guarantee Agreement dated 28.02.2022 for an amount of Rs.31,00,00,000/-;
- (u) Letter of Revival-Secured Advances dated 14.08.2024 amount of Rs. 31,00,00,000/-;
- (v) Confirmation of Balance dated 14.08.2024;
- (w) Demand promissory note dated 28.02.2022 issued by the Corporate Debtor to the Financial Creditor for an amount of Rs. 16,00,00,000/-;
- (x) Guarantee Agreement dated 28.02.2022 for an amount of Rs.16,00,00,000/-;



- (y) Registered Sale deed bearing Document No. 2824/2022 dated 25.03.2022 and English Translated Document;
- (z) Registered Memorandum of Deposit of Title Deeds document No. 3699/2022 dated 31.03.2022;
- (aa) Letter of Revival-Secured Advances dated 14.08.2024 for an amount of Rs.16,00,00,000/-;
- (bb) Confirmation of balance of Rs.12,78,03,655/- dated 14.08.2024;
- (cc) Sanction letter dated 29.09.2023 issued by the Financial Creditor, under OSL Demand-Equal (Regular Facility) for an amount of Rs.10,00,00,000/- to the Corporate Debtor;
- (dd) Loan cum Hypothecation Supplemental Agreement dated 09.10.2023;
- (ee) Demand promissory note dated 09.10.2023 issued by the Corporate Debtor to the Financial Creditor for an amount of Rs.10,00,00,000/-;
- (ff) Guarantee Agreement dated 09.10.2023 for an amount of Rs.10,00,00,000/-;
- (gg) Possession notice dated 05.04.2025 issued under Section 13(8) of the SARFAESI;
- (hh) Application dated 15.12.2025, filed before Debt Recovery Tribunal, Visakhapatnam (hereinafter referred to as the “**DRT**”) under Section 19 of the Recovery of Debts and Bankruptcy Act, 1993 for recovery of Rs.68,22,21,680/-;
- (ii) SA/262/2025 filed by the Corporate Debtor before DRT;



- (jj) Statements of Accounts of the Corporate Debtor along with Bankers Book of Evidence Act, 1891;
- (kk) National E-Governance Services Limited (hereinafter referred to as the “**NeSL**”) Record of Default (hereinafter referred to as the “**RoD**”) in Form-D;
- (ll) Form for serving copy of the Petition for the initiation of CIRP to the IBBI with Acknowledgement ID IAAA-0626-009872 dated 10.06.2026;
- (mm) Proof of Service of serving the copy of the Petition to the email id of the Corporate Debtor vide email dated 10.06.2026;
- (nn) Written Communication by Proposed IRP dated 01.04.2026, Form-B Authorisation for Assignment of the proposed IRP dated 08.01.2026 and Certificate of Registration;
- (oo) Valuation Report of the Industrial Buildings of the Corporate Debtor dated 27.03.2025.

6. During the Course of hearing dated 15.07.2026, the Registry was directed to issue notice to the Corporate Debtor and on the receipt of notice, one week time was granted to the Corporate Debtor to file its Counter.

7. During the Course of hearing dated 03.08.2026, Managing Director of the Corporate Debtor present physically and Mr. Ambati Varun, Counsel appearing for the Corporate Debtor sought one week time to file Vakalat and Counter. However, during the course of next hearing dated 10.08.2026, Mr. Ambati Varun, sought to withdraw his appearance on



behalf of the Corporate Debtor and Mr. L. Narasimha Rao, Counsel appearing on behalf of the Corporate Debtor sought and was granted one week time to file Vakalat and Counter, subject to payment of costs of Rs.25,000/- to Prime Ministers National Relief Fund and file a memo enclosing the proof of payment.

8. Pursuant to the order dated 10.08.2026, the Corporate Debtor vide Diary No. 1603 dated 24.08.2026, filed a Compliance Memo dated 24.08.2026 enclosing therewith the payment receipt.

COUNTER FILED BY THE CORPORATE DEBTOR:

9. The Corporate Debtor vide Diary No. 1602 dated 24.08.2026, filed Counter Affidavit dated 24.08.2026 stating as below:

- (i) The Financial Creditor is required to establish the existence of debt and the occurrence of the default pleaded in Form 1 on the basis of a complete, consistent and duly reconciled record. The mere existence of a banking relationship or security documents, by itself, cannot constitute an admission of the consolidated amount claimed as default in Part IV of Form 1.
- (ii) The Corporate Debtor is a running industrial undertaking engaged in the business of spinning and textiles and is registered as a Micro, Small or Medium Enterprise (hereinafter referred to as the “**MSME**”) under the Micro, Small and Medium Enterprises Development Act, 2006. The initiation of CIRP against such a running industrial MSME would have immediate and serious consequences.



- (iii) The RBI framework for Revival and Rehabilitation of MSMEs applies to MSMEs having loan limits up to Rs.25 crore, and the Financial Creditor's entire alleged exposure is Rs.64.16 crore. However, RBI's current MSME guidance states that advances to MSMEs not covered by the said Framework are governed by the Prudential Framework for Resolution of Stressed Assets dated 07.06.2019, as updated from time to time. Further, scheduled commercial banks are required to maintain Board-approved, non-discretionary OTS policies for MSME, subject to the prescribed eligibility criteria. In its objections dated 15.03.2025 to the SARFAESI demand, the Corporate Debtor referred to the Financial Creditor's communication dated 12.11.2024 regarding upgradation/regularisation of the account and pointed out that the precise amount required for such upgradation had not been communicated. In its reply dated 02.04.2025, the Financial Creditor stated that rehabilitation was available only to viable units and asserted that the Corporate Debtor was no longer viable. However, no detailed viability study, restructuring appraisal, or reasoned internal decision demonstrating how the unit was assessed as non-viable, has been produced with the present Section 7 Petition.
- (iv) The Financial Creditor has clubbed five separate credit facilities, namely: (i) ECLS facility of Rs.4.72 crore; (ii) ECLGS 1.0 Extension facility of Rs.2.44 crore; (iii) CUB OSL Term Loan facility of Rs.16 crore; (iv) OSL Demand Equal facility of Rs.10 crore; and (v) OLCC facility of Rs.31 crore. These facilities were sanctioned at different



times and are governed by different repayment structures, tenures and contractual terms, but the Financial Creditor has adopted 01.10.2024 as the common date of default and claimed an aggregate sum of Rs.63,15,24,009/- as being in default as on 11.05.2026 and the Part IV does not disclose, facility-wise, the first unpaid instalment or obligation, the contractual due date, the amount overdue, the principal balance, interest and penal charges, or subsequent payments and their appropriation. Under Section 3(12) of the Code, default means non-payment of a debt, when the whole or any part or instalment has become due and payable and remains unpaid. Classification of an account as an NPA is a regulatory event and cannot, without supporting contractual and account records, substitute the statutory exercise of identifying the debt that became due and remained unpaid. This distinction is material where five separate facilities are presented under one common date of default. The Financial Creditor is therefore, required to demonstrate, account-wise, how the default relied upon in the Section 7 Petition arose.

- (v) Section 13(2) SARFAESI demand dated 21.01.2025 claimed approximately Rs.60,87,39,731/-, while the recovery proceedings before the DRT are stated to be for approximately Rs.68,22,21,680/-. The present Section 7 Petition claims Rs.63,15,24,009/- as on 11.05.2026. The Corporate Debtor does not dispute that amounts in a running banking account may vary due to interest, debits, credits and appropriations. However, no



intelligible reconciliation has been placed on record explaining the variation between these figures or the basis of the amount stated in Part IV. This omission is particularly material, as the Financial Creditor's own account records reflect substantial credits after the alleged date of default, including credits aggregating to approximately Rs.5.75 crore in the OLCC account during December 2025 and February 2026. The Corporate Debtor therefore, disputes the correctness of Rs.63,15,24,009/- and calls upon the Financial Creditor to establish the same through complete certified statements and a facility-wise reconciliation.

- (vi) The Financial Creditor also relies upon RoD generated through NeSL for individual facilities. These records must be read with reference to the respective UDI, facility, amount and cut-off date. The NeSL record for the OLCC facility, for instance, reflects approximately Rs.35.09 crore with the date of default as 01.10.2024, whereas the present Petition claims approximately Rs.63.15 crore as on 11.05.2026 across several facilities. To the extent applicable, Explanation II to Section 7(5) provides statutory effect to a RoD furnished by a financial institution. The Financial Creditor must therefore, map each UDI to the respective facility and reconcile the IU amounts with the aggregate claim in Form 1, along with the complete authentication trail.
- (vii) There is a further evidentiary gap in the documents referred to in Form 1. Part V refers to statements/ certification as of a date in December 2025, whereas Part IV claims the amount as on



11.05.2026. The Financial Creditor is therefore, required to produce the exact certified ledger and computation supporting the claim of Rs.63,15,24,009/- as on 11.05.2026. The amount claimed as on May 2026, cannot be mechanically based on an earlier cut-off statement.

(viii) The Corporate Debtor and the concerned guarantors have instituted S.A. No.262 of 2025 before the DRT, challenging the SARFAESI measures, including the demand, NPA classification and enforcement action. The Corporate Debtor does not contend that the pendency of SARFAESI or DRT proceedings creates an automatic bar to a Section 7 Petition. However, the pendency of those proceedings is relevant, as the amount, classification and enforcement measures have been specifically contested and cannot be treated as wholly admitted or uncontested. The participation in recovery proceedings, correspondence regarding regularisation or settlement, and objections under Section 13(3A) cannot, by themselves, be treated as an admission of the consolidated amount claimed in the present Petition.

(ix) The Corporate Debtor has also brought to the Financial Creditor's notice, a receivable of approximately Rs.10,40,18,359/- from the State Government towards industrial/ input subsidy, in respect of which W.P. No.29732 of 2024 has been instituted. The Financial Creditor itself sought impleadment and release/ appropriation of the said amount towards the loan account. While the receivable does not, by itself, extinguish an otherwise established default, it is



relevant to the Financial Creditor's assessment of recoverability, restructuring and the continuing viability of the MSME, particularly as the Financial Creditor itself recognised it as a potential source of payment.

- (x) There are material discrepancies on the face of the Section 7 papers. Form 1 and the Vakalat bear the date 14.05.2026, whereas another signed pleading forming part of the same Petition bears the date 14.06.2026. The Insolvency and Bankruptcy Code (Amendment) Act, 2026 amended Section 7 with effect from 26.05.2026. The actual electronic filing date is therefore, material and must be established from the NCLT e-filing receipt. If the Petition was instituted before the amendment, the Corporate Debtor reserves all rights available under the then applicable provision and law; if instituted after 26.05.2026, its objections relate to the occurrence of default, completeness of the Petition, and proper correlation of the RoD with the financial debt pleaded, as contemplated under the amended Section 7(5) of the Code. There is also an apparent discrepancy in Part V, where the SARFAESI demand notice is stated to be dated 21.10.2025, whereas the underlying record refers to the notice dated 21.01.2025.
- (xi) In view of the above, the present Petition should not be admitted in its existing form, as the objection goes to the foundation of the statutory Petition, namely, the clubbing of five separate facilities under one common date of default, absence of a transparent account-wise computation, non-reconciliation of subsequent credits



and the amounts stated in the SARFAESI, DRT, NeSL and Section 7 proceedings, non-disclosure of the complete regularisation/upgradation record, and the need to clarify the actual filing date and the applicable version of Section 7.

10. During the Course of hearing dated 28.08.2026, the Financial Creditor submitted that he has e-filed a memo enclosing the full bank statements of the Corporate Debtor and sought and was granted time to file a physical copy of the same.

11. Pursuant to this Adjudicating Authority Order dated 28.08.2026, the Financial Creditor vide Diary No. 1661 dated 28.08.2026, filed Memo dated 26.08.2026 placing the statement of accounts pertaining to Account Nos. 080120000059226, 501812080075030, 501812080083151, 501812080099109 and 501812080086449 for the period 01.07.2024 to 25.08.2026.

12. During the Course of hearing dated 01.09.2026, the Corporate Debtor raised an objection that Sr. No. 2 of Part-IV of Form-1 of the Petition was defective, as it did not contain adequate details, such as the computation of the outstanding balance payable under each loan account and the date of default in respect of each loan. The Financial Creditor accepted the defect and sought one week's time to cure the defects and file the amended Form-1 by way of an Affidavit.

13. Pursuant to this Adjudicating Authority Order dated 01.09.2026, the Financial Creditor vide Diary No. 1709 dated. 08.09.2026, filed affidavit dated 05.09.2026 along with amended Form-1 including account-wise



outstanding amount & date of default, statement of accounts and product listing reports of the aforesaid five loan accounts.

14. On 11.09.2026, the Corporate Debtor submitted that the affidavit dated 05.09.2026 filed by the Financial Creditor was incomplete, as it did not contain a detailed breakup of the outstanding amounts for each account. The Financial Creditor clarified that the loan account-wise details of principal, interest & amount of default are given at page 16 of the said Affidavit and the date of default for all loan accounts is taken as 01.10.2024 by following the RBI guidelines, under which, if any loan account of a company is classified as a NPA, it's all other loan accounts are also classified as NPA, and accordingly, the date of NPA is taken as 01.10.2024.

ANALYSIS AND FINDINGS

15. We have heard the submissions of Counsels for the Financial Creditor and Corporate Debtor and perused other records carefully.

16. The first issue that arises before us is **"Whether the present Petition is filed within the period of limitation?"**

(i) As per Part IV of Form-1, the Financial Creditor has claimed an amount of Rs.63,15,24,009/- with 01.10.2024 as the date of default in respect of all five loan accounts of the Corporate Debtor bearing Nos. 080120000059226, 501812080075030, 501812080083151, 501812080099109 and 501812080086449. The relevant extracts of revised Part IV of Form-1, along with the calculation sheet of the amount claimed to be in default, are reproduced hereinbelow:



PART IV

PARTICULARS OF THE FINANCIAL DEBT					
1	TOTAL AMOUNT OF DEBT GRANTED DATES OF DISBURSEMENT	Total amount of debt granted by the Financial Creditor is as follows:			
		Sl. No.	Nature of Facility	Date when availed	Amount Sanctioned (₹)
		1	Emergency Credit Line Guarantee Scheme (ECLGS) (501812080075030)	16.09.2020	4,72,00,000
		2	ECLGS 1.0 Extension (501812080083151)	01.12.2021	2,44,00,000
		3	CUB Other Secured Term Loan (Equal-BR) (501812080086449)	28.02.2022	16,00,00,000
		4	Other Secured Loan Demand Equal Facility (501812080099109)	09.10.2023	10,00,00,000
		5	Open Loan Cash Credit Facility (80120000059226)	28.02.2022	31,00,00,000
			Total		64,16,00,000
Total amounts of loan granted is Rs. 64,16,00,000/- (Rupees Sixty Four Crores Sixteen Lakhs only).					
2	AMOUNT CLAIMED TO BE IN DEFAULT AND THE DATE ON WHICH THE DEFAULT OCCURRED (ATTACH THE WORKINGS FOR COMPUTATION OF AMOUNT AND DAYS OF DEFAULT IN TABULAR FORM)	Total Amount Claimed to be in Default is Rs. 63,15,24,009/- as on 11/05/2026, along with further interest, penal charges, and costs			
		The date of default is 01.10.2024 when the accounts of the corporate debtor declared as Non-Performing Assets (NPA)			
		(Separate Work Sheet Attached as Annexure 1)			

ANNEXURE 1- Calculation Sheet in terms of Clause IV.2 (Particulars of Financial Debt)

IV.2: AMOUNT CLAIMED TO BE IN DEFAULT AND THE DATE ON WHICH THE DEFAULT OCCURRED (ATTACH THE WORKINGS FOR COMPUTATION OF AMOUNT AND DAYS OF DEFAULT IN TABULAR FORM)

Total Amount Claimed to be in Default is Rs. 63,15,24,009/- as on 11.05.2026, along with further interest, penal charges, and costs.

Account Number	Date of Default	Days of Default (inclusive of the date on which default occurred)	Principal	Interest	Amount of Default
80120000059226	01-10-2024	588	Rs.25,89,96,952.35/-	Rs.6,33,89,570.65/-	Rs.32,23,86,523/-
501812080086449	01-10-2024	588	Rs.12,57,17,159.00/-	Rs.2,74,47,592.13/-	Rs.15,31,64,751.1/-
501812080099109	01-10-2024	588	Rs.10,02,18,583.00/-	Rs.2,54,80,735.30/-	Rs.12,56,99,318.3/-
501812080083151	01-10-2024	588	Rs. 2,02,30,961.00/-	Rs.40,94,525.00/-	Rs.2,43,25,486/-
501812080075030	01-10-2024	588	Rs.48,22,695.00/-	Rs.11,25,235.49/-	Rs.59,47,930.49/-
TOTAL			Rs.50,99,86,350/-	Rs.12,15,37,659/-	Rs.63,15,24,009/-



- (i) The Corporate Debtor has contended that the said loan accounts were availed at different points of time and, therefore, a common date of default could not have been assigned to all the accounts.
- (ii) The Financial Creditor has submitted that 01.10.2024 has been reckoned as the date of default in respect of all five accounts, as the accounts of the Corporate Debtor were classified as NPA on the said date in accordance with the applicable RBI guidelines.
- (iii) It is noted that, on classification of an account of a borrower as NPA, other loan accounts of the same borrower are liable to be classified as NPA, the contention of the Corporate Debtor is not correct.
- (iv) The present Petition was e-filed on 10.06.2026.
- (v) Since the Petition has been filed within three years of the date of default, we are of the considered view that the Petition has been filed within the period of limitation.

17. The next issue that arises before us is ***“Whether there is a financial debt and default in repayment thereof, when it became due and payable and the same meets the minimum threshold of Rs. One crore as required under Section 4 of the IBC?”***

- (ii) As per Part IV of Form-1, the Financial Creditor has claimed an amount of Rs.63,15,24,009/- as due and payable as on 11.05.2026 and as evidences, has submitted the following documents:

Record of default created with the NeSL:

- (iii) The RoDs issued by the NeSL in respect of four loan accounts bearing Account Nos. 80120000059226, 501812080086449,



501812080083151 and, 501812080075030, which record the status of “Authentication of Default” in Form-D as “Authenticated” and the date of default as 01.10.2024. The relevant extracts of the RoDs are reproduced below:

NeSL NATIONAL E-GOVERNANCE SERVICES LIMITED
India's First Information Utility

FORM D
RECORD OF DEFAULT(RoD)

(Issued By information utility under sub- regulation (4) of regulation 21 of the Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017)

This Record of Default is issued to the Financial Creditor M/s CITY UNION BANK LTD in respect of the default of debt as per details given below-

(a) Name of the Submitter:	M/s CITY UNION BANK LTD
(b) Schedule-2 Bank (Y/N):	Y
(c) Name of Corporate Debtor:	M/s BHAVANAM SPINNING MILLS P
(d) Unique Debt Identifier Number:	AAACC1287E_080120000059226
(e) Registered Address:	149, TSR BIG STREET KUMBAKONAM THANJAVUR
(f) Total Outstanding Amount:	INR 350956898.00
(g) Default Amount:	INR 350956898.00
(h) Submission ID:	10
(i) Date of Default:	01-10-2024
(j) Status of Authentication of Default:	AUTHENTICATED
(k) Authentication Completed on:	13-02-2026 02:38:12
(l) Date of Last Acknowledgement of Debt (AoD):	Not Available
(m) Fraud:	NO
(n) Wilful Defaulter:	NO

NeSL NATIONAL E-GOVERNANCE SERVICES LIMITED
India's First Information Utility

FORM D
RECORD OF DEFAULT(RoD)

(Issued By information utility under sub- regulation (4) of regulation 21 of the Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017)

This Record of Default is issued to the Financial Creditor M/s CITY UNION BANK LTD in respect of the default of debt as per details given below-

(a) Name of the Submitter:	M/s CITY UNION BANK LTD
(b) Schedule-2 Bank (Y/N):	Y
(c) Name of Corporate Debtor:	M/s BHAVANAM SPINNING MILLS P
(d) Unique Debt Identifier Number:	AAACC1287E_501812080086449
(e) Registered Address:	149, TSR BIG STREET KUMBAKONAM THANJAVUR
(f) Total Outstanding Amount:	INR 147577634.00
(g) Default Amount:	INR 147577634.00
(h) Submission ID:	29
(i) Date of Default:	01-10-2024
(j) Status of Authentication of Default:	AUTHENTICATED
(k) Authentication Completed on:	13-02-2026 02:38:12
(l) Date of Last Acknowledgement of Debt (AoD):	Not Available
(m) Fraud:	NO
(n) Wilful Defaulter:	NO



NeSL NATIONAL E-GOVERNANCE SERVICES LIMITED

India's First Information Utility

FORM D RECORD OF DEFAULT(RoD)

(Issued By information utility under sub-regulation (4) of regulation 21 of the Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017)

This Record of Default is issued to the Financial Creditor M/s CITY UNION BANK LTD in respect of the default of debt as per details given below-

(a) Name of the Submitter:	M/s CITY UNION BANK LTD
(b) Schedule-2 Bank (Y/N):	Y
(c) Name of Corporate Debtor:	M/s BHAVANAM SPINNING MILLS P
(d) Unique Debt Identifier Number:	AAACC1287E_501812080083151
(e) Registered Address:	149, TSR BIG STREET KUMBAKONAM THANJAVUR
(f) Total Outstanding Amount:	INR 23435165.00
(g) Default Amount:	INR 23435165.00
(h) Submission ID:	28
(i) Date of Default:	01-10-2024
(j) Status of Authentication of Default:	AUTHENTICATED
(k) Authentication Completed on:	13-02-2026 02:38:12
(l) Date of Last Acknowledgement of Debt (AoD):	Not Available
(m) Fraud:	NO
(n) Wilful Defaulter:	NO

NeSL NATIONAL E-GOVERNANCE SERVICES LIMITED

India's First Information Utility

FORM D RECORD OF DEFAULT(RoD)

(Issued By information utility under sub-regulation (4) of regulation 21 of the Insolvency and Bankruptcy Board of India (Information Utilities) Regulations, 2017)

This Record of Default is issued to the Financial Creditor M/s CITY UNION BANK LTD in respect of the default of debt as per details given below-

(a) Name of the Submitter:	M/s CITY UNION BANK LTD
(b) Schedule-2 Bank (Y/N):	Y
(c) Name of Corporate Debtor:	M/s BHAVANAM SPINNING MILLS P
(d) Unique Debt Identifier Number:	AAACC1287E_501812080075030
(e) Registered Address:	149, TSR BIG STREET KUMBAKONAM THANJAVUR
(f) Total Outstanding Amount:	INR 5724315.00
(g) Default Amount:	INR 5724315.00
(h) Submission ID:	28
(i) Date of Default:	01-10-2024
(j) Status of Authentication of Default:	AUTHENTICATED
(k) Authentication Completed on:	13-02-2026 02:38:12
(l) Date of Last Acknowledgement of Debt (AoD):	Not Available
(m) Fraud:	NO
(n) Wilful Defaulter:	NO

Bankers' Book as per Banker's Book of Evidence Act, 1891 :

- (iv) The Certificates dated 05.09.2026 under Section 2A(a) of the Bankers' Book Evidence Act, 1981 along with the statement of accounts of all the five loan Account bearing Nos. 80120000059226, 501812080086449, 501812080099109, 501812080083151, 501812080075030, the relevant extracts of which are reproduced below:



CITY UNION BANK LIMITED

Credit Recovery and Management Department
Administrative Office, No. 24-B, Gandhi Nagar, Kumbakonam - 612 001.
E- Mail id:- crmd@cityunionbank.in, Ph:-0435-2432322, Fax:- 0435-2431746

CERIFICATE UNDER SECTION 2(A) (a) OF THE BANKER'S BOOKS OF EVIDENCE ACT, 1891 (AMENDED)

This is to certify that the statement of account for the period from 28/02/2022 to 30/04/2026 of M/s. BHAVANAM SPINNING MILLS PRIVATE LIMITED, bearing account No. 80120000059226 (Open Loan Cash Credit Facility) OF CITY UNION BANK LIMITED, Guntur Patnam Bazaar Branch, where the account of the said borrower is maintained is a true copy of the print out of data stored in core banking solutions.

Place : Vijayawada

Date: 05.09.2026

For CITY UNION BANK LTD.

Authorised Officer

Signature

CITY UNION BANK , GUNTUR PATNAM

BancsReport

OD PRODUCTS LISTING FROM 01/10/2024 TO 31/05/2026

EMP NO 4176

Customer Name : BHAVANAM SPINNING MILLS P
Account Number : 0080120000059226
Product Type : 5120 - OLCC

REPORT GENERATION DT: 03/09/2026 9:57 PM

SL NO	ACCR DATE	A/C BALANCE (INR)	REGULAR AMT (INR)	ADHOC1 AMT	ADHOC2 AMT	UNDERCLEARING AMT	DEBIT RATE	ADHOC1 RATE	ADHOC2 RATE	UNDERCLEARING RATE	PENAL RATE	INTEREST TYPE	INTEREST AMOUNT	DRAWING AMOUNT
1174	10/05/2026	-258,996,952	310,000,000	0	0	0	9.70	0.00	0.00	0.00	11.70	PENAL	10,631,882	0.00
1175	11/05/2026	-258,996,952	310,000,000	0	0	0	9.70	0.00	0.00	0.00	11.70	INTEREST	52,740,006	0.00
1176	11/05/2026	-258,996,952	310,000,000	0	0	0	9.70	0.00	0.00	0.00	11.70	PENAL	10,648,485	0.00



CITY UNION BANK LIMITED

Credit Recovery and Management Department
Administrative Office, No. 24-B, Gandhi Nagar, Kumbakonam - 612 001.
E- Mail id:- crmd@cityunionbank.in, Ph:-0435-2432322, Fax:- 0435-2431746

CERIFICATE UNDER SECTION 2(A) (a) OF THE BANKER'S BOOKS OF EVIDENCE ACT, 1891 (AMENDED)

This is to certify that the statement of account for the period from 28/02/2022 to 11/05/2026 of M/s. BHAVANAM SPINNING MILLS PRIVATE LIMITED, bearing account No. 501812080086449 (CUB Other Secured Term Loan (Equal-BR)) OF CITY UNION BANK LIMITED, Guntur Patnam Bazaar Branch, where the account of the said borrower is maintained is a true copy of the print out of data stored in core banking solutions.

Place : Vijayawada

Date: 05.09.2026

For CITY UNION BANK LTD.

Authorised Officer

Signature

**BancsReport**

EMP NO 4176

LOAN PRODUCTS LISTING FROM 01/10/2024 TO 31/05/2026

118

Branch : 00080 - GUNTUR PATNAM BAZAAR
 Customer Name : BHAVANAM SPINNING MILLS P
 Product Type : 5018 CUB OSL TERM EQUAL-BR

SL NO	A/C NUMBER	ACCR DATE	A/C BALANCE (INR)	INTEREST ACCRUAL (INR)	PENAL INTEREST (INR)	PER DAY INTEREST (INR)	PER DAY PENAL INT (INR)	ROI %	INTEREST TYPE
586	0501812080086449	09/05/2026	125,717,159	26,497,264.19	2,366.01	41,161.97	849670.99	9.90	INTEREST
587	0501812080086449	10/05/2026	125,717,159	26,538,426.16	2,366.01	41,161.97	849670.99	9.90	INTEREST
588	0501812080086449	11/05/2026	125,717,159	26,579,588.13	2,366.01	41,161.97	852037.00	9.90	INTEREST

**CITY UNION BANK LIMITED****Credit Recovery and Management Department**

Administrative Office, No. 24-B, Gandhi Nagar, Kumbakonam - 612 001.

E- Mail id:- crmd@cityunionbank.in, Ph:-0435-2432322, Fax:- 0435-2431746

CERIFICATE UNDER SECTION 2(A) (a) OF THE BANKER'S BOOKS OF EVIDENCE ACT, 1891 (AMENDED)

This is to certify that the statement of account for the period from 09/10/2023 to 11/05/2026 of M/s. BHAVANAM SPINNING MILLS PRIVATE LIMITED, bearing account No. 501812080099109 (Other Secured Loan Demand Equal Facility) OF CITY UNION BANK LIMITED, Guntur Patnam Bazaar Branch, where the account of the said borrower is maintained is a true copy of the print out of data stored in core banking solutions.

Place : Vijayawada

For CITY UNION BANK LTD..

Date: 05.09.2026

Authorised Officer

Signature

EMP NO 4176

BancsReport

LOAN PRODUCTS LISTING FROM 01/10/2024 TO 31/05/2026

Branch : 00080 - GUNTUR PATNAM BAZAAR
 Customer Name : BHAVANAM SPINNING MILLS P
 Product Type : 5018 OSL DEMAND EQUAL-BR

SL NO	A/C NUMBER	ACCR DATE	A/C BALANCE (INR)	INTEREST ACCRUAL (INR)	PENAL INTEREST (INR)	PER DAY INTEREST (INR)	PER DAY PENAL INT (INR)	ROI %	INTEREST TYPE
587	0501812080099109	10/05/2026	100,218,583	21,653,494.78	5,665.95	35,025.16	3325887.41	10.50	INTEREST
588	0501812080099109	11/05/2026	100,218,583	21,688,519.94	5,665.95	35,025.16	3331553.36	10.50	INTEREST
589	0501812080099109	12/05/2026	100,218,583	21,723,545.10	5,665.95	35,025.16	3337219.28	10.50	INTEREST



CITY UNION BANK LIMITED

Credit Recovery and Management Department
Administrative Office, No. 24-B, Gandhi Nagar, Kumbakonam - 612 001.
E- Mail id:- crmd@cityunionbank.in, Ph:-0435-2432322, Fax:- 0435-2431746

CERIFICATE UNDER SECTION 2(A) (a) OF THE BANKER'S BOOKS OF EVIDENCE ACT, 1891 (AMENDED)

This is to certify that the statement of account for the period from 01/12/2021 to 11/05/2026 of M/s. BHAVANAM SPINNING MILLS PRIVATE LIMITED, bearing account No. 501812080083151 (ECLGS 1.0 Extension) OF CITY UNION BANK LIMITED, Guntur Patnam Bazaar Branch, where the account of the said borrower is maintained is a true copy of the print out of data stored in core banking solutions.

Place : Vijayawada

Date: 05.09.2026

For CITY UNION BANK LTD.,

Authorized Officer
Signature

BancsReport

EMP NO 4176

LOAN PRODUCTS LISTING FROM 01/10/2024 TO 31/05/2026

Branch : 00080 - GUNTUR PATNAM BAZAAR
Customer Name : BHAVANAM SPINNING MILLS P
Product Type : 5018 ECLGS 1.0 EXTENSION

SL NO	A/C NUMBER	ACCR DATE	A/C BALANCE (INR)	INTEREST ACCRUAL (INR)	PENAL INTEREST (INR)	PER DAY INTEREST (INR)	PER DAY PENAL INT (INR)	ROI %	INTRST TYPE
586	0501812080083151	09/05/2026	20,230,961	3,777,241.27	928.73	6,071.79	299484.50	9.25	INTEREST
587	0501812080083151	10/05/2026	20,230,961	3,783,313.06	928.73	6,071.79	300413.23	9.25	INTEREST
588	0501812080083151	11/05/2026	20,230,961	3,789,384.85	928.73	6,071.79	301341.96	9.25	INTEREST



CITY UNION BANK LIMITED

Credit Recovery and Management Department
Administrative Office, No. 24-B, Gandhi Nagar, Kumbakonam - 612 001.
E- Mail id:- crmd@cityunionbank.in, Ph:-0435-2432322, Fax:- 0435-2431746

CERIFICATE UNDER SECTION 2(A) (a) OF THE BANKER'S BOOKS OF EVIDENCE ACT, 1891 (AMENDED)

This is to certify that the statement of account for the period from 16/09/2020 to 11/05/2026 of M/s. BHAVANAM SPINNING MILLS PRIVATE LIMITED, bearing account No. 501812080075030(Emergency Credit Line Guarantee Scheme (ECLGS)) OF CITY UNION BANK LIMITED, Guntur Patnam Bazaar Branch, where the account of the said borrower is maintained is a true copy of the print out of data stored in core banking solutions.

Place : Vijayawada

Date: 05.09.2026

For CITY UNION BANK LTD.,

Authorized Officer

Signature



586	0501812080075030	09/05/2026	4,822,695	950,126.48	273.36	1,453.98	160188.33	9.25	INTEREST
587	0501812080075030	10/05/2026	4,822,695	951,580.46	273.36	1,453.98	160461.69	9.25	INTEREST
588	0501812080075030	11/05/2026	4,822,695	953,034.44	273.36	1,453.98	160735.05	9.25	INTEREST

- (v) The Financial Creditor issued a statutory demand notice on 21.01.2025, under Section 13(2) of the SARFAESI calling upon the Corporate Debtor to pay a sum of Rs.60,87,39,731/- within 60 clear days from the date of the notice. The extract of the demand notice is reproduced below:

	Phone: 2402322, 2401622	Fax: 0435-2431746
	CITY UNION BANK LIMITED Credit Recovery and Management Department, "NARAYANA", Administrative Office No. 24-B, Gandhi Nagar, Kumbakonam - 612 001. Email : crmd@cityunionbank.com Mobile : 9344303739	

A.O/REC/ /2025 -26

Date: 21/01/2025

Dept: CRMD

RPAD

Without Prejudice

To

M/S. Bhavanam Spinning Mills (P) Limited,
 D.No.4-5-29/143, 2/2,
 Vidya Nagar, S.B.I Officer Colony,
 Guntur - 522007.

Also At,

M/S. Bhavanam Spinning Mills (P) Limited,
 Bhimineni Vari Palam,
 Sripuram Road,
 Guntur Dt - 522438.

XXXXXXXXXXXXXXXXXXXX

Dear Sir/Madam,

Notice issued under Section 13(2) of the SARFAESI Act, 2002.

1. That our Guntur Patnam Bazaar Branch has extended financial assistance as requested by No.1 of you represented by No.2 of you as its Director and No.1 To 5 of you stood as guarantor/s. No.1,2,4,5,6 & 7 of you had created Equitable Mortgage over the property described hereunder.(8012000059226).
2. That our Guntur Patnam Bazaar Branch has extended financial assistance as requested by No.1 of you represented by No.2 of you as its Director and No.1 To 5 of you stood as guarantor/s. No.1,2,4 & 5 of you had created Equitable Mortgage over the property described hereunder.(501812080086449).
3. That our Guntur Patnam Bazaar Branch has extended financial assistance as requested by No.5 of you for which No.2 To 4 of you stood as co-obligant/s and No.1,2,4 & 5 of you had created Equitable Mortgage over the property described hereunder.(501812080082117).
4. That our Guntur Patnam Bazaar Branch has extended financial assistance as requested by No.5 of you for which No.2 To 4 of you stood as co-obligant/s and No.1,2,4 & 5 of you had created Equitable Mortgage over the property described hereunder.(501812080096511).
5. That our Guntur Patnam Bazaar Branch has extended financial assistance as requested by No.1 of you represented by No.2 of you as its Director and No.1 To 5 of you stood as guarantor/s. No.1,2,4 & 5 of you had created Equitable Mortgage over the property described hereunder.(501812080075030).
6. That our Guntur Patnam Bazaar Branch has extended financial assistance as requested by No.1 of you represented by No.2 of you as its Director and No.1 To 5 of you stood as guarantor/s. No.1,2,4 & 5 of you had created Equitable Mortgage over the property described hereunder.(501812080099109).
7. That our Guntur Patnam Bazaar Branch has extended financial assistance as requested by No.1 of you represented by No.2 of you as its Director and No.1,2,4 & 5 of you had created Equitable Mortgage over the property described hereunder.(501812080083151).



rests since 10/01/2025 till the date of realization.

Name of the Borrower	Account Number	Nature of Loan/Facility	Amount Sanctioned	Rate of interest(P.A)	Present due as on 09/01/2025	Date Of NPA
BHAVANAM SPINNING MILLS P	501812080075030	EMERGENCY CREDIT LINE SCH	Rs.4,72,00,000	9.25 % + 2.00 % penal interest	Rs.51,51,949	01/10/2024
MR. KONDAREDDY BHAVANAM	501812080082117 (Link Loan to 501812080096511)	CUB OSL TERM EMI-BR	Sanctioned (Rs.1,50,00,000) Disbursed Rs.43,00,000	11.10 % + 2.00 % penal interest	Rs.41,60,117	21/12/2024
BHAVANAM SPINNING MILLS P	501812080083151	ECLGS 1.0 EXTENSION	Rs.2,44,00,000	9.25 % + 2.00 % penal interest	Rs.2,12,66,204	01/10/2024
BHAVANAM SPINNING MILLS P	501812080086449	CUB OSL TERM EQUAL-BR	Rs.16,00,00,000	9.90 % + 2.00 % penal interest	Rs.13,36,13,471	01/10/2024
MR. KONDAREDDY BHAVANAM	501812080096511 (Link Loan to 501812080082117)	CUB OSL TERM EMI-BR	Rs.1,07,00,000	12.10 % + 2.00 % penal interest	Rs.1,03,37,420	21/12/2024
BHAVANAM SPINNING MILLS P	501812080099109	OSL DEMAND EQUAL-BR	Rs.10,00,00,000	10.50 % + 2.00 % penal interest	Rs.10,71,83,859	01/10/2024
BHAVANAM SPINNING MILLS P	80120000059226	OLCC	Rs.31,00,00,000	9.70 % + 2.00 % penal interest	Rs.32,70,26,711	01/10/2024
Total Amount Sanctioned			Rs.65,66,00,000		Rs.60,87,39,731	

Therefore our Bank hereby call upon All of you Under Section 13(2) of SARFAESI Act 2002 by way of this notice to pay the outstanding amount as mentioned in the above table with subsequent Rate of interest at respective rates as per the above mentioned table plus penal 2.00% p.a with monthly rests since 10/01/2025 till realization within 60 clear days from the date of this notice, failing which, our Bank will be constrained to initiate all or any of the measures enumerated Under Section 13(4) of SARFAESI ACT in addition to the other rights, remedies and legal recourse available to us under any other laws in force. However, if the above dues are tendered to the Bank, within the time available, the secured assets may be redeemed as per sub section (8) of Section 13 of the Act. In addition to the above referred outstanding amount and the future interest chargeable thereon as per the contractual obligation, you are liable to pay incidental charges costs, expenses etc., to be incurred by our Bank while exercising our rights under SARFAESI ACT 2002. Furthermore herein take notice that you are hereby restrained from effecting transfer of the secured assets mentioned in the Schedule hereunder by way of sale, lease or otherwise without our prior written consent as contemplated Under Section 13(13) of SARFAESI Act.

- (vi) The Corporate Debtor has disputed the amounts claimed by the Financial Creditor, contending that there are discrepancies between the amounts stated in revised Part IV of Form-1 of the Petition, the SARFAESI Demand Notice, Recovery proceedings before the DRT and the Statements of Accounts of five loan accounts.
- (vii) We are not inclined to consider the contention raised by the Corporate Debtor, as outstanding amount of debt in default is more than rupees one crore, which fact has also not been disputed by the Corporate Debtor. In this regard, we rely on the Hon'ble NCLAT Principal Bench Judgement dated 25.04.2024 in the matter of



Milind Kashiram Jadhav Vs. State Bank of India & Ors
[Company Appeal (AT) (Insolvency) No. 1589 of 2023], the relevant extracts of which are reproduced below:

54. It is an admitted fact that the Corporate Debtor owes Rs. 46.80 crores to the financial creditor, though the Appellant has been claiming that as per the Statement Of Account (SOA) the Financial Creditor has attached incorrect and fabricated SOA. Without going into the exact amount of the debt, it is an admitted fact that the debt was Rs.46.80 crores as on the date of declaration of NPA i.e. 27.09.2019. This amount is more than the threshold of Rs.1 crore and is enough for initiating proceedings. There is no requirement to calculate and fix the exact amount of repayment, this has been held by this Tribunal as under:

“14. In so far as the facts included in the Section 7 application in Form 1 application is concerned, the Financial Creditor has to provide information about the debt which is due and payable and also the date and record of default. **There is no requirement in the adjudication of Section 7 application to calculate and fix the exact amount of debt in default of repayment.** It is only to be seen whether the amount in default is more than the minimum or threshold value that is prescribed in Section 4(1) of the IBC.”

[Company Appeal (AT) (Ins.) No. 662-663 of 2022: Suzlon Synthetics Ltd. v. Stressed Asset Stabilization Fund (2022) 145 taxmann.com 594 (NCLAT-New Delhi)]

[Emphasis supplied]

- (viii) The Corporate Debtor referring to the Vakalat of the Counsel for the Financial Creditor has contended that the provisions of the amendment act may not be applicable and therefore the reliance on the RoD of NesL is not applicable in the present Petition. However, we note that other than the RoD of the NeSL, there are enough evidence for the default of debt exceeding the threshold limit of Rupees One Crore and therefore the Petition needs to be admitted even under the provisions applicable before the Amendment Act.
- (ix) In view of the aforesaid discussions, and upon consideration of the material available on record, we are of the considered view that



there is a financial debt extended by the Financial Creditor to the Corporate Debtor and there is a default in repayment thereof, when it became due and payable. It is further observed that the amount in default exceeds the minimum threshold limit of Rupees one crore, as prescribed under Section 4 of the Code. Accordingly, the present Petition filed under Section 7 of the IBC needs to be admitted under the provisions of the Code.

18. However, before admission of the Petition, this Adjudicating Authority has to satisfy itself that the Petition is complete and that no disciplinary proceedings are pending against the proposed IRP. We have gone through the contents of the Petition filed by the Financial Creditor and found the same to be complete. The Financial Creditor has proposed the name of Mr. Kambhammettu Sri Vamsi as the IRP in the Petition and enclosed his written consent dated 01.04.2026 in Form-2 at pages 519-520 of the Petition, wherein the proposed IRP has affirmed that he is eligible to be appointed as the IRP in respect of the Corporate Debtor and certified that no disciplinary proceedings are pending against him before the Board or The Indian Institute of Insolvency Professionals of ICAI. The Financial Creditor has also enclosed the copy of the Authorisation for Assignment dated 08.01.2026 in Form B of the proposed IRP at Page 521 of the Petition, which shows that his Authorisation is valid up to 30.06.2027.

19. As a sequel to the discussion above, the present Petition filed by the Financial Creditor under section 7 of the IBC for initiating CIRP



against the Corporate Debtor Bhavanam Spinning Mills Private Limited, is admitted and accordingly, the moratorium is declared in terms of Section 14 of the Code:

- (i) Moratorium under section 14(1) for prohibiting all of the following, namely:
 - (a) The institution of suits or continuation of pending suits or proceedings against the Corporate Debtor including execution of any judgement, decree or order in any court of law, tribunal, arbitration panel or other authority;
 - (b) Transferring, encumbering, alienating or disposing of by the Corporate Debtor any of its assets or any legal right or beneficial interest therein;
 - (c) Any action to foreclose, recover or enforce any security interest created by the Corporate Debtor in respect of its property including any action under the SARFAESI;
 - (d) The recovery of any property by an owner or lessor, where such property is occupied by or in the possession of the Corporate Debtor.
- (ii) It is hereby clarified that notwithstanding anything contained in any other law for the time being in force, a license, permit, registration, quota, concession, clearance or a similar grant or right given by the Central Government, State Government, local authority, sectoral regulator or any other authority constituted under any other law for the time being in force shall not be suspended or terminated on the grounds of insolvency, subject to the condition that there is no



default in payment of current dues arising for the use or continuation of the license, permit, registration, quota, concession, clearances or a similar grant or right during the moratorium period;

- (iii) The supply of essential goods or services to the Corporate Debtor, as may be specified, shall not be terminated or suspended or interrupted during the moratorium period, except where such Corporate Debtor has not paid dues arising from such supply during the moratorium period or in such circumstances, as may be specified.
- (iv) The provisions of Section 14(1) of the Code shall not apply to such transactions, agreements or other arrangement, as may be notified by the Central Government in consultation with any financial sector regulator or any other authority; and also, to a surety in a contract of guarantee to a corporate debtor.
- (v) It is clarified that the provisions of Section 14(1) of the Code shall also apply, where the surety seeks to initiate or continue any action or proceedings against the Corporate Debtor pursuant to the Contract of Guarantee.
- (vi) The order of moratorium shall have effect from the date of this order till the completion of the CIRP or until this Adjudicating Authority approves the resolution plan under sub-section (1) of Section 31 or passes an order for liquidation of the Corporate Debtor under Section 33 as the case may be.



20. We also appoint Mr. Kambhammettu Sri Vamsi, bearing Registration No. IBBI/IPA-001/IP-P00664/2017-2018/11141 having Email Id: casrivamsi@gmail.com and address at Unit #A3, 1st Floor, Plot No. 645, Vaishnavi@36, Road No.36, Jubilee Hills, Hyderabad-500033, Telangana and as IRP in this Petition, with the following directions:

- (i) The term of appointment of the aforesaid IRP shall be in accordance with the provisions of Section 16(5) of the Code;
- (ii) The aforesaid IRP shall also submit an affidavit to this Adjudicating Authority within 7 days of this Order that he is eligible to be appointed as IRP under Regulation 3 of IBBI (Insolvency Resolution Process for Corporate Persons), Regulations, 2016;
- (iii) The IRP shall make all requisite disclosures as per First Schedule under Regulation 7(2)(h) of the IBBI (Insolvency Professionals) Regulations, 2016 in the first meeting of the CoC;
- (iv) In terms of Section 17 of the Code, from the date of this appointment, the powers of the Board of Directors shall stand suspended and the management of the affairs shall vest with the IRP and the officers and the managers of the Corporate Debtor shall report to the IRP, who shall be enjoined to exercise all the powers, as are vested with the IRP and strictly perform all the duties, as are enjoined on the IRP under Section 18 and other relevant provisions of the Code, including taking control and custody of the assets, over which the Corporate Debtor has ownership rights recorded in the balance sheet of the Corporate Debtor, etc. as provided in Section



18(1)(f) of the Code. The IRP is directed to prepare a complete list of the inventory of assets of the Corporate Debtor,

- (v) The IRP shall strictly act in accordance with the Code, all the rules framed thereunder by the Board or the Central Government and in accordance with the Code of Conduct governing his profession and as an Insolvency Professional with high standards of ethics and moral;
- (vi) The IRP shall cause a public announcement immediately (but not later than three days from the date of his appointment), in terms of Regulation 6 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 of the initiation of the CIRP read with Section 13(1)(b) read with Section 15 of the Code calling for the submission of claims against Corporate Debtor;
- (vii) The IRP/RP shall prepare the Audited Financial Statements as on date of the CIRP and shall submit before the CoC for consideration.
- (viii) The IRP/RP shall also ensure that all the assets appearing in the Financial Statements on the CIRP date have been considered in the valuation report. The IRP/ RP shall send individual communication through post or electronic means along with a copy of public announcement to all the creditors as per last available books of accounts/ financial statements on the CIRP date of Corporate Debtor as prescribed under Regulation 6A of IBBI



(Insolvency Resolution Process for Corporate Persons) Regulations, 2016.

- (ix) The Corporate Debtor, its Directors, personnel and the persons associated with the management shall extend all cooperation to the IRP in managing the affairs of the Corporate Debtor as a going concern and extend all cooperation in accessing books and records as well as assets of the Corporate Debtor;
- (x) The suspended Board of Directors is directed to give complete access to the books of accounts of the Corporate Debtor maintained under Section 128 of the Companies Act, 2013. In case, the books are maintained in the electronic mode, the suspended Board of Directors are to share with the IRP/RP all the information regarding maintaining the backup and regarding service provider kept under Rule 3(5) and Rule 3(6) of the Companies (Accounts) Rules, 2014 respectively as effective from 11.08.2022, especially the name of the service provider, the internet protocol of the service provider and its location, and also address of the location of the books of accounts maintained in the cloud. In case accounting software for maintaining the books of accounts is used by the Corporate Debtor, then IRP/RP is to check that the audit trail in the same is not disabled as required under the notification dated 24.03.2021 of the Ministry of Corporate Affairs. A reference is made to the provisions of Section 128(5) of the Companies Act, 2013, whereby every company should maintain its books of accounts for not less than eight financial years immediately preceding a financial year.



Minutes and statutory records are the principal documents of the company that should be maintained and preserved since inception.

- (xi) In view of the above mandatory provisions, the suspended directors of the board will ensure that the books of accounts for the eight previous financial years preceding the date of this order be made available to the IRP/RP within 15 days of the initiation of the CIRP order. The statutory auditor is also directed to share the records maintained by him in the course of the audit of the accounts of the Corporate Debtor for the period of three years prior to the date of initiation of this CIRP order within the same period of 15 days.
- (xii) In case of any non-cooperation by the suspended Board of Directors or the statutory auditors, the IRP/RP may take the help of the police authorities to enforce this order. The concerned police authorities are directed to extend help to the IRP/RP in implementing this order for retrieval of relevant information from the systems of the Corporate Debtor. The suspended Board of Directors is also directed to hand over all user IDs and passwords relating to the Corporate Debtor, particularly for government portals, for various compliances. The IRP is also directed to make a specific mention of non-compliance, if any, in this regard in his status report filed before this Adjudicating Authority immediately after a month of the initiation of the CIRP.
- (xiii) The IRP/RP is directed to approach the government departments, banks, corporate bodies and other entities with request for information/ documents available with those authorities/ institutions/



others pertaining to the Corporate Debtor, which would be relevant in the CIRP. The government departments, banks, corporate bodies and other entities are directed to render the necessary information and cooperation to the IRP/ RP to enable him to conduct the CIRP as per law.

- (xiv) The IRP shall, after collation of all the claims received against the Corporate Debtor and the determination of the operational position of the Corporate Debtor constitute a Committee of Creditors and shall file a report, certifying constitution of the Committee to this Adjudicating Authority within two days of verification of claims received under Regulation 12(1) of the CIRP Regulations, and shall convene first meeting of the Committee within seven days of filing the report of constitution of the Committee;
- (xv) The IRP shall also serve a copy of this order to all relevant statutory departments such as Income Tax, GST (Centre and State), Provident Fund, ESI etc.; Regulators; and trade unions/ employee associations to inform them about the commencement of CIRP.
- (xvi) The IRP is directed to file a progress report every month to this Adjudicating Authority.

21. The Financial Creditor is directed to deposit Rs.5,00,000/- (Rupees Five Lakhs Only) with the IRP to meet out the expense to perform the functions assigned to him in accordance with Regulation 6 of Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016. The amount, however, will be



subject to adjustment by the Committee of Creditors as to be duly accounted for by IRP and shall be paid back to the Financial Creditor.

22. A copy of this Order shall immediately be communicated to the Financial Creditor, the Corporate Debtor, IBBI, and the IRP named above by the Court Officer/ Registry of this Adjudicating Authority

23. Accordingly, CP (IB)/19/7/AMR/2026 stands admitted.

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

Sd/-
(KISHORE VEMULAPALLI)
MEMBER (JUDICIAL)

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