

**IN THE NATIONAL COMPANY LAW TRIBUNAL  
HYDERABAD BENCH – 1  
VC AND PHYSICAL (HYBRID) MODE  
ATTENDANCE CUM ORDER SHEET OF THE HEARING HELD ON  
19-04-2024 AT 10:30 AM**

**CP(IB)No.109/7/HDB/2020  
AND  
Cont. A (IBC) 1381/2023 & IA (IBC) 1116/2023 in CP(IB)No.109/7/HDB/2020  
u/s. 7 of IBC, 2016**

**IN THE MATTER OF:**

Syndicate Bank

...Financial Creditor

**AND**

Kranthi Edifice Pvt Ltd

...Corporate Debtor

**C O R A M:-**

**DR. VENKATA RAMAKRISHNA BADARINATH NANDULA, HON'BLE MEMBER (JUDICIAL)  
SH. CHARAN SINGH, HON'BLE MEMBER (TECHNICAL)**

**ORDER**

**Cont. A (IBC) 1381/2023**

Orders pronounced. In the result, **this application is partly allowed.**

**IA (IBC) 1116/2023**

Orders pronounced. In the result, **this application is allowed.**

**Sd/-**

**MEMBER (T)**

**Sd/-**

**MEMBER (J)**

**IN THE HON'BLE NATIONAL COMPANY  
LAW TRIBUNAL, HYDERABAD BENCH-I**

Cont.A(IBC) 1381 of 2023

CP(IB)109/7/HDB/2020

Under Section 19(2)&60(5) r/w section 70 of the IBC, 2016  
r/w Under rule 11 of the NCLT Rules, 2016.

**M/s Kranthi Edifice Private Limited**

**Between:**

Kalpana G

Resolution Professional for

M/S Kranthi Edifice Private Limited

Reg. No. IBBI/IPA-001/IP-P00756/2017-2018/11288

...Applicant/Resolution Professional

**AND**

1. Mr. M.Suresh Kumar Reddy  
Suspended Director  
H.No: 3-5-784/2/8/a, Sri sai sree Heights,  
Opp.Pardha Gate, Kingkoti,  
Hyderabad 500029, T.G.
2. Mr.M.Satish Kumar Reddy  
Suspended Director  
H.No: 3-5-784/2/8/a, Sri sai sree Heights,  
Opp.Pardha Gate, Kingkoti,  
Hyderabad 500029, T.G.
- 3.Mr.M.Pratap Reddy Medipalli,  
Suspended Director  
H.No: 3-5-784/2/8/a, Sri sai sree Heights,  
Opp.Pardha Gate, Kingkoti,  
Hyderabad 500029, T.G.

...Respondents/Corporate Debtor

**Date of Order:19.04.2024**

**Corum:**

Dr. Venkata Ramakrishna Badrinath Nandula, Hon'ble Member (Judicial)

Shri Charan Singh, Hon'ble Member (Technical)

**Parties/Counsels present:**

For the Petitioner : Mummaneni Vazra lakshmi, Counsel

For the Respondent : I V Siddhiva Vardhana, Counsel

[Per Bench]

**ORDER**

1. Under consideration is an application filed by the Resolution Professional u/s 19(2) of Insolvency and Bankruptcy Code, 2016 against the suspended directors of the Board of the Corporate Debtor (CD) of Kranthi Edifice Private Limited for the following reliefs:
  - a. To direct all the Respondents to cooperate with the Resolution professional and provide all the information/ documents/clarifications as and when required till the completion of the CIRP Period including Books of Accounts, provisional financial statements as on for the smooth running of CLRP process of the Corporate Debtor.
  - b. That the court may pass an order/order initiating contempt proceeding against the Respondent for willful disobedience of the order dated 29-08-2022 in IA no.778/2022 u/s Section 425 of the Companies Act 2013

r/w Section 12 of The Contempt of Courts Act, 1971 and Rule 11 of NCLT Rules.

- c. That the court may pass an order/order referring the matter to the IBBI to lodge a complaint before the Special Court as per the provisions of Section 236 of I&B Code, 2016 for the misconduct of the Respondents in the course of the Corporate Insolvency Resolution Process u/s 70 of the I&B Code, 2016.
- d. That the court may pass order/s as may be deemed fit by this Hon'ble NCLT and proper in the interest of the Justice.

**2. Brief facts of the case, as submitted by the Resolution Professional, are as follows:**

- a. The applicant states, that corporate debtor is going through the Corporate Insolvency Resolution Process by orders of this adjudicating authority dated 27-06-2022 of the captioned CP and appointed the Applicant as the Interim Resolution Professional and Moratorium was declared and the Interim Resolution Professional issued public announcement calling for claims and after verification of the claims constituted the committee of Creditors as per Section 21

of IBC and COC and submitted report to Hon'ble Tribunal as per Regulation 17 of the CIRP Regulation, 2016.

- b. It is averred that the Applicant after her appointment as IRP visited the Corporate Debtor's Registered Office as per MCA master data but there is no office in the address mentioned in the master data. The IRP intimated the suspended Directors through email id provided in the MCA Master Data about his appointment and furnished the copy of the CIRP admission Order and public announcement issued by IRP and requested respondents to furnish the documents.
- c. It is averred that an IA 778/2022 filed against Respondents to cooperate with IRP and the same direction is passed by Hon'ble Adjudicating Authority and on 02-09-2022 Respondent No.1 herein sent the documents as Pan card, Certificate of Incorporation, MOA, AOA, Audit Report for the year 2019-20 and 2020-21 and further informed that CBI enquiry is going on and the documents are entrusted to them.
- d. It is averred that a civil Appeal No.7121/2022 was filed before Hon'ble Supreme Court by respondents which got dismissed vide

- orders dt:11-05-2023 after which RP has sought to furnish entire records from respondents which was not replied.
- e. It is averred that under section 19(1), 19(2), 70 and 236 of IBC, 2016 respondents are liable and to be punished for non-cooperation in the CIRP process.
- f. It is averred that the CD leased out a Building for 5 years to Sri Bhagawan Educational & Cultural Trust for a monthly rent of Rs.4,00,000/-per month and the Applicant being Resolution professional for CD requested school management through email to pay outstanding dues in the TRA account and the said management replied that they already paid to building owner Mr. Suresh Kumar Reddy from June 2022 to September 2022.
- g. It is averred that RP has requested Respondent No.1 through e-mail dated 20-10-2022 to deposit the rental amount into TRA account of CD which was not complied by the respondent no.1 and that respondent committed misconduct knowing the CIRP allowed school management to deposit the amount into his personal account.
- h. It is averred that the Respondents not complied the Orders of this Hon'ble Tribunal dated:29-08-2022 in IA No.778/2022 which is

nothing but contempt of court orders and liable under section 425 of the Companies Act, 2013 and Section 12 of Contempt of Courts Act, 1971.

i. It is averred that the Applicant relied on the decision held by Hon'ble NCLAT in the matter *Mahesh Kumar panwar vs M/s Mega Soft Infrastructure Pvt Ltd and Ors (2019)* and *Shailendra Singh Vs Nisha Malpani and Anr* and reiterated para 50 of the said judgement.

j. It is averred that as Compliance Report filed by resolution Professional with table of List of Information/ Documents sought and the Remarks and Reply from suspended board in a table annexed.

**3. The averments in the counter filed by the Respondent/ Corporate Debtor dt: 02.01.2023 in brief are:**

a. It is averred by the Respondents that the factual aspects from para 14-18 in the present application relate to another I.A.1116 of 2023 wherein the same is Sub-judice.

b. It is averred that the Financial statements sought by Resolution professional are nothing but books of accounts which data can be extracted from the system of CD in the custody of RP and

respondents formulated a table 'Request of information' in excel and sent to RP.

- c. It is averred that the RP reliance on section 70 of the code and the jurisdiction conferred upon Criminal Courts under section 236 of the code have no relevance in present application.
- d. It is averred that this Respondent No.1 herein has submitted a Resolution plan which is under consideration of COC and the respondent have not committed any Contempt of the Court and the respondent no.1 avers that financials of the company are up to date and IM and RFRP has been prepared and issued.
- e. It is averred that all the documents are in custody of Canara Bank and PFC and RP has not sought any documents from them in spite of informing and also RP have not made them parties in the present application.
- f. It is averred that Applicant asked for new details pertaining to Assets impaired totaling to Rs.9.69 crores during the F.Y. 2019-20, accompanied by valuation report and valuation report concerning stock, Trade receivables and Fixed assets of the CD, which was informed by respondents to RP that all documents are

seized by CBI. It is further averred that on other request made by RP, Information regarding Assets sold totaling to Rs.3.90 crores during FY 2018-19, inclusive of sale invoices respondents have informed that the same were taken over by Hinduja Leyland Finance Pvt Ltd and IndusInd Bank on non-payment of the dues were eventually sold by them.

4. In the light of the contest put forth by both the parties the following point has been framed.

**Point:**

**Whether the order dated 29-08-2022 passed by this Tribunal in IA no.778/2022 is disobeyed by the respondents? If so, the said disobedience is willful and for what action?**

5. We have heard Learned Counsel for Petitioner Ms.Mummaneni Vazra lakshmi, and Learned Counsel for respondent Mr. I V Siddhiva Vardhana, perused the records and documents submitted by both parties.

**The Submissions:**

6. The counsel for the applicant submits that this Tribunal has passed an order in IA no.778/2022 on 29-08-2022 directing the

respondents to cooperate with the applicant and submit required information to the applicant but respondents only submitted part information and did not cooperate fully with the applicant, thus applicant willfully disobeyed the order of this Tribunal and therefore applicant seeks initiation of contempt proceedings against the respondents. However, respondents submits that there is no wilful disobedience of the order of this Tribunal and respondents have already submitted information which were available with them. That the Financial statements sought by Resolution professional are nothing but books of accounts which data can be extracted from the system of CD in the custody of RP. The respondent further submitted that all the documents are in custody of Canara Bank and PFC and RP has not sought any documents from them in spite of informing and even RP have not made them parties in the present application. The respondents further contended that Respondent No.1 has submitted a Resolution plan and financials of the company are up to date and IM and RFRP has been prepared and issued, thus respondents have not committed any Contempt of the Court.

**Our findings:**

7. We find that applicant on the one hand is praying for contempt proceedings against respondents and on the other hand, applicant is seeking direction to the respondents to extend cooperation. Also, we observe that most of the pleadings are related to deposit of rent of a building owned by CD and leased out to Sri Bhagawan Educational & Cultural Trust, but no prayer is sought in that regard and as per records a separate IA has been filed in that respect. The respondents have also submitted that many documents are seized by CBI and are not available with the respondents.
8. Keeping in view the facts that respondents have already submitted part information to the applicant and applicant could not produce any proof / evidence which suggest that respondents have committed willful disobedience of the order of this Tribunal, we decide that there is no willful disobedience of the order dated 29-08-2022 passed by this Tribunal in IA no.778/2022 and therefore contempt proceedings cannot be initiated against the respondents. Accordingly, the point is decided.

9. However, it is incumbent on Respondents no. 01, 02 and 03 to extend cooperation and to ensure that the IRP/ RP functions and conducts corporate insolvency proceedings in terms of the provisions of the Insolvency and Bankruptcy Code, 2016. Accordingly, subject to the provisions of section 19 of insolvency and Bankruptcy Code 2016, we direct all the Respondents to cooperate with the Resolution professional and provide all the information/ documents/ clarifications as and when required till the completion of the CIRP Period including Books of Accounts for the smooth running of CIRP process of the Corporate Debtor and extend all cooperation to the RP.
10. In the result the application is allowed in part and disposed of with the above directions.

SD

Charan Singh  
Member Technical

SD

Dr. Venkata Ramakrishna Badarinath Nandula  
Member Judicial

C.Bhargavi/Pavani

**N THE NATIONAL COMPANY LAW TRIBUNAL,  
HYDERABAD BENCH-I**

**IA No. 1116 of 2023 in  
CP(IB)109/7/HDB/2020**

Under Section 60(5) (c) r/w Under rule 11  
of the NCLT Rules, 2016.

**Between:**

Kalpana G

Resolution Professional - M/s Kranthi Edifice Private Limited

Reg. No. (IBBI/IPA-001/ IP-P00756/2017-18/ 11288)

H.No.16-11-19/4, G-1, Sri Laxminilayam, Saleem Nagar Colony,

Malakpet, Hyderabad- 500036.

... Applicant/ Resolution Professional

**Versus**

1. Sri Bhagawan Mahaveer Educational & Cultural Trust

Having office at 91/02, A.N.Krishna Road,

V.V.Puram, Bangalore-560004

Represented by its chairman & Secretary

Sri R Chenraj Jain

2. Mr. Suresh Kumar Reddy Medipalli

Suspended Director of the CD

H.No.3-5-784/2/8/ A, Sri Sai Sree Heights,

Opp: Pardha Gate, King Koti, Hyderabad-500029, TG.

... Respondents

**DATE OF ORDER: 19.04.2024**

**CORAM:**

Dr. VenkataRamakrishna Badrinath Nandula, Hon'ble Member (Judicial)

Shri Charan Singh, Hon'ble Member (Technical)

**Parties/Counsels present:**

For the Petitioner : Ms.Mummaneni Vazra Lakshmi, Counsel.

For the Respondent No.1 : Mr. Kota Kishore Kumar, Counsel

For the Respondent No.2 : Mr. Sudharshan Reddy, Senior Counsel  
assisted by Mr. I V Siddhivardhana, Counsel

**P E R : B E N C H**

**O R D E R**

1. Under consideration is an application filed by the Resolution Professional u/s 60(5)(c) of Insolvency and Bankruptcy Code, 2016 r/w Rule 11 of NCLT Rules,2016 against the respondent no.2 suspended directors of the Board of the Corporate Debtor (CD) of Kranthi Edifice Private Limited to deposit the Rental amounts received from the Respondent no.1 in the corporate debtor account maintained at Canara bank. The following reliefs have been sought for in the instant application:

- A. That the court may be pleased to direct Respondent No.1 Sri Bhagawan Mahaveer Educational & Cultural Trust to deposit the pending Lease Rental amount from June 2022 to July 2023 to a tune of Rs.71,35,324/- (Rs.5,09,666 p.m. basis for 14 months) into the following account of the CD immediately.

- B. That the court may pass an order/order directing Respondent no.1 to deposit regularly going forward the Lease Rental amount of Rs.5,09,666/- per month into the TRA account of the CD.
- C. That the court may pass an order/order directing Respondent No.2 Suresh Kumar Reddy to deposit the lease amounts received from the Respondent No.1 Sri Bhagawan Mahaveer Educational & Cultural Trust into the said TRA account of the CD.

**2. Brief facts of the case, as submitted by the Applicant/Resolution Professional, are as follows:**

- 2.1 That the applicant avers, corporate debtor is going through the Corporate Insolvency Resolution Process by orders of this adjudicating authority dated 27-06-2022 of the captioned CP and continued as Resolution Professional by the members of COC.
- 2.2 That the applicant avers, corporate debtor is going through the Corporate Insolvency Resolution Process by orders of this adjudicating authority dated 27-06-2022 of the captioned CP and appointed the Applicant as the Interim Resolution Professional and Moratorium was declared and the Interim Resolution Professional issued public announcement calling for claims and after verification of the claims constituted the committee of Creditors as per Section 21 of IBC and COC and submitted report to Hon'ble Tribunal as per Regulation 17 of the CIRP Regulation, 2016.

- 2.3 That the applicant avers, the CD is the owner of the Property consisting of building bearing Survey No. 187 part, Kondapur Village, Serilingampally Municipality, R.R.District Hyderabad, Telangana and is leased out to Sri Bhagawan Mahaveer Educational & Cultural Trust running a school in the name and style Jain Heritage a Cambridge school, Represented by its Chairman & Secretary Sri R Chenraj Jain under Registered Lease Deed dated 04- 11-2009 bearing document No. 5855/2009 for a monthly rent of Rs.4,00,000/- and the period of lease under the agreement is for 5 years which is renewable by mutual agreement between the parties.
- 2.4 That the applicant avers, the above mentioned property was mortgaged to the Canara Bank (formerly known as Syndicate Bank) by the Suspended Directors of the CD as the Account of the CD became non performing Account, Syndicate Bank initiated SARFESI proceedings and initiated actions to take over the physical possession of the said property against which the Respondent No. 1 Trust approached the DRT by filing an Securitization Appeal SA No. 324/2019 and obtained interim Orders in IA No.4947 / 2019 dated 16- 10-2019 wherein the Hon'ble DRT stayed the taking over of the physical possession by the Syndicate Bank for a period of 3 months from the date of the Order but till date the Respondent No. 1 has not vacated the said premises and running the School.
- 2.5 That the applicant avers, Respondent No. 1 is requested through emails to pay the outstanding dues in the TRA Account of the CD and the Respondent No. 1 replied on 20-10-2022 stating that they

already paid Rent amount of Jain Heritage A Cambridge School to the building owner of Mr. Suresh Kumar Reddy from June 2022 to September 2022 excluding his dues amount.

2.6 That the applicant avers, the Suspended board of Directors approached Hon'ble Appellate Tribunal at Chennai against the CIRP admission order and that appeal got dismissed then they filed an appeal Civil Appeal No.7121/2022 before the Hon'ble Supreme Court which was dismissed vide Orders dated 11-05-2023.

2.7 That the applicant avers, again on 06-06-2023 the Respondent No. 1 was requested to deposit the lease amount of the building belonging CD, from June 2022 to till date to the TRA account of the CD and further stated that payment made by the Respondent to the personal account of the Respondent No. 2 Mr. Suresh Kumar Reddy is not a valid payment since the property belongs to the company i.e. Kranthi Edifice Private Limited which is in Corporate insolvency Resolution Process (CIRP).

2.8 That the applicant avers, the Respondent No.2 is requested through email dated 20-10-2022 to deposit the Rental amount received from the Respondent No. 1 to the TRA account of the CD but there is no response from Respondent No. 2.

### **3. The Counter filed by Respondent No.1, inter-alia stating that:**

3.1 That the Respondent No.1 avers, that no amount is due from the Respondent No.1, to the Corporate Debtor. Lease rentals due for the

periods June, 2022 to September, 2022, have on mutual understanding between Respondent No.1 and Respondent No.2 being adjusted for certain expenses made by the Respondent No.2/ Suspended Director. The payment that was received in the Suspended Directors account was for the Expense that the Respondent No.2/ Suspended Director had made on the School Building on earlier dates. Subsequent to the said period, no payment is due since Corporate Debtor slipped into CIRP.

- 3.2 Further, it is stated that the Respondent No.1 has already incurred substantial costs by way of infrastructural expenses on the school building to the extent of Rs.10 to 12 Crores and therefore, any pending dues ought to be adjusted towards the same. Thus, the Respondent No.1 shall be in no way liable for any dues of lease rental as alleged by the Applicant/ Resolution Professional.
- 3.3 It is stated that the Resolution Professional is relying on a simple mail dated October 20<sup>th</sup> 2022, where the administrative team of the Respondent No.1 miscommunicated the dues as the rent payable. This misinterpretation has led to confusion. The Applicant/ Resolution Professional has been informed about the same on various occasions that the amount received in the Suspended Directors account is not the rent but the dues that the Respondent No.1 had to make to him.
- 3.4 The Respondent No.1 also gave para-wise reply and denied in toto, unless specifically admitted hereinbelow. With respect to Para No.2,

it is stated that the Lease Deed entered between the Corporate Debtor and the Respondent No.1 herein ('the parties'), is dated 04<sup>th</sup> November, 2009, and expired in the year 2014 itself. There is no lease deed agreement entered into between the parties subsequent to the expiry of the afore-said lease deed. A copy of the Lease Deed dated 04<sup>th</sup> November, 2009, is enclosed herewith as **Annexure No.1** to the counter (Page No.4 to 8).

- 3.5 It is stated that with respect to Para No.4, as stated earlier in the interest of the children of the school vacating the premises is not feasible. Further, with the amount of infrastructural expenses made by the Respondent No.1 on the school premises, it is grave in justice and loss to the Respondent No.1, who has become a party to this dispute with no fault or interest.

**4. The counter filed by Respondent No. 2 / Suspended Director, inter-alia stating that:**

- 4.1 That the Respondent no.2 avers, the Applicant has miserably failed to bring out any sort of material for sustaining her allegations of fraud in the transactions alleged and application on the whole is baseless, empty and an utter abuse to the process of law and is liable to be dismissed with exemplary costs in the interest of Justice.
- 4.2 That the Respondent 2 avers, the Corporate Insolvency Resolution Process ("CIRP") of the Corporate Debtor had started from 21<sup>st</sup> June, 2022 and there was a period of Stay of CIRP between 21<sup>st</sup> October, 2022 and 11<sup>th</sup> May, 2023 and the Hon'ble National Company Law

Tribunal, Hyderabad Bench (the Hon'ble Adjudicating Authority / Tribunal) vide its Order dated 09<sup>th</sup> June, 2023 in IA(IBC)/914/2023 in CP(IB)No. 109/7/HDB/2020 had excluded the said period.

- 4.3 That the Respondent No. 2 avers, the Applicant is entitled to inquire into the period subsequent to the said Stay period and the 05<sup>th</sup> meeting of the Committee of Creditors (“COC”) of the Corporate Debtor was held on 26<sup>th</sup> May 2023 and effectively only two months have passed after the vacation of stay and alleged transactions pertaining to the period of June 2022 to July 2023.
- 4.4 Respondent No.2 avers in reply to Para No. 8 that, there is no liability for payment of rents received from Respondent no.1 for months i.e., June 2022 and September 2022. It is further averred that the lease deed annexed to the instant Application is between the Corporate Debtor and the Respondent No. 1 and Applicant has not made any analysis as to the alleged receipts of payments by Respondent No. 2 nor enclosed clear copies of the receipts attached to the said e-mails enclosed as part of this Application.
- 4.5 It is stated that the only correspondence with the Respondent No.2 is vide an e-mail dated 20<sup>th</sup> October, 2023. There is no basis upon which the Applicant herein alleges liability on the part of the said Respondent No.2. The lease deed annexed to the instant Application is between the Corporate Debtor and the Respondent No.1. Further, the Applicant herein blindly relies upon one e-mail from the Respondent No.1 and certain payment receipts allegedly received by

the respondent No.2 herein. Neither the Applicant has made any analysis as to the alleged receipts of payments by Respondent No.2 nor enclosed clear copies of the receipts attached to the said e-mails enclosed as part of this Application.

5. That the applicant avers in the written submissions in reply to the counter filed by respondents that, Respondent averred that on mutual understanding between responded number 1 and respondent number 2 the lease rentals are adjusted towards expenses made for the infrastructure expenses on the school building to the extent of rupees 10 to 12 crores that the respondent no.2 had made on the school building on earlier dates and the respondent no.1 in no way liable for any dues of lease rentals, whereas, even for construction of new building that much cost would not incur and Respondent no.1 till date did not furnished the details of the infrastructure works and invoices etc., of the works carried to support their contention.
6. In the light of the contest put forth by both the parties the following points have been framed.
  1. **“Whether lessee of corporate debtor on the basis of some understanding between lessee and some third person, can make payment of lease rent to that third person and not in the account of corporate debtor as notified by resolution professional for payment of lease rent?”**
  2. **“Whether resolution professional on behalf of corporate debtor is entitled to collect lease rentals of the building owned by corporate debtor for the period of Stay of CIRP between 21st October 2022 and 11<sup>th</sup> May 2023?”**

7. **Brief facts of the case:** The Corporate Debtor was put into CIRP by orders of this adjudicating authority on 27-06-2022. The CD , owns a property consisting of building bearing Survey No. 187 part, Kondapur Village, Serilingampally Municipality, R.R.District Hyderabad, Telangana and is leased out to Sri Bhagawan Mahaveer Educational & Cultural Trust running a school in the name and style Jain Heritage a Cambridge school, under Registered Lease Deed dated 04- 11-2009 bearing document No. 5855/2009 for a monthly rent of Rs.4,00,000/- and the period of lease under the agreement is for 5 years which is renewable by mutual agreement between the parties.
8. We heard Learned Counsel Ms. Mummaneni Vazra Lakshmi for the Applicant, Learned Counsel Mr. Kota Kishore Kumar for the Respondent No.1 and Mr. Sudharshan Reddy, Senior Counsel assisted by Mr. I V Siddhivardhana, Counsel for the Respondent No.2 and perused the written statements and other documents submitted to this Tribunal.

**Point no 1:**

**Whether lessee of the corporate debtor can avoid payment of lease rent to the lessor on the ground that lessee is paying rent to the 3<sup>rd</sup> party pursuant to an understanding entered into with the third party.?**

**Submissions:**

9. The applicant submits that respondent No. 1, the lessee is not paying rent to resolution professional / CD after initiation of CIRP and replied

to applicant/ RP on 20-10-2022 that they have already paid rent amount of Jain Heritage A Cambridge School to the building owner, Mr. Suresh Kumar Reddy from June 2022 to September 2022 and for the rest of the period rent is not due on account of mutual understanding between respondent number 1 and respondent number 2. The applicant submits that Corporate Debtor is the owner of the building and it is leased out to lessee under Registered Lease Deed dated 04- 11-2009 bearing document No. 5855/2009 for a monthly rent of Rs.4,00,000/-. The applicant further submits that after initiation of CIRP against CD, the IRP/RP has to take control of all the assets of the CD and any income from these assets of the CD has to be deposited in the account designated for the purpose of completing CIRP process. The applicant contended that firstly the respondents have not submitted any details of any understanding or agreement between R1 and R2 on the basis of which they are denying payment of lease rent to the CD and secondly even if any understanding or any agreement exists between them it has no bearing on the right of IRP/RP to collect rent in the account of CD.

10. The learned counsel for the Respondents submits that on mutual understanding between respondent number 1 and respondent number 2, the lease rentals are adjusted towards expenses made for the infrastructure expenses on the school building to the extent of rupees 10 to 12 crores by respondent no.2. Therefore, respondent no.1 is in no way liable for any dues of lease rentals to the applicant.

**Our Findings:**

11. Before, we proceed to decide the point as above, we feel it proper to refer Section 18 (f) and Section 20 (2) (b) of IBC, 2016 which are as below:

***“Section 18: Duties of interim resolution professional.***

***18. The interim resolution professional shall perform the following duties<sup>11</sup>, namely:—***

.....

*(f) take control and custody of any asset over which the corporate debtor has ownership rights as recorded in the balance sheet of the corporate debtor, or with information utility or the depository of securities or any other registry that records the ownership of assets including—*

*(i) assets over which the corporate debtor has ownership rights which may be located in a foreign country;*

*(ii) assets that may or may not be in possession of the corporate debtor;*

*(iii) tangible assets, whether movable or immovable;*

*(iv) intangible assets including intellectual property;*

*(v) securities including shares held in any subsidiary of the corporate debtor, financial instruments, insurance policies;*

*(vi) assets subject to the determination of ownership by a court or authority;*

*(g) to perform such other duties as may be specified by the Board.*

*Explanation.—For the purposes of this <sup>1</sup>[section], the term “assets” shall not include the following, namely:—*

*(a) assets owned by a third party in possession of the corporate debtor held under trust or under contractual arrangements including bailment;*

*(b) assets of any Indian or foreign subsidiary of the corporate debtor; and*

*(c) such other assets as may be notified by the Central Government in consultation with any financial sector regulator.*

***“Section 20 (2) (b) of IBC, 2016***

***Section 20: Management of operations of corporate debtor as going concern.***

...

*(2) For the purposes of sub-section (1), the interim resolution professional shall have the authority—*

....

*(b) to enter into contracts on behalf of the corporate debtor or to amend or modify the contracts or transactions which were entered into before the commencement of corporate insolvency resolution process;”*

12. From the reading of above sections *supra*, it is very clear that control of any property or asset belonging to corporate debtor vest in IRP/ RP after initiation of CIRP. Further IRP/ RP can enter into contracts or amend or modify the existing contracts entered into before initiation of CIRP.
13. Admittedly, both parties agree that there is a lease deed between CD and Respondent no 2 and accordingly the lease rentals are payable by Respondent no 2. The respondent no 1 was crediting Rs 5,09, 666.00 to the account of corporate debtor on a monthly basis till 28.062022 and thus paid rent till the month of May-2022 but after the corporate debtor was admitted to CIRP in June 2022, respondent no 1 stopped paying rent to the corporate debtor, which is illegal as there is no change in the lessor -lessee relationship even after admission of corporate debtor into CIRP. The only contention is that lease rentals are not paid to the CD as there is some understanding between R1 and R2 and accordingly the lease rentals are paid to R2 for adjustment towards infrastructure expenses incurred by R2 on the building. Respondents have not produced any agreement or any other document substantiating these arguments, hence these arguments merely based on oral or written submissions, cannot be accepted. Further, without any dispute the building is owned by Corporate Debtor and respondents too have not refuted this fact.
14. Therefore, undoubtedly, the lease rentals by respondent no 2 should have been deposited in the account of corporate debtor as advised by IRP/RP who is in control of corporate debtor after initiation of CIRP. Therefore, we decide that respondent no 2/ lessee on the basis of some understanding between it and some third person, cannot make

payment of lease rent to that third person and lease rent as per law must be paid in the account of corporate debtor as notified by resolution professional for payment of lease rent. Accordingly, the point no 1 is decided.

**Point no 2:**

**“Whether resolution professional on behalf of corporate debtor is entitled to collect lease rentals of the building owned by corporate debtor for the period of Stay of CIRP between 21st October 2022 and 11th May 2023?”**

15. Respondents contend that there was a period of Stay of CIRP between 21st October 2022 and 11th May 2023 and therefore no lease rentals for this period is payable to resolution professional on account of stay of CIRP during this period. We do not accept this contention raised by respondents as the Corporate Debtor is the lessor and Respondent no 2 is the lessee as per the lease agreement between Corporate Debtor and R2. Accordingly, as per the lease agreement, the lessee has to pay lease rent for using the property of lessor given on lease and admission of corporate debtor into CIRP or stay on CIRP will not in any way affect this relationship of lessor and lessee. Though, Section 20 (2) b, *supra* gives authority to IRP to amend or modify the contracts or transactions which were entered into before the commencement of corporate insolvency resolution process but in this case no such amendment was made to the existing contract. Further, IRP/RP is collecting the rent on behalf of corporate debtor and not in his individual capacity. Hence, stay of CIRP for intervening period will have no impact on payment of

lease rent by R1/ lessee to the applicant / lessor during this period. The point no 2 is accordingly decided that resolution professional on behalf of corporate debtor is entitled to collect lease rentals of the building owned by corporate debtor for the period of Stay of CIRP between 21st October 2022 and 11th May 2023.

16. In the above background and answers to the points raised for our consideration, we pass following orders:

(1) We direct, Respondent no 1, Sri Bhagwan Mahaveer Educational and Cultural Trust through its Chairman Sri R Chenraj Jain to deposit outstanding lease rent of Rs 1,07, 02,986.00 from June 2022 till last month i.e. March -2024, total for 21 months @ monthly rent of Rs. 5,09,666.00 in the following account of corporate debtor.

Account Holder : TRA KEPL  
Customer Name : TRA Kranthi Edifice Pvt Limited  
Bank Name : CANARA BANK  
Account No : 30361010006137  
Product Name : CURRENT ACCOUNT of company (TRA a/c)  
Account Branch : 13036-MALAKPET, HYDERABAD 500036.  
IFSC : CNRB0013036  
MICR : 500015113

(2) We direct respondent no 1 to pay these pending rental dues within a period of 20 days from the date of this order and file compliance memo to this Tribunal.

(3) Respondent no 1 is also directed to pay current rental dues from this month onward in the same current account of corporate debtor till it receive any modified/ revised instructions in this regard.

(4) We direct Respondent No. 2 / Suresh Kumar Reddy to return to respondent no 1, the lease rent received by him from respondent no 1.

17. In the light of the order as passed above, this petition is allowed and disposed of, however with no costs.

SD

Charan Singh  
Member (Technical)

SD

Dr. Venkata Ramakrishna Badarinath Nandula  
Member (Judicial)

C.Bhargavi/sridher/pavani