

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

(Disciplinary Committee)

No. IBBI/DC/308/2026

30 March 2026

ORDER

This Order disposes of the Show Cause Notice (SCN) No. IBBI/C/2024/01121/913/1029 dated 11.12.2024, issued to Mr. Rajan Garg, who is a Professional Member of the Indian Institute of Insolvency Professionals of ICAI and an Insolvency Professional registered with the Insolvency and Bankruptcy Board of India (IBBI/Board) with Registration No. IBBI/IPA-001/IP-P-02397/2021-2022/13624.

1. Background

- 1.1. M/s Truly Creative Developers Private Limited (Corporate Debtor/CD) was admitted into Corporate Insolvency Resolution Process (CIRP) *vide* order dated 11.11.2022 by National Company Law Tribunal, Mumbai Bench (AA) wherein Mr. Rajan Garg was appointed as the Interim Resolution Professional (IRP/IP) and later confirmed as Resolution Professional (RP).
- 1.2. The Complainant *vide* complaint dated 22.04.2024 addressed to the Board alleged about the wrongful constitution of CoC. The Board *vide* e-mail dated 22.05.2024 sought reply of Mr. Rajan Garg on the allegation made by the complainant. Mr. Rajan Garg provided his reply on 07.07.2024.
- 1.3. The Board examined the allegations in the above complaint vis-à-vis reply of Mr. Rajan Garg and based on such examination and material available on record, the Board formed a *prima facie* opinion that Mr. Rajan Garg had contravened provisions of the Code and Regulations made thereunder and therefore issued SCN to Mr. Rajan Garg on 11.12.2024.
- 1.4. The SCN and its response by Mr. Rajan Garg were referred to the Disciplinary Committee (DC) for disposal. Mr. Rajan Garg availed the opportunity of personal hearing before the DC through virtual mode on 01.08.2025 wherein he appeared along with his legal counsel Mr. Ankur Khandelwal. Mr. Rajan Garg also submitted his additional written submissions on 15.10.2025 and relevant annexures on 16.10.2025.
- 1.5. The DC has considered the SCN, the interim reply to SCN dated 25.12.2024 and final reply to SCN dated 04.01.2025, oral and written submissions of Mr. Rajan Garg, and proceeds to dispose of the SCN.

2. Alleged Contravention, submissions of Mr. Rajan Garg and findings of the DC.

2.1 Wrongful constitution of CoC.

- 2.1.1 The CD was admitted into CIRP *vide* order of the AA dated 11.11.2022 on a Section 9 application filed by Amit Steels. Regulation 13 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 (CIRP Regulations) requires the IP to verify the claims within 7 days from the last date of receipt of claims. Further, Section 21(2) of the Code states that the Committee of Creditors (CoC) shall comprise of all financial creditors of the CD.
- 2.1.2 As per the list of creditors dated 03.12.2022 uploaded on the website of the Board, Six (6) creditors had been classified as unsecured financial creditors, and one creditor was classified as secured financial creditor. M/s Western Habitat Partnership Firm (Western Habitat) was classified as unsecured financial creditor.
- 2.1.3 Western Habitat was admitted into CoC as an unsecured FC with 24.60% voting rights. Further, as per the list of claims as uploaded on the website of the Board on 06.02.2024, Western Habitat was removed from the list of creditors. The same was also evident from the minutes of the 6th CoC meeting dated 13.06.2024 wherein Western Habitat was not part of the CoC. However, Western Habitat was part of the 1st to 5th CoC meetings wherein during the said CoC meetings various important resolutions were passed including but not limited to, confirmation of appointment of IRP as RP (1st CoC meeting), ratification of the cost incurred by Mr. Rajan Garg towards the conduct of CIRP including the professional fee of RP (2nd CoC meeting), discussion and approval of the draft Expression of Interest (EoI) for submission of resolution plan (3rd CoC meeting), extension of timeline to invite EoI (4th CoC meeting), and approval of appointment of architect to complete the ongoing real estate projects of the CD (5th CoC meeting).
- 2.1.4 In continuation of other emails, the Board placed a specific query before Mr. Rajan Garg with regard to the reasons for inclusion of Western Habitat in the CoC and later its removal from the same. The Board observed from reply of Mr. Rajan Garg dated 13.11.2024 that he had admitted Western Habitat in the CoC of the CD based on the claim forms and the documents submitted by it. However, it was observed from reply of Mr. Rajan Garg sent to Western Habitat, that he repeatedly requested Western Habitat to produce evidence to justify its claim of Rs.1.80 crores as financial debt which showed that Mr. Rajan Garg had admitted Western Habitat in the CoC of the CD without sufficient justification to substantiate its claim.
- 2.1.5 The Board further noted that Mr. Rajan Garg should have exercised due diligence with regard to the admittance of Western Habitat in the CoC of the CD. Mr. Rajan Garg's lack of due diligence led to Western Habitat participating in the 1st to the 5th CoC meetings in which various important resolutions were passed and later removed from the CoC altogether thus evidencing wrongful constitution of CoC.

2.1.6 In view of the above, the Board held prima facie view that Mr. Rajan Garg had violated Sections 21(2), 208(2)(a) and (e) of the Code, Regulation 13 of the CIRP Regulations, and Regulation 7(2)(a) and (h) of IP Regulations read with Clause 14 of the Code of Conduct.

2.2 Submissions by Mr. Rajan Garg.

2.2.1 Mr. Rajan Garg submitted that he received the claim of Rs. 4,39,26,027/- (Rupees four crores thirty nine lakh twenty six thousand twenty seven) from Western Habitat before the last date for submission of claim as mentioned in public announcement made in Form A. The claim amount included Principal amount of Rs. 1,80,000 (Rupees one crore eighty lakh) and interest amount of Rs. 2,59,26,027/- (Rupees two crore fifty nine lakh twenty six thousand twenty seven). Along with the claim they attached few documents for justifying their claim. On several dates, Mr. Rajan Garg requested Western Habitat to submit additional documents for understanding the locus of their claim against the CD. As per Regulation 14 of CIRP Regulations that deals with the determination of amount of claim based on the best estimate, Mr. Rajan Garg admitted the claim on the basis of the information available and documents at the time of initial admission.

2.2.2 He further submitted that post conduct of 1st CoC Meeting, suspended board of CD, Mr. Rajendra Barde filed an appeal before the NCLAT and obtained an interim stay. He produced the timeline as under: -

Date	Particulars
11.11.2022	CIRP commencement date
14.12.2022	Suspended director filed appeal at NCLAT and obtained an interim stay
19.04.2023	Stay by NCLAT vacated
26.04.2023	Suspended director went to SC
15.05.2023	Apex court dismissed the appeal

2.2.3 He further submitted that during the stay order passed by the NCLAT, Mr. Rajan Garg received various claims from different claimants. However, due to stay he was unable to pursue the matter further during that period of stay. The director of the suspended board of the CD had closed all avenues of communications. Thus, post lifting of the stay order passed by the NCLAT, the Mr. Rajan Garg immediately arranged a CoC Meeting to consider the matters that were of utmost importance. The details of the CoC meetings held during this period are as follows:

Date	Particulars
10.12.2022	First CoC Meeting
28.04.2023	Second CoC Meeting
13.05.2023	Third CoC Meeting

03.10.2023	Fourth CoC Meeting
06.11.2023	Fifth CoC Meeting

2.2.4 Mr. Rajan Garg further submitted that he was carrying out CIRP and continuing the process of collating, understanding, and verifying/re-verifying all the claims that were received. Out of various claims, one major re-verification of the claim was made of Western Habitat, where he was constantly seeking additional information and clarifications on the subject matter of claim submission. He was also constantly following up with the suspended board of CD to provide relevant information from them including but not limited to the documents of utmost importance like tally data, financial statements, agreement, orders, etc. Since the suspended board of CD did not provide the documents, Mr. Rajan Garg filed an application under section 19(2) of the Code on 05.06.2023 which was allowed and disposed of by the AA *vide* order dated 14.07.2023. Pursuant to which the suspended directors provided certain documents. However, due to non-receipt of complete information another application under section 19(2) was filed on 21.05.2024 which is pending for adjudication before the AA. Further, he produced a comparative analysis of voting power of CoC members when Western Habitat was part of the CoC and when Western Habitat was not part of the CoC which is as under: -

A. Voting Percentage during 1st & and 2nd CoC meeting:

Voting Percentage when Western Habitat was included		
Name of the Creditor	Claim Admitted	Voting %
Dilip Kulkarni rep. 25 Homebuyers	66,91,699.00	9.143801977
Anil Masurkar rep. 27 Homebuyers	60,89,391.00	8.320784522
Godavari Urban Multi State Credit Society	1,34,01,805.00	18.31275601
Western Habitat	1,80,00,000.00	24.59591138
PVG Enterprises	1,50,00,000.00	20.49659282
Ramesh Dedhia	50,00,000.00	6.832197606
Jyoti Dedhia	50,00,000.00	6.832197606
Vivek Sanvardhini	10,00,000.00	1.366439521
Sudesh Kavalekar	30,00,000.00	4.099318563
Total	7,31,82,895.00	100
Revised Voting percentage (if Western Habitat is removed)		
Name of the Creditor	Claim Admitted	Voting %
Dilip Kulkarni rep. 25 Homebuyers	66,91,699.00	12.12640076
Anil Masurkar rep. 27 Homebuyers	60,89,391.00	11.03492486
Godavari Urban Multi State Credit Society	1,34,01,805.00	24.28615788
PVG Enterprises	1,50,00,000.00	27.18233612
Ramesh Dedhia	50,00,000.00	9.060778707
Jyoti Dedhia	50,00,000.00	9.060778707

Vivek Sanvardhini	10,00,000.00	1.812155741
Sudesh Kavalekar	30,00,000.00	5.436467224
Total	5,51,82,895.00	100

B. Voting Percentage during 3rd, 4th and 5th CoC meeting:

Voting percentage (When Western Habitat is included)		
Name of the Creditor	Claim Admitted	Voting %
Janata Sahakari Bank Ltd. Pune, Parle Branch	2,88,30,1238.40	16.94753629
Mitej Developers	2,67,56,912.00	15.72881435
Labh Shubh Properties Pvt. Ltd.	3,41,78,780.00	20.09169389
Western Habitat	1,80,00,000.00	10.58114099
PVG Enterprises	1,50,00,000.00	8.81761749
Godavari Urban Multi State Credit Society	1,34,01,805.00	7.878132677
Dilip Kulkarni rep. 25 Homebuyers	66,91,699.00	3.933656143
Anil Masurkar rep. 27 Homebuyers	60,89,224.00	3.579594706
18 Home Buyers (POA, Chandrakant B. Gupta)	64,93,224.00	3.816984367
1 Home Buyer- Kavita Sawant	6,72,040.00	0.395052777
Ramesh Dedhia	50,00,000.00	2.93920583
Jyoti Dedhia	50,00,000.00	2.93920583
Vivek Sanvardhini	30,00,000.00	1.763523498
Sudesh Kavalekar	10,00,000.00	0.587841166
Total	17,01,13,979.40	100
Revised Voting percentage (When Western Habitat is removed)		
Name of the Creditor	Claim Admitted	Voting %
Janata Sahakari Bank Ltd. Pune, Parle Branch	2,88,30,1238.40	18.95297757
Mitej Developers	2,67.56,912.00	17.59004143
Labh Shubh Properties Pvt. Ltd.	3.41,78,780.00	22.46919063
Western Habitat	0	0
PVG Enterprises	1,50,00,000.00	9.861026619
Godavari Urban Multi State Credit Society	1,34,01,805.00	8.81037039
Dilip Kulkarni rep. 25 Homebuyers	66.91,699.00	4399134798
Anil Masurkar rep. 27 Homebuyers	60,89,224.00	4.00317645
18 Home Buyers (POA, Chandrakant B. Gupta)	64,93,224.00	4.268656981

1 Home Buyer- Kavita Sawant	6,72,040.00	0.441800289
Ramesh Dedhia	50,00,000.00	3.287008873
Jyoti Dedhia	50,00,000.00	3.287008873
Vivek Sanvardhini	30,00,000.00	1.972205324
Sudesh Kavalekar	10,00,000.00	0.657401775
Total	15,21,13,979.40	100

2.2.5 Mr. Rajan Garg further submitted that as per the SCN a concern was raised with regard to the validity of resolution passed during the CoC Meetings. Therefore, considering the aforesaid concern, an effort was made by him to understand and showcase the impact on the resolutions placed during the CoC Meetings. A brief chart of the resolutions passed was prepared, where M/s. Western Habitat had been included into the CoC and vote was taken on record and alternatively when M/s. Wester Habitat not included into the CoC and their votes were not taken on record. The chart prepared for the same is as follows:

Resolutions passed in	Minimum percentage required	Status/Outcome considering Western Habitat into the CoC	Status/Outcome considering Western Habitat out of the CoC
1st CoC Meeting Resolution – RP Appointment and his fees	66%	Approved with 80.87%	Would have received votes as 74.62%
2nd CoC Meeting Resolution – Ratification of Cost incurred during CIRP	51%	Approved with 91.68%	Would have received votes as 88.96%
3rd CoC Meeting Resolution – Approving the draft EOI for Resolution Plan	51%	Approved with 100%	Would have received votes as 100%
4th CoC Meeting Resolution – Approving the draft EOI for Resolution Plan	51%	Approved with 64.18%	Would have received votes as 59.94%
5th CoC Meeting Resolution – Approving the draft EOI for Resolution Plan	51%	Approved with 94.12%	Would have received votes as 93.43%

2.2.6 It was further submitted that in the tabulated resolutions, it could be seen that the voting on the resolutions would not have created major impact as requisite minimum voting was being observed in case of all the resolutions even after removing Western Habitat from respective CoC Meeting. Mr. Rajan Garg submitted that he undertook due diligence to verify and admit the claim received from Western Habitat to the COC as per information,

documents, and data provided by them. Thus, considering the documents received such as ledger copies, particulars of the claims and as per the prima facie understanding built, Mr. Rajan Garg admitted the claim of Principal amount only but the interest claimed amount was put under further verification.

- 2.2.7 He submitted that as per the records and documents provided by Western Habitat; it was observed that they had paid significant sum of funds to the CD till CIRP Commencement date. Western Habitat had submitted various ledger accounts. There were multiple litigations in different forums including arbitration. Western Habitat had also submitted copy of a claim statement submitted by them in an arbitration proceeding between them & the CD. The claim statement exhibited clearly about payment of Rs. 1.80 Crores which was interest bearing. They submitted many documents which indicated the existence of financial transaction between them. Although the CD had not provided any books of accounts till the time of initial admission of the claim, but the CD had, during a verbal communication acknowledged the fact of their relationship with the claimant. The director of the CD had confirmed that there was dispute going on with the claimant and an arbitration has been ongoing between them, it was further stated by them that currently the arbitration is under stay/status quo. From the documents submitted by the claimant and other available information there was enough conviction of existence of debt.
- 2.2.8 Mr. Rajan Garg further submitted that he carried on the process of due diligence with respect to the verification of claim of Western Habitat even after initial admission of the claim during the 1st CoC. But as shared that there was a stay on the CIRP proceedings immediately after commencement of CIRP from 14.12.2022 which was vacated only on 19.04.2023, the process of verification of claim could not proceed. However, after the vacation of stay, the process of verification of claims was restarted. The claimant kept on submitting various documents including accounting ledgers and other documents including agreements, etc. for the purpose. However, he was not able to verify these from the records of the CD.
- 2.2.9 He further submitted that after the order by the AA under section 19(2) directing CD to extend cooperation, the ex-management shared the accounting information for the first time although incomplete. As per the information shared, the existence of financial transaction was there. During this period, he kept the process of verification of the claim. Documents were asked from the claimant. They even provided a document showing payment of an amount of Rs. 15 Crores (Rupees Fifteen Crores) to the CD, which he requested to be admitted as a financial debt. Even apart from these, there were documents of many financial transactions. Western Habitat submitted various documents including ledger accounts, agreements, MOUs, etc. These exhibited that there were financial transactions between the two since 2010 onwards and volume of transactions was quite large.

- 2.2.10 Mr. Rajan Garg further submitted that while carrying out the due diligence of the claim, he studied the documents and information provided by them. Even he received a copy of unaudited financial statement from the office of the CD and its auditors for the first time on 07.11.2023. At this time, the information provided was correlated. After study it was realized by Mr. Rajan Garg that the debt in question did not constitute a financial debt as per provisions of Section 5(8) of the Code. This fact was communicated to Western Habitat and they were asked to substantiate their claim. Mr Rajan Garg had discussions with their financial team (CFO). Their finance team stood convinced that nature and character of the transaction was such that it could not be covered under the provision of Section 5(8) to be financial debt. Even after this, ample opportunities were given to prove the status of financial transaction and in what manner the transactions can be treated as financial debt within the provisions of the Code. There were repeated reminders, however, there was no response to these emails.
- 2.2.11 He submitted that based on the above discussion, he sought legal opinion from MDP and Partners. The lawyers studied the documents pertaining to the CD and claimant M/s. Western Habitat. They opined that the amount of Rs. 1.80 crores, although interest bearing, did not constitute as financial debt within the meaning of the provisions of section 5(8) of the Code. Hence, this cannot be treated as financial debt. In view of the same, Mr. Rajan Garg was constrained to reject their claim and removed them from subsequent CoC Meeting.
- 2.2.12 Based on the above-mentioned information, Mr. Rajan Garg submitted that he had no intentions for wrongful constitution of CoC and violate any law rule and regulations. He submitted that he had taken sufficient due diligence of the claim at the time of initial admission and considering non-receipt of additional explanation, information, documents, data sought from the claimant, the claim had been rejected. He further submitted that even after removing the claims of Western Habitat, the resolutions put in the meeting met the minimum voting requirement under the Code.
- 2.2.13 Mr. Rajan Garg has also placed on record certain documents *vide* additional written submissions dated 15.10.2025 and 16.10.2025 respectively in support of his submissions pertaining to the claim of Western Habitat, including the detailed claim assessment, the claim form submitted by Western Habitat with all the annexures which includes a copy of application filed by Western habitat to initiate arbitration proceedings, the Joint Development Agreement dated 31.12.2014 between the CD and Western Habitat, order passed by the Apex Grievance Redressal Committee etc.

2.3 Analysis and Findings of the DC.

- 2.3.1 The DC has considered the SCN, reply to SCN, the oral and written submissions made by Mr. Rajan Garg, and the material available on record. The primary issue for consideration

is whether Mr. Rajan Garg wrongfully constituted the CoC by admitting M/s Western Habitat Partnership Firm (Western Habitat) as an unsecured financial creditor without exercising adequate due diligence to verify whether its claim constituted a financial debt within the meaning of Section 5(8) of the Code.

2.3.2 Before proceeding to examine the contravention, the DC considers it necessary to set out the background facts relating to Western Habitat's relationship with the CD, as they are directly relevant to the question of due diligence that was required to be exercised by Mr. Rajan Garg at the stage of initial admission of its claim.

2.3.3 The DC notes that Mr. Rajan Garg, in his additional submissions, placed on record a detailed factual account of the relationship between the CD and Western Habitat along with supporting documents. The DC has considered the said submissions and documents and, for the purposes of examining the contravention, has set out the relevant timeline of events emerging from the material placed on record in the tabulated form below.

Date	Event
31.12.2014	<p>The CD entered into a Joint Development Agreement (JDA) with M/s Western Habitat Partnership Firm and H-3 Realty & Consultants Pvt. Ltd. Under the said JDA, Western Habitat was the sub-developer, solely liable for financing and implementing the entire project. Before this, JDA were executed with</p> <ul style="list-style-type: none"> (i) Mithej Developers vide development agreement dated 07.07.2003 (ii) Labh Shubh Properties vide development agreement dated 04.09.2003 (iii) M/s PVG Enterprises vide development agreement dated 20.04.2007 <p>As a result of these JDAs, deposits of substantial amounts have been received from homebuyers against the development which is in excess of the development required for rehabilitating slum developers.</p>
19.03.2018	<p>Disputes arose between the CD and Western Habitat. The CD terminated the JDA vide its letter dated 19.03.2018. Accordingly, arbitration proceedings commenced between the parties.</p>
02.09.2018	<p>Rajendra Kunj SRA Co-operative Housing Society Ltd., who originally submitted the SRA scheme on behalf of CD, held a General Body Meeting and terminated the appointment of the CD as developer and appointed Western Habitat Partnership Firm as co-developer in its place.</p>
07.03.2019	<p>The CD challenged the said termination before the Chief Executive Officer of the Slum Rehabilitation Authority (SRA), alleging that Western Habitat had entered into a well-planned conspiracy to grab the</p>

	<p>project through a back-door entry by using the authority i.e., Rajendra Kunj SRA Co-operative Housing Society Ltd as a tool.</p> <p>The SRA <i>vide</i> order dated 07.03.2019 directed the CD to continue as the developer.</p>
04.10.2019	<p>In arbitration proceedings between CD and western habitat, the Arbitral Tribunal <i>vide</i> order dated 04.10.2019 directed the parties to maintain status quo. The relevant extract of the order is reproduced as under: -</p> <p><i>“71. While I have come to the conclusion that the Claimant is entitled to have its rights protected, I am not inclined to permit the Claimant to proceed to execute the Development Agreement. As mentioned at the outset, it is difficult at the interim stage to express a final opinion regarding the rival cases. That must await the final hearing.</i></p> <p><i>72. In the circumstances, pending the award, both parties shall maintain status quo at site. The parties shall carry out only such work as is necessary for ensuring the safety of the premises and the persons thereon, in accordance with law. The order restrains the Respondents from creating any third-party rights upon or in respect of the said property, including any rights arising therefrom.</i></p> <p>...”</p>
25.10.2019	<p>Aggrieved by the order dated 07.03.2019, Rajendra Kunj SRA Co-operative Housing Society Ltd. preferred an appeal before the Apex Grievance Redressal Committee (AGRC). The AGRC <i>vide</i> its detailed order dated 25.10.2019 terminated the appointment of the CD as the developer of slum rehabilitation scheme and directed the Rajendra Kunj SRA CHS Ltd to appoint a new developer of its choice.</p>
18.12.2019	<p>Against the order of the AGRC dated 25.10.2019, the CD filed Writ Petition No. 3512 of 2019 before the Hon'ble Bombay High Court, wherein Western Habitat was Respondent No. 5. In the said petition, allegations were made against Western Habitat that it is in collusion with Rajendra Kunj SRA CHS Ltd trying to get back door entry. That multiple false allegations against CD were filed at the behest of Western Habitat before SRA.</p> <p>The matter was listed for the first time on 18.12.2019, wherein the following order was passed:</p> <p><i>"Heard Mr. Damle, learned Senior Counsel for the petitioner and Mr. Dhakephalkar, learned Senior Counsel for respondent No.4.</i></p> <p><i>2. Petitioner has challenged legality and correctness of order dated 25.10.2019 passed by the Apex Grievance Redressal Committee setting</i></p>

	<p><i>aside the order passed by the Chief Executive Officer, Slum Rehabilitation Authority dated 07.03.2019; cancelling appointment of the petitioner as a developer for development of the slum rehabilitation scheme on the plots of land in question situated at Village Magathane, Borivali (East); and giving liberty to respondent No.4 to appoint new developer of its choice within a period of 3 months.</i></p> <p><i>3. After hearing learned counsel for the parties and after examining the impugned order dated 25.10.2019, Court is not inclined to stay the same though the Court may like to further examine the matter.</i></p> <p><i>4. Issue notice"</i></p>
10.01.2022	A public notice was issued by the SRA with respect to the application received from M/s Western Habitat for declaring the subject property as a Slum Rehabilitation Area.
11.11.2022	The CD was admitted into CIRP vide order dated 11.11.2022 of the AA. Mr. Rajan Garg was appointed as IRP in the matter.
12.12.2022	Mr. Rajan Garg sent a letter to the SRA informing about the initiation of CIRP against the CD.
24.03.2023	SRA issued a Public Notice on its website on 24.03.2023, inter alia, stating that Rajendra Kunj SRA Co-operative Housing Society Ltd had preferred an application for acquisition of land and to implement the slum rehabilitation scheme.
14.04.2023	In response to the public notice dated 24.03.2023, Mr. Rajan Garg sent a Letter dated 14.04.2023, to SRA, stating that the CD is currently undergoing CIRP and that Mr. Rajan Garg being the IRP, is the custodian of assets of the CD and requested SRA for an opportunity of personal hearing.
10.05.2023	Tahsildar-2 (Special Cell), SRA published a notice of hearing in respect of the acquisition of the property.
18.05.2023	Mr. Rajan Garg duly attended the hearing before the Tahsildar-2 (Special Cell), SRA and addressed a letter to Tahsildar-2 (Special Cell) requested for details and copies of the documents in relation to the acquisition of the Property, requested for time to go through such details and documents once received, and stated that in view of the CD undergoing CIRP and the moratorium impose under Section 14 of the IBC, <i>inter alia</i> , the continuation of any proceedings before any authority, the acquisition of the Property be deferred.
19.06.2023	Mr. Rajan Garg sent a Letter to SRA, inter alia, reiterating the contents of its letters dated 18.05.2023 and further stated that: as part of the CIRP process, the Petitioner had received expressions of interest concerning the CD along with the requisite deposit from several interested/PRA, and

	<p>he is optimistic to find a suitable Resolution Applicant who would be able to bring about a comprehensive resolution to implement the slum rehabilitation scheme; and the CD had already taken several steps towards the slum rehabilitation scheme in respect of the Subject Property, including relocation of nearly 600 slum dwellers in new buildings constructed in the transit camp on another parcel of land owned by the Company.</p>
07.07.2023	<p>Mr. Rajan Garg filed its detailed written submissions before SRA in respect of the proceedings regarding acquisition of the Property.</p>
19.07.2023	<p>Mr. Rajan Garg filed IA 3895 of 2023 seeking direction against SRA from continuing the acquisition proceedings on the ground of continuing moratorium of the CD and prayed to stay the acquisition of property by SRA in view of section 14 of the Code.</p>
23.08.2023	<p>The SRA vide order dated 23.08.2023 passed an order wherein following was recorded in the para 10 of findings</p> <p><i>"In this situation, slum dwellers have supported M/s, Western Habitat as the developer and the resolution has been passed by the Society in the Annual General Meeting (GBR). Nowhere in his written submission of Rajan Garg (R.P.) indicated his readiness to complete the said slum rehabilitation scheme and rehabilitate the slum dwellers."</i></p> <p>Accordingly, the SRA rejected all the objections and initiated the land acquisition process and passed the following order: -</p> <p><i>"ORDER</i></p> <p><i>All the objections raised by the objectors in the case are rejected. The process of land acquisition under Section 14(1) of the Maharashtra Slum (Improvement, Clearance and Redevelopment) Act, 1971 in respect of land admeasuring 14141.50 square meters from C.T.S. Nos. 87,87/1 to 13 situated at village Magathane, Taluka - Borivali of the Rajendra Kunj Co. Op. Hou. Society (Ltd.) should be initiated, and the proposal should be sent to the Government for approval.</i></p>
-	<p>Mr. Rajan Garg filed another IA on similar lines with the earlier IA No. 3895/2023 with the additional ground of challenging the legality of the order dated 23.08.2023 passed by Respondent No. 1.</p>
-	<p>Mr. Rajan Garg on considering the judgement of the SC in 'Embassy Property Development (P) Ltd. V. State of Karnataka (2020) 13 SCC 308' came to the opinion that the AA would not be an appropriate forum to adjudicate the dispute under the Slum Act, especially the disputes revolving around the decision of SRA which is a statutory and quasi-judicial authority.</p>
Jan 2024	<p>The RP filed writ petition No. 1398 of 2024 before the Bombay High Court challenging the SRA's acquisition order dated 23.08.2023.</p>

17.01.2024	The Writ Petition No 3512 of 2019 which was filed prior to initiation of CIRP by CD, was dismissed for non-prosecution vide order dated 17.01.2024, as the same was not pursued by the RP. The relevant extract is as under:- <i>"...The present Writ Petition is of the year 2019 and is still pending at the stage of removal of office objections. It appears that the petitioner till date has not made a single attempt to remove office objections and get the Petition numbered. Hence, I do not think it fit to grant one week time for removing office objections, and this is a fit case, in which provisions of Rule 986 of the High Court (Original Side) Rules can be exercised by this Authority. Thus, the present Petition is rejected under Rule 986 of The High Court (Original Side) Rules for non-removal of office objections"</i>
11.03.2024	Writ Petition No. 1398 of 2024, which was originally listed before the Bench dealing with insolvency related matters, was transferred to the Bench dealing with acquisition matters under the Slum Act. This transfer does not seem to have been resisted by Mr. Rajan Garg.
03.04.2024	The Hon'ble Bombay High Court passed the judgment dismissing Writ Petition No. 1398 of 2024.
15.07.2024	The RP filed a Special Leave Petition (SLP) before the Supreme Court challenging the Bombay High Court's dismissal and arguing that Section 14 of the IBC overrides the Slum Act which was dismissed vide order dated 15.07.2024.
05.12.2025	IA 3895/2023 which was filed before the AA seeking direction against SRA from continuing the acquisition proceedings on the ground of continuing moratorium of the CD dismissed as infructuous vide order dated 05.12.2025 as Hon'ble Bombay High Court vide order dated 03.04.2024 and Hon'ble Supreme Court vide order dated 15.07.2024 have already dismissed the matter.

2.3.4 The DC, upon a careful consideration of the entire chain of events set out above, finds it necessary to record certain observations regarding the overall conduct of Mr. Rajan Garg in relation to Western Habitat across the period of the CIRP. The DC notes that Western Habitat was initially admitted by Mr. Rajan Garg as a financial creditor with a significant voting share of 24.60%, despite the fact that its relationship with the CD was that of a joint developer under the JDA. Western Habitat was subsequently removed from the CoC only after a period of over one year, during which it participated in five CoC meetings in which critical resolutions were passed.

2.3.5 The DC further notes that Writ Petition No. 3512 of 2019, which had been filed by the CD before the commencement of CIRP before the Hon'ble Bombay High Court, directly

concerned the rights and interests of the CD over the subject property and was a proceeding in which specific allegations had been made against Western Habitat that it was in collusion with Rajendra Kunj SRA Co-operative Housing Society Ltd. to obtain a back-door entry into the project and that multiple false allegations against the CD had been filed at the behest of Western Habitat. The said petition was dismissed by the Hon'ble Bombay High Court vide order dated 17.01.2024 solely on account of non-removal of office objections, the court recording that not a single attempt had been made to pursue the petition since the year 2019. The DC observes that this petition was pending at the time Mr. Rajan Garg assumed charge as IRP in November 2022

2.3.6 The DC further notes that in Writ Petition No. 1398 of 2024 filed by Mr. Rajan Garg before the Hon'ble Bombay High Court, a specific averment was made that Writ Petition No. 3512 of 2019 had been dismissed for non-removal of office objections and that Mr. Rajan Garg was in the process of taking steps for its restoration. This averment shows that Mr. Rajan Garg was aware of the existence of Writ Petition No. 3512 of 2019 at the time he filed Writ Petition No. 1398 of 2024, and it is not clear from the material placed before the DC whether any steps were in fact taken by Mr. Rajan Garg towards the restoration of Writ Petition No. 3512 of 2019..

2.3.7 The DC further notes that Mr. Rajan Garg upon getting knowledge about the acquisition of land and public notice regarding implementation of slum rehabilitation scheme, filed an application before the AA being IA No. 3895 of 2023, seeking directions against the SRA from continuing the acquisition proceedings on the ground of moratorium under Section 14 of the Code. After the AGRC order dated 23.08.2023, Mr. Rajan Garg again filed another IA (No. not available on record) before the AA on line similar to IA 3895/2023. However, upon considering the judgment of the Hon'ble Supreme Court in *Embassy Property Developments (P) Ltd. v. State of Karnataka (2020) 13 SCC 308*, Mr. Rajan Garg formed the view that the AA would not be an appropriate forum to adjudicate disputes under the Slum Act, particularly those revolving around decisions of the SRA as a statutory and quasi-judicial authority and filed Writ Petition No. 1398 of 2024 before the Hon'ble Bombay High Court. The DC notes that facts of the case did not match as much to Embassy Properties (supra) as they matched that of *Gujarat Urja Vikas Nigam Limited Versus Mr. Amit Gupta & Ors. Civil Appeal No. 9241 of 2019* where it was held that keeping in mind the basic objective of the IBC, being, *inter alia*, the maximisation of value of assets of the corporate debtor and the fact that the sole business of the corporate debtor was to supply power to the Appellant, the termination of the PPA by the Appellant during insolvency proceedings would have rendered the CIRP redundant and therefore the matter will fall within the jurisdiction of the AA. Here, the termination of the development rights will render the CIRP process redundant in respect of that land. The matter would have been better appreciated in a forum deciding IBC matters as they will consider the interest of all stakeholders including homebuyers.

2.3.8 The DC further notes that the manner in which Writ Petition No. 1398 of 2024 was filed solely on the narrow ground of violation of the moratorium under Section 14 of the Code, without any substantive challenge to the position or conduct of Western Habitat and without any representation regarding the interests of financial creditors, who had given loans to the CD, hundreds of homebuyers who had invested substantial amounts of money in view of the development rights granted by SRA,. The Hon'ble Bombay High Court, in its judgment dated 03.04.2024, specifically and pointedly observed as under:

" 15. The RP filed this Petition on 31st January 2024 only on the basis that the Section 14 moratorium declared by the NCLT meant that the acquisition could not proceed. ...

...

21. We cannot lose sight of the fact that in the RP's anxiety to "protect the asset of the corporate debtor" not a thing is being said in this Petition about how that asset or its preservation can ever, let alone in the meantime pending a CIRP, be used for the benefit of those persons for whom the Slum Act is intended and for whose benefit essentially Truly Creative obtained an LoI in the first place.

...

24. In these circumstances, we fail to see the slightest merit in this Petition. It ought never to have been filed. We have no hesitation in rejecting the Petition."

2.3.9 It appears from the above extract of the order that the writ petition did not address the interest of all stakeholders as the same has not been pointed out by in the WP. Also, since the conduct of Western Habitat has not been questioned, the order is silent regarding the same. Against the order dated 03.04.2024, Mr. Rajan Garg filed a SLP before Hon'ble Supreme Court, in that SLP wherein again the issue raised revolves around whether Section 14 of the IBC overrides the provisions of the Maharashtra Slum Areas (Improvement, Clearance and Redevelopment) Act, 1971. The SLP was filed without any broader challenge to the proceedings initiated by Western Habitat or any representation of the interests of all stakeholders of the CD including homebuyers. The Hon'ble Supreme Court dismissed the said Special Leave Petition vide order dated 15.07.2024.

2.3.10 The DC observes that when the above sequence of events is considered in its entirety, a pattern emerges that prima facie warrants closer examination. Western Habitat, which was itself a joint developer of the CD under the JDA, was initially admitted as a financial creditor with significant voting rights in the CoC; the pre-CIRP writ petition filed by the CD containing specific allegations against Western Habitat was allowed to lapse for want of prosecution during the CIRP; the legal proceedings subsequently initiated by Mr. Rajan Garg to protect the CD's rights over the subject property were pursued in forums not dealing with IBC matters and were confined to the narrow ground of moratorium violation, did not raise any substantive challenge to the position of Western Habitat, and did not adequately represent the interests of the stakeholders of the CD especially homebuyers; and ultimately, Western Habitat emerged as the party that stands to benefit from the entire

sequence of events, having successfully pursued its position before the SRA in respect of the subject property while the CD's rights over the same have been diminished affecting all its stakeholders other than slum dwellers. The DC wishes to make it clear that it does not, at this stage, record any definitive finding on the nature of the relationship between Mr. Rajan Garg and Western Habitat, as such an examination would require a detailed investigation into the facts and circumstances which falls outside the scope of the present SCN. However, the DC is of the considered view that the observations recorded above raise questions that warrant a reference to the Board which may conduct an independent investigation into the conduct of Mr. Rajan Garg in relation to Western Habitat..

2.3.11 The DC accordingly refers the matter to the Board which may examine these aspects as suggested above.

Unexamined Allegations Regarding Other CoC Members

2.3.12 The DC, while examining the facts of the present case and going through the detailed complaint filed by the complainant, observed that certain allegations raised in the complaint were not part of the file examination conducted by the Board. On closer scrutiny, the DC noted that the complaint filed in Form A was accompanied by a detailed complaint as an annexure thereto. However, it appears that only the Form A was shared with Mr. Rajan Garg when his reply was sought by the Board, and the detailed complaint was neither shared with him nor was he called upon to respond to the same. Consequently, the allegations contained in the said detailed annexure, including those pertaining to the claims of M/s PVG Enterprises, M/s Labh Shubh Properties Pvt. Ltd., and M/s Mitej Developers being that of related party of the CD, remained unexamined by the Board at the stage of file examination and did not form part of the examination attached with the SCN.

2.3.13 It was specifically alleged in the complaint that these three parties were also joint developers of the CD and that their claims, like those of Western Habitat, may not constitute financial debt within the meaning of Section 5(8) of the Code in terms of order dated 24.02.2022 of NCLAT in *Mukesh N. Desai v. Piyush Patel Company Appeal (AT) (Insolvency) No. 780 of 2020* wherein it was held as under: -

"15. The MoU entered into is an Agreement of reciprocal rights and obligations. We are of the earnest view that both parties being 'Joint Development Partners' who entered into a consortium of sorts for developing the subject land and for any breach of terms of the contract, Section 7 Application filed under the Code would not be maintainable as the amount cannot be construed as 'Financial Debt' as there is no sum(s) i.e., owed, assigned or transferred to in compliance of the provisions of Section 5(8) of the Code. To reiterate, being a profit share owner, who in the event of the success of the Project would receive the residual gain, the amount invested in the land cannot be said to be a 'Financial Debt'

as defined under Section 5(8) of the Code. Hence, the ratio of the Judgements relied upon by the Learned Counsel for the Appellant are not applicable to the facts of this case.."

2.3.14 If the claims of PVG Enterprises, Labh Shubh Properties Pvt. Ltd., and Mitej Developers also arise from joint development arrangements with the CD, as alleged by complainant, their admission as financial creditors may be examined. This may further change the constitution of CoC and voting percentage in various CoC meetings as is evident from the contentions of Mr. Rajan Garg in his reply dated 04.01.2025 which is as follows: -

- (a) During the 1st and 2nd CoC meetings, the voting share of Western Habitat was 24.59% and that of PVG Enterprises was 20.49%, together accounting for approximately 45% of the total voting rights in the CoC at that stage;
- (b) During the 3rd, 4th, and 5th CoC meetings, the combined voting share of Western Habitat (10.58%), PVG Enterprises (8.81%), Labh Shubh Properties Pvt. Ltd. (20.09%), and Mitej Developers (15.72%) together accounted for approximately 55.20% of the total voting rights in the CoC.

2.3.15 The DC observes that Mr. Rajan Garg has taken a defence to demonstrate that all resolutions passed in the CoC meetings would not have been materially affected by the exclusion of Western Habitat alone. However, the DC notes that this defence is premised solely on the exclusion of Western Habitat and does not account for the scenario where the claims of PVG Enterprises, Labh Shubh Properties Pvt. Ltd., and Mitej Developers are also found to be ineligible for admission as financial debt. If their claims are similarly found not to constitute financial debt within the meaning of Section 5(8) of the Code, the combined exclusion of all four parties may substantially alter the composition of the CoC and they may affect voting outcomes on several resolutions passed across the 1st through 5th CoC meetings and may affect the contention raised by Mr. Rajan Garg. It is also observed that there a large difference between the amounts of claims filed and amounts of claims admitted and large amounts of claims remain under verification for substantial period of time. The reasons for the same may be examined by the Board. The DC accordingly refers the matter to the Board which may examine these allegations.

3. Order.

3.1. In view of the foregoing, the DC in the exercise of the powers conferred under section 220 of the Code read with regulation 13 of the IBBI (Inspection and Investigation) Regulations, 2017 hereby refer the matter to Board to examine the issues as discussed above. The submissions made by Mr. Rajan Garg along with all the documents which were provided by him in support of his submissions before the DC may be forwarded to the Board.

3.2. This order shall come into force immediately.

3.3. A copy of this order shall be forwarded to Indian Institute of Insolvency Professionals of ICAI where Mr. Rajan Garg is enrolled as a member.

3.4. A copy of this order shall also be forwarded to the Registrar of the Principal Bench of the National Company Law Tribunal, New Delhi, for information.

3.5. Accordingly, the show cause notice is disposed of.

Dated: 30 March 2026

Place: New Delhi

Sd/-

(Sandip Garg)

Whole Time Member

Insolvency and Bankruptcy Board of India