

IN THE NATIONAL COMPANY LAW TRIBUNAL

NEW DELHI, BENCH-VI

C.P. (IB) No. 733/ND/2024

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

IN THE MATTER OF:

Indian Overseas Bank

Through its Chief Manager Mr. Satish Kumar

Registered Office At:

SCO No. 3025- 26,

Sector 22-D, Chandigarh

...APPLICANT/

FINANCIAL CREDITOR

VERSUS

Green Valley Plywood Limited

Registered Office At:

B-2/232, Paschim Vihar,

New Delhi India -110063

...RESPONDENT/

CORPORATE DEBTOR

CORAM:

**JUSTICE JYOTSNA SHARMA
HON'BLE MEMBER (JUDICIAL)**

**MS. ANU JAGMOHAN SINGH
HON'BLE MEMBER (TECHNICAL)**

APPEARANCES:

Counsel for Petitioner:

Adv. Rakshit Gupta

Counsel for Respondent:

Adv. Amit Dhall

ORDER

Date: 20.08.2025

1. This petition has been filed by Indian Overseas Bank, Financial Creditor to initiate Corporate Insolvency Resolution Process (“CIRP”) against M/s. Green Valley Plywood Limited (hereinafter referred to as “Corporate Debtor”) under Section 7 of the Insolvency and Bankruptcy Code 2016 (hereinafter referred to as “the Code”) for the alleged default on the part of the Respondent in repayment of debt of **Rs. 490,02,11,057.72/-** as on 20.03.2024 inclusive of pendent lite and future interest at 12% p.a. with a penal interest of 2% p.a.
2. The details of transactions leading to the filing of this application as averred by the Applicant are as follows:
 - a. The Corporate Debtor, engaged in the manufacture of plywood, approached the Bank multiple times from 2003 onwards for financial assistance. In response, the Bank sanctioned a range of fund-based and non-fund-based credit facilities—comprising cash credit, term loans for construction and purchase of machinery, and letters of credit for import transactions—pursuant to sanction letters dated 11.09.2003, 02.11.2004, 25.07.2007, 12.11.2008, and 19.04.2010. The aggregate sanctioned credit limit stood at ₹179.30 crores. These facilities were comprehensively secured through the execution of requisite loan and security documentation, the creation of equitable mortgages over specified immovable properties, and the furnishing of personal guarantees by the company’s promoters and directors.
 - b. The Corporate Debtor failed to discharge its liabilities, resulting in its account being classified as a Non-Performing Asset on 31 October 2011. Subsequently, the Bank issued a demand notice under Section 13(2) of the SARFAESI Act, 2002. As recovery attempts under SARFAESI and other measures failed, the Bank filed an Original Application (OA No. 1716/2017) under Section 19 of the Recovery of Debts and Bankruptcy Act, before the Debts Recovery Tribunal (DRT-II), Chandigarh. The DRT passed a decree on 9 October 2017, and a recovery

certificate (RC No. 1563/2017) was issued on the same day, thus crystallizing the debt at Rs. 123.29 Crore.

- c. Regarding the issue of limitation the Financial Creditor submitted that the recovery certificate dated 9 October 2017 constitutes a fresh cause of action under Section 5(8) of the IBC. Relying on the Hon'ble Supreme Court's judgment in **Tottempudi Salalith v. State Bank of India (2021)**, it is submitted that the limitation period recommences from the date of issuance of the recovery certificate.
 - d. The Petitioner further emphasized that the Corporate Debtor acknowledged its debt and the existence of default in its annual financial statements for the financial years 2017-18, 2018-19, and 2019-20 and 2020-21 duly signed and produced as evidence. Given the principle established in the cases **Asset Reconstruction Co. v. Bishal Jaiswal (2021)** and **Dena Bank v. C. Shivakumar Reddy (2021)**, the date of signing these balance sheets constitutes acknowledgment under Section 18 of the Limitation Act, thus extending the limitation period. FYs 2017-18 (signed 30.09.2018), 2018-19 (signed 10.09.2019), 2019-20 (signed 07.12.2020), and 2020-21 (signed 30.11.2021), the limitation extends till 29 November 2024. Additionally, the Financial Creditor relied on the Hon'ble Supreme Court's judgment in **In Re: Cognizance for Extension of Limitation (Suo motu W.P.(C) 3/2020)**, which excludes the period from 15 March 2020 to 28 February 2022 from counting towards limitation.
 - e. That the default has also been recorded with NeSL and authenticated in accordance with IBC Regulations, which further establishes prima facie evidence of default under Section 7(3)(a) of the Code.
3. The Corporate Debtor filed its reply in which the following contentions were made:
- a. The Corporate Debtor questions the maintainability of the petition, alleging that no notice was issued prior to filing. It also accuses the petitioner of misrepresentation and suppression of material facts. It alleges that the

petition is incomplete and does not contain a breakup of the claimed amount.

- b. It is stated by the Corporate Debtor that the Financial Creditor sanctioned a restructuring proposal in July 2011 but failed to implement it. This, they claimed, resulted in forced recalling of credit facilities, which precipitated severe liquidity issues.
- c. That the bank wrongfully classified the account as NPA, charging interest in excess of contractual terms, and making unauthorized debits amounting to ₹3.36 crores.
- d. That the Corporate debtor alleges that, after taking possession of the Gandhidham Unit under SARFAESI Act there was financial mismanagement on part of the Financial Creditor, including failure to maintain inventory as mandated under the SARFAESI Act, resulting in a loss of valuable plant and machinery worth Rs. 12 crores. The Corporate Debtor alleged that the Financial Creditor wrongly retained Fixed Deposit Receipts worth Rs. 11.50 crores without accounting any interest or credit, further exacerbating the liquidity crunch. They also accused the Bank of imposing arbitrary financial conditions, such as increasing margin money requirements for letters of credit from 10% to 25%, which strained their cash flows and were unfairly imposed.
- e. That the initiation of insolvency proceedings is time-barred under Article 137 of the Limitation Act, 1963, as the alleged default (date of NPA) occurred on 31 November 2011—well before the three-year limitation period. They contend there is no valid or unequivocal acknowledgment of debt sufficient to extend limitation under Section 18 of the Limitation Act, as the entries in the balance sheets were made under statutory compulsion and do not amount to an unconditional admission.
- f. Furthermore, the Corporate Debtor disputes the validity and authentication of the Record of Default filed with NeSL, asserting they were never notified for authentication. They also argue that the date of NPA classification is not synonymous with the date of default.

4. The Petitioner made the following averments in its Rejoinder:
- a. The Financial Creditor emphasized that there is no statutory requirement under the IBC mandating a prior notice before filing a Section 7 petition, and hence the Corporate Debtor's contention in this regard was misplaced and legally incorrect.
 - b. Addressing the allegation of suppression of facts and abuse of process, the Petitioner rebutted that all material facts and supporting documents, including sanction letters, recovery decree (issued by the DRT on 09.10.2017), records of default from NeSL, and bank evidence, were annexed to their petition and no material fact was concealed.
 - c. The classification of the Bank account as Non-Performing Asset was in strict adherence to the Income Recognition and Asset Classification (IRAC) norms, and such classification, evidenced default in repayment obligations. Further the Financial Creditor, asserted that interest charged was strictly in accordance with the agreed contractual terms.
 - d. That the DRT Recovery Certificate constitutes a fresh, independent cause of action, starting a new three-year limitation period under Article 137 of the Limitation Act and Section 5(8) of the IBC. The Bank cited Hon'ble Supreme Court decision in the case of **Tottempudi Salaih v. SBI** to support its case.
 - e. The Financial Creditor placed reliance on multiple balance sheets signed by the Corporate Debtor (the last on 30.11.2021), arguing these amount to valid acknowledgments of liability under Section 18 of the Limitation Act. Additionally, the cumulative period between 15 March 2020 and 28 February 2022, as directed by the Supreme Court, stood excluded for computing limitation, hence the Petition is well within time.
 - f. The Financial Creditor further submitted that the Record of Default with NeSL was properly authenticated pursuant to Rule 21 of the Information Utility Regulations, thus constituting prima facie evidence of

default. Challenges to the Information Utility record were characterized as baseless and dilatory.

Analysis and Findings

5. We have perused the documents filed by the Financial Creditor as well as Corporate Debtor and have heard the arguments made by the Ld. Counsels appearing for both the parties.
6. The petitioner has duly satisfied the requirements of **Section 5(8)** of the Insolvency and Bankruptcy Code, 2016. The loan in question was disbursed for consideration against the time value of money. The Petitioner has placed on record a comprehensive set of documents, including sanction letters, financial statements, entries recorded with the NeSL, and most significantly, a Recovery Certificate dated 09.10.2017 issued by the competent authority. These documents collectively establish that the loan was disbursed for consideration of time value of money, as evinced by the stipulated contractual interest rate of 12% per annum. The existence and quantum of debt are further substantiated by the Recovery Certificate dated 09.10.2017, wherein the Corporate Debtor was directed to pay an amount of Rs. 1,23,29,70,587/- along with simple interest at the rate of 12% per annum. The Recovery Certificate, having attained finality, operates as conclusive evidence of financial debt and default, thereby reinforcing the petitioner's claim under **Section 7** of the Code.
7. The Corporate Debtor has not disputed the existence of Financial Debt, it has only raised a preliminary objection regarding the maintainability of the present Petition on the ground that it is barred by limitation.
8. The law is well settled that the issuance of Recovery Certificate by DRT constitutes a fresh cause of action and the liability in respect of a claim arising out of a recovery certificate would be considered a financial debt under **Section 5(8)** of the Code. In the present case the Recovery Certificate dated 09.10.2017 thereby initiates a fresh cause of action. The Corporate Debtor has, subsequent to the issuance of the Recovery Certificate, acknowledged the outstanding liability in its financial statements under the head "Long-Term Borrowings. Such entries in the balance sheet up to the F.Y. 2020- 2021 (signed on 30.11.2021) amount to a valid acknowledgment of debt under Section 18 of the Limitation Act, 1963, thereby extending the limitation period.

9. The issue of acknowledgment of debt under Section 18 of the Limitation Act, 1963, is now well-settled through a consistent line of judicial pronouncements. The Hon'ble Supreme Court in ***Dena Bank v. C. Shivakumar Reddy, (2021) 10 SCC 330***, and ***Asset Reconstruction Company (India) Ltd. v. Tulip Star Hotels Ltd., 2022 SCC OnLine SC 944***, has categorically held that acknowledgments of liability made in the form of balance sheets, financial statements, account confirmations, or written communications constitute valid acknowledgments under Section 18, thereby extending the limitation period by three years from the date of such acknowledgment. Furthermore, it has been held by Hon'ble NCLAT in ***IL&FS Financial Services Ltd. v. Adhunik Meghalaya Steels Pvt. Ltd. (2025 SCC Online NCLAT 569)*** that that the acknowledgment in Balance sheet for the purpose of limitation under Section 18 of the Limitation Act, 1963 has to be counted from the date of signing of the Balance sheet.
10. We are of the view that the limitation period stands extended by virtue of acknowledgments of liability made by the Corporate Debtor in its audited balance sheets for the financial year 2018–2019 and 2020–2021 (**which was signed on 30.11.2021**), thereby extending the limitation period until 29.11.2024. The petition having been filed on 21.07.2024, is therefore within the period of limitation.
11. Although the Petitioner has relied on the decision in ***In Re: Cognizance for Extension of Limitation, [Suo Motu W.P. (C) No. 3/2020]***, to seek exclusion of the period from 15 March 2020 to 28 February 2022 from the computation of limitation, it is pertinent to note that even without applying such exclusion, the Petition would still fall well within the prescribed limitation period.
12. The objection raised by the Respondent regarding the alleged requirement of a prior notice before initiation of proceedings under Section 7 of the Insolvency and Bankruptcy Code, 2016, is wholly misconceived and legally untenable. It is well-settled that unlike proceedings under Section 9, which statutorily require the issuance of a demand notice by the Operational Creditor, no such requirement is envisaged under Section 7 of the Code. Accordingly, this Adjudicating Authority finds no merit in the Respondent's contention, and the same is liable to be rejected.
13. The Hon'ble Supreme Court in the judgement of ***Innoventive Industries Limited v. ICICI Bank and Another*** held that once

NCLT is satisfied that the default has occurred, there is hardly a discretion left with NCLT to refuse admission of the Application under **Section 7** of the Code. Hence, this Adjudicating Authority, being limited to the determination of debt and default within the framework of a summary trial, finds that the other submissions advanced by the respondent fall beyond its jurisdiction. Consequently, this Authority refrains from delving into them.

14. In light of the above and in terms of the fact that existence of debt and its default by the Corporate Debtor has been established by the virtue of the material placed on record, this Adjudicating Authority **admits** this petition and initiates CIRP on the Corporate Debtor with immediate effect.
15. Sub-section (3) (b) of Section 7 mandates the Financial Creditor to furnish the name of an Interim Resolution Professional. In compliance thereof the applicant has proposed the name of Mr. Desh Deepak for appointment as Interim Resolution Professional having registration number IBBI/IPA-001/IPP00648/2017-2018/11105 and (Email- deshdeepak297@gmail.com). The proposed IP has a valid AFA. Therefore, this Adjudicating Authority, appoints him to act as Interim Resolution professional in the matter. He shall take such other and further steps as are required under the statute, more specifically in terms of Section 15, 17 and 18 of the Code.
16. We direct the Applicant to deposit a sum of Rs. 2 Lakh with the Interim Resolution Professional, namely Mr. Desh Deepak to meet out the expenses to perform the functions assigned to him in accordance with regulation 6 of Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Person) Regulations, 2016. The needful shall be done within one week from the date of receipt of this order by the Financial Creditor.
17. In pursuance of Section 13 (2) of the Code, we direct that public announcement shall be made by the Interim Resolution Professional immediately (3 days as prescribed by Explanation to Regulation 6(1) of the IBBI Regulations, 2016) with regard to admission of this application under Section 7 of the Insolvency & Bankruptcy Code, 2016.
18. We also declare moratorium in terms of Section 14 of the Code. The necessary consequences of imposing the moratorium flows

from the provisions of Section 14 (1) (a), (b), (c) & (d) of the Code. Thus, the following prohibitions are imposed:

- “(a) the institution of suits or continuation of pending suits or proceedings against the corporate debtor including execution of any judgment, 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 Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
 - (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.”
19. It is made clear that the provisions of moratorium shall not apply to transactions which might be notified by the Central Government or the supply of the essential goods or services to the Corporate Debtor as may be specified, are not to be terminated or suspended or interrupted during the moratorium period. In addition, as per the Insolvency and Bankruptcy Code (Amendment) Act, 2018 which has come into force w.e.f. 06.06.2018, the provisions of moratorium shall not apply to the surety in a contract of guarantee to the corporate debtor in terms of Section 14 (3) (b) of the Code.
20. The Interim Resolution Professional shall perform all his functions contemplated, inter-alia, by Sections 15, 17, 18, 19, 20 & 21 of the Code and transact proceedings with utmost dedication, honesty and strictly in accordance with the provisions of the Code, Rules and Regulations. It is further made clear that all the personnel connected with the Corporate Debtor, its promoters or any other person associated with the Management of the Corporate Debtor are under legal obligation under Section 19 of the Code to extend every assistance and cooperation to the Interim Resolution Professional as may be required by him in managing the day to day affairs of the ‘Corporate Debtor’. In case there is any violation committed by the ex-management or any preferential/ undervalued/ tainted/illegal transaction by ex-directors or anyone else, the Interim Resolution Professional shall make an application to this Adjudicating Authority with a prayer for passing an

appropriate order. The Interim Resolution Professional shall be under duty to protect and preserve the value of the property of the 'Corporate Debtor' as a part of its obligation imposed by Section 20 of the Code and perform all his functions strictly in accordance with the provisions of the Code, Rules and Regulations.

21. The office is directed to communicate a copy of the order to the Financial Creditor, the Corporate Debtor, the Interim Resolution Professional and the Registrar of Companies, NCT of Delhi & Haryana at the earliest possible but not later than seven days from today. The Registrar of Companies shall update its website by updating the status of 'Corporate Debtor' and specific mention regarding admission of this petition must be notified to the public at large.
22. Let copy of the order be served to the parties.

-SD/-

ANU JAGMOHAN SINGH
HON'BLE MEMBER (TECHNICAL)

-SD/-

JYOTSNA SHARMA
HON'BLE MEMBER (JUDICIAL)