IN THE NATIONAL COMPANY LAW TRIBUNAL
AHMEDABAD
COURT – 2

ITEM No.302
C.P.(IB)/454(AHM)2025

Proceedings under Section 7 IBC

IN THE MATTER OF:

M/s.Axis Bank Limited ....**Applicant**
V/s
M/s.Resonance Paper Mill Pvt Ltd ....**Respondent**

Order delivered on: 13/08/2026

Coram:
Mrs. Chitra Hankare, Hon'ble Member(J)
Dr. Velamur G Venkata Chalapathy, Hon'ble Member(T)

ORDER

This case is fixed for pronouncement of order

The order is pronounced in open court vide separate sheet.

Sd/-

DR. V. G. VENKATA CHALAPATHY
MEMBER (TECHNICAL)

Sd/-

CHITRA HANKARE
MEMBER (JUDICIAL)

SJ/ AD /AP

IN THE NATIONAL COMPANY LAW TRIBUNAL
AHMEDABAD BENCH, COURT - II

CP (IB) No. 454 of 2025

(Filed under Section 7 of the Insolvency & Bankruptcy Code, 2016 read with Rule 4 of the Insolvency & Bankruptcy (Application to Adjudicating Authority) Rules, 2016)

In the matter of:

Axis Bank Ltd.,
Registered office at: Trishul,
3rd Floor, Opposite Samartheshwar Temple,
Near Law Garden, Ellis Bridge, Ahmedabad - 380 006
Branch Office at: Scientific Clock
Mfg Co., Dr. Takhatsinghji Main Road,
Morvi, Gujarat-363641

...Petitioner/
Financial Creditor

V/s.

Resonance Paper Mill Pvt. Ltd.,
S.No.666 p2, Lakkai Chokadi,
Hadmatiya Road, Taluka- Tankara,
Lajjai, Rajkot-363641
CIN: U21000GJ2015PTC082235

...Respondent/
Corporate Debtor

Order pronounced on 13.08.2026

Coram:

MRS. CHITRA HANKARE
HON'BLE MEMBER (JUDICIAL)

DR. V. G. VENKATA CHALAPATHY
HON'BLE MEMBER (TECHNICAL)

sd/-

sd/-

Present:

For the Applicant : Ms. Niyati Merchant, Adv.
For the Respondent : Ms. Dhwan Lakhani, Adv. , Mr. P.M. Lakhani, Adv and Mr. Milan Maruti, Adv.

JUDGEMENT

1. This Petition has been filed under Section 7 of the Insolvency and Bankruptcy code, 2016 ("IBC") read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 by Axis Bank Limited, (hereinafter referred to as 'Financial Creditor') seeking initiation of Corporate Insolvency Resolution Process against Resonance Paper Mill Private Limited (hereinafter referred to as 'Corporate Debtor').

2. The petitioner has proposed the name of Aegis Resolution Services Private Limited, an Insolvency Professional Entity having IBBI Registration No. IBBI/IPE-0118/IPA-0/2022-23/50041 to act as Interim Resolution Professional.

3. The petitioner/Financial Creditor submitted that, in June 2020, the Corporate Debtor approached it for sanction of various credit facilities for its general corporate purposes. Pursuant thereto, facilities aggregating to Rs.27.87 crore, comprising cash credit, export packing credit/PSC/PCFC,

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term loan at RDV, working capital term loan, bank guarantee, LC/FLC, SBLC and LCBN/FLCBN limits, were sanctioned vide Sanction Letter dated 11.07.2020. The said facilities were subsequently renewed and enhanced from time to time in 2021, 2022 and 2023, with the CC limit ultimately standing at Rs. 14 crore and the other facilities being continued/renewed.

4. The petitioner submitted that the Corporate Debtor accepted the terms and executed the requisite loan, security and guarantee documents. The facilities were secured, inter alia, by hypothecation deed dated 18.07.2020 of the Corporate Debtor's movable assets, stock and book debts, and personal guarantees were furnished by the persons vide Deed of Guarantee dated 15.07.2020, 03.08.2021 and 30.06.2022 mentioned in the petition in respect of the facilities aggregating to Rs.16.62 crore, together with interest and other charges.

5. The petitioner further submitted that the Corporate Debtor committed defaults in its repayment obligations. Its account was classified as a Red Flag Account on 01.02.2024 based on Early Warning Signals as per RBI's

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guidelines. Thereafter, a forensic audit was conducted for the period from 01.07.2020 to 29.09.2024, which indicated inflation of stock values in the stock statements to secure enhanced cash credit facilities and irregularities in the data furnished by the Corporate Debtor, with possible misappropriation of funds. The account was classified as an NPA on 03.04.2024 and subsequently declared as a fraud account on 06.08.2024.

6. Despite demands for regularisation, the Corporate Debtor failed to discharge its obligations, whereupon the petitioner issued a Recall Notice dated 16.08.2024 calling upon the CD to repay the outstanding dues. It is further submitted that the debt was acknowledged by the CD in its audited balance sheets for the financial years ended 31.03.2021 and 31.03.2022, wherein the debt was reflected under secured long-term and secured short-term borrowings.

7. As per the computation of claims submitted by the petitioner, the total outstanding Debt including interest and penal interest is Rs.15,29,22,996.3/- out of which Rs.14,63,44,798.34/- towards the Cash Credit (CC) account and Rs.65,78,197.92/- towards Emergency Credit

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Line Guarantee Scheme ECLGS and the Date of Default is mentioned as 04.01.2024. It is stated that the account of CD was classified as NPA on 03.03.2025 with effect from 03.03.2024.

8. The Respondent has filed its reply and submitted that the present petition has been filed as a coercive recovery measure rather than for genuine insolvency resolution. It is submitted that the Financial Creditor has suppressed material facts relating to restructuring discussions, settlement/OTS proposals and the Respondents' stated willingness to regularise the account, while parallel recovery proceedings are already pending before the DRT.

9. It is further submitted that the alleged debt and default are disputed, uncrystallised and stated inconsistently in the Petition. The Respondent disputed the inclusion of approximately Rs.12.45 crore under the ECLGS facility, contending that the said facility was neither utilised nor disbursed. It is further submitted that the Corporate Debtor is a running and commercially viable concern having substantial assets and securities, and that the Financial Creditor is already secured by charged assets,

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collateral securities and guarantees. It is submitted that the alleged NPA classification, recall and default do not, by themselves, establish the amount of legally enforceable default without proper reconciliation.

10. It is submitted that the observations with regard to forensic audit and fraud classification are unilateral and that no final adjudicatory finding of fraud by a competent authority has been placed on record. They also question compliance with principles of natural justice in relation to the fraud declaration. It is submitted that the financial difficulties arose, inter alia, due to market conditions, operational disruptions, industry-wide financial stress and liquidity constraints.

11. We have heard the learned Counsels for both the parties and perused the documents on record.

12. Observations & Conclusions:

a. It is noted that the corporate debtor had availed various financial facilities from the financial creditor. The petitioner bank classified respondent's account as a Red Flag Account on 01.02.2024, thereafter as NPA on 03.04.2024, and subsequently declared as a fraud

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account on 06.08.2024. The forensic audit also recorded, inter alia, inflation of stock values and irregularities in the data furnished by the Corporate Debtor. The Respondent's contention that the fraud classification is unilateral or that there is no final adjudication of fraud is not germane to the determination under Section 7.

b. The objection regarding the ECLGS facility is also not sufficient to defeat the present Petition. Even if the disputed ECLGS component of approximately Rs.65.78 lakh is excluded, the outstanding amount under the Cash Credit facility alone is stated to be Rs.14,63,44,798.34/-, which is substantially above the statutory threshold prescribed under Section 4 of the IBC. The contention that the Corporate Debtor is a running concern having secured assets or collateral does not extinguish the financial debt. Further, the petitioner has right to recall the outstanding debt. Even if any proposal for OTS was given by the respondent, it amounts to acknowledgement of debt. It is not binding upon the petitioner to accept the same.

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c. The date of default pleaded is 04.01.2024. The Petition has been filed in 2025 is within the prescribed period of limitation. The material on record establishes the existence of financial debt and occurrence of default. Accordingly, we are satisfied that the statutory requirements under Section 7(5)(a) of the IBC stand fulfilled.

d. In view of the above, we pass the following orders:

ORDER

I. CP (IB) 454 of 2025 is allowed.

II. The CIRP is ordered to be initiated against the corporate debtor - Resonance Paper Mill Pvt. Ltd.

III. We hereby appoint Aegis Resolution Services Private Limited, an Insolvency Professional Entity having IBBI Registration No. IBBI/IPE-0118/IPA-0/2022-23/50041, Email id: avil@caavil.com, to act as IRP. The IRP is directed to take charge of the Corporate Debtor's management immediately. The IRP is also directed to cause public announcement as prescribed under Section 15 of the IBC, 2016 within three days from the date the copy of this order is received, and call for submissions of

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claim by the creditors in the manner as prescribed under Regulation 6 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016.

IV. We direct the petitioner/financial creditor to deposit a sum of Rs. 2.00 lacs (Rupees two lacs only) with the IRP to meet the expenses for performing 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. The amount, however, be subject to adjustment by the Committee of Creditors, as accounted for by IRP and shall be paid back to the Financial Creditor.

V. As a consequence of the petition being admitted in terms of Section 7(5) of IBC, 2016, moratorium as envisaged under the provisions of Section 14 (1) shall follow in relation to the Corporate Debtor, prohibiting actions as per clauses (a) to (d) of Section 14 (1) of the Code. However, during the pendency of the moratorium period,

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terms of Section 14(2) to 14(4) of the Code shall remain in force.

VI. The Registry is directed to communicate this order to the applicant, IRP and the corporate debtor. In addition, a copy of the order shall also be forwarded to IBBI.

Sd/-   Sd/-

DR.V. G. VENKATA CHALAPATHY
MEMBER (TECHNICAL)

CHITRA HANKARE
MEMBER (JUDICIAL)

PH-LRA