

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

(Disciplinary Committee)

No. IBBI/DC/298/2025

27 November 2025

ORDER

This Order disposes of the Show Cause Notice (SCN) No. IBBI/C/2024/01067/927/186 dated 06.02.2025, issued to Mr. Madhur Agarwal, who is an Insolvency Professional registered with the Insolvency and Bankruptcy Board of India (IBBI/Board) with Registration No. IBBI/IPA-001/IP-P00653/2017-2018/11127 and a Professional Member of the Indian Institute of Insolvency Professionals of ICAI (IIIP-ICAI).

1. Background

- 1.1 The National Company Law Tribunal, Kolkata Bench (AA) *vide* its Order dated 08.11.2023, admitted the application filed by M/s. Mandyati Dealcomm Private Limited (Mandyati), the financial creditor (FC) under Section 7 of the Code for initiating corporate insolvency resolution process (CIRP) against the corporate debtor - M/s. Kanika Buildcom Private Limited (CD). Mr. Madhur Agarwal was appointed as Interim Resolution Professional (IRP) who was later confirmed as the Resolution Professional (RP).
- 1.2 The Board received a complaint against Mr. Madhur Agarwal in respect of CD. The Board sought the response of Mr. Madhur Agarwal through email dated 22.02.2024. While replying to the email on 22.02.2024, he provided additional documents through email dated 21.09.2024. Subsequently, the allegations in the complaints were examined by the Board and the said examination was considered as an investigation under Regulation 10A of IBBI (Inspection and Investigation) Regulations, 2016.
- 1.3 Based on the findings of the examination, the Board formed a *prima facie* view that Mr. Madhur Agarwal contravened provisions of the Code and issued a SCN to him on 06.02.2025 alleging contraventions of several provisions of the Code, the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations 2016 (CIRP Regulations) and the IBBI (Insolvency Professionals) Regulations, 2016 (IP Regulations). The reply of Mr. Madhur Agarwal to the SCN was received by the Board on 19.02.2025.
- 1.4 The SCN along with the response of Mr. Madhur Agarwal to the SCN were referred to the Disciplinary Committee (DC) for disposal. Mr. Madhur Agarwal availed of the opportunity of personal hearing before the DC through virtual mode on 07.04.2025. Pursuant to the personal hearing, Mr. Madhur Agarwal submitted additional written submissions & documents on 10.04.2025 & 13.04.2025 respectively.

2. Alleged Contraventions, Submissions of Mr. Madhur Agarwal and Findings of DC

The contravention alleged in the SCN, submissions by Mr. Madhur Agarwal, analysis and findings of the DC are summarized as follows:

2.1 Contravention-I

Incorrect admission of claims in the Financial Creditor (FC) category.

2.1.1. Mr. Madhur Agarwal constituted the Committee of Creditors (CoC) with 100% voting rights to Mandyati as per the list of claims updated as on 22.11.2023 on the website of the IBBI. Later the CoC was reconstituted by adding Mandyati, Manokamna Enterprises Private Limited and Kems Services Private Limited as per the list of claims updated on the website of the IBBI as on 01.12.2023.

2.1.2. On an examination by the IBBI, it was observed that Mr. Madhur Agarwal *prima facie* failed to exercise due diligence in the verification of claim of Mandyati and incorrectly admitted it in the category of the financial creditor. It was noticed that Mr. Madhur Agarwal admitted the claim of Mandyati in the financial creditor category without establishing consideration for the time value of money. In this regard, the NCLAT in its order dated 04.09.2024 noted the following:

“24...Letter dated 20.09.2010, which is sheet anchor of the Financial Creditor to contend that there was interest component of 12% p.a. clearly becomes unauthorised and unreliable. Ajay Kumar Bajaj was not Director on 20.09.2010 of the Corporate Debtor and could not have written to the Financial Creditor, containing the terms and conditions of the loan whereas no loan was ever extended by Financial Creditor to the Corporate Debtor of the terms and conditions as contained in the Letter dated 20.09.2010. Letter dated 20.09.2010 was impeached and termed as fabricated Letter.

29...the very basis of the financial transaction between the Parties i.e., Letter dated 20.09.2010 which was claimed by the Financial Creditor in its Section 7 Application could not be proved by the Financial Creditor and Letter becoming unauthorised since Ajay Bajaj was not Director of the Corporate Debtor on the date when he has written Letter, the financial transaction as claimed by the Financial Creditor has to be disbelieved a Party comes before the Court by fabricating a document to take undue benefit is not entitled for relief by the Court.

31. We have found that there was no disbursement for time value of money and the Corporate Debtor having admitted the amount of Rs. 1,22,50,000/- as debt, which debt having not been proved to be a Financial Debt.”

2.1.3. With regards to the above claim of Mandyati admitted by Mr. Madhur Agarwal, he has stated as under:

“the CD in his books of accounts has treated the loans received from FCs as being without interest and only the principal amount has been mentioned. However, the FCs in their claims have given details on the dates on which the various amounts have been lent to the CD and have detailed a

statement of interest @12% per annum. The Agreement to that effect has also been enclosed in the claim of Mandyati Dealcomm (P) Ltd.”

However, Mr. Madhur Agarwal failed to provide any supporting document justifying the admission of interest as part of the claim. Moreover, Mr. Madhur Agarwal acknowledged that the CD had not recorded any interest in its books. This indicates that Mr. Madhur Agarwal overlooked inconsistencies between the records of the CD and the FC and proceeded with the admission of the claim without proper verification. Consequently, the claim was incorrectly categorized as financial debt, leading to the FC's inclusion in the CoC.

2.1.4. Section 5(8) of the Code defines a “financial debt” as a debt along with interest, if any, which is disbursed against the consideration for the time value of money...”. Regulation 13 of the CIRP Regulations requires the IP to verify the claims within 7 days from the last date of receipt of claims.

2.1.5. In view of the above, it was *prima facie* observed that Mr. Madhur Agarwal failed to exercise due diligence in verifying the claim of Mandyati with regards to its categorization of the concerned transaction as financial debt leading to incorrect admission of claim in the category of financial debt. Thus, Board, held the *prima facie* view that Mr. Madhur Agarwal contravened Sections 208(2)(a) & (e) of the Code, Regulation 13 of the CIRP Regulations, Regulations 7(2)(a) and (h) of IP Regulations read with Clause 14 of the Code of Conduct provided under IP Regulations.

2.2 Submissions by Mr. Madhur Agarwal.

2.2.1. Mr. Madhur Agarwal submitted that the CoC was constituted with 100% voting rights to Mandyati as per the list of claims updated as on 22.11.2023, and that the CoC was reconstituted by including Mandyati, Manokamna Enterprises Private Limited and Kerns Services Private Limited as per the list of claims updated as on 01.12.2023. Mr. Madhur Agarwal further submitted that subsequent to aforesaid reconstitution with voting rights, it was discovered that Manokamna Enterprises Private Limited was a related party of the Corporate Debtor, and thus in the third meeting of the CoC it was declared that Manokamna Enterprises Private Limited shall not be entitled to vote.

2.2.2. Mr. Madhur Agarwal further submitted that the claims submitted by Mandyati was not only in compliance with all requirements of the legal provisions of the Code but was also undisputedly admitted as debt of the CD in the order dated 08.11.2023 passed by the AA. Furthermore, the NCLAT had directed the directors of the suspended board of the CD to make payment of the principal amount due i.e. Rs. 1.22 crores, which has already been paid by the CD, substantiating that the claim of the FC was acknowledged by the NCLAT.

2.2.3. Mr. Madhur Agarwal further submitted that as an RP, the scope of his role was to act as per the directions of the AA which excludes any scope of acting as per personal discretion, more so once any order has been placed by the AA. Thus, when the admission of the CIRP was made and the allegedly fabricated letter was accepted as letter of claim *vide* order dated 08.11.2023 passed by the AA, Mr. Madhur Agarwal was obligated to act in compliance with the directions and expected to consider such said letter as authentic.

2.2.4. Mr. Madhur Agarwal further submitted that it would be beyond his authority to challenge the validity of such claims once an order is passed by the AA. Mr. Madhur Agarwal submitted that he adhered to Regulation 13 of the CIRP Regulations as required by the IBBI and maintained all necessary records. The claims were duly presented during the CoC Meetings, and the complete list of Financial Creditors (FCs) and Operational Creditors (OCs) was circulated. It was also communicated to the CoC Members that the list had been uploaded on the IBBI Website and was available for download as and when required. Further, all required supporting documents justifying the admission of interest as part of the claim which were substantiated by the bank statement of the FCs wherein all payments reflected a 12% interest rate have been provided. Further, Mr. Madhur Agarwal also submitted duly signed and notarized copies of the MoU pertaining to interest rate between the FC and the CD and the said contractual interest rate of 12% was considered reasonable as per industry standards. Accordingly, he submitted that there was no justifiable reason for him to assume that the aforesaid claims were incorrectly admitted.

2.3 Analysis and findings.

2.3.1. The DC notes that the CD, at the time of the adjudication of the application filed under Section 7 of the Code preferred by Mandyati, had specifically raised an objection before the AA regarding the authenticity of the letter dated 20.09.2010, which was attached by Mandyati with the application to establish the terms of the alleged loan, including the stipulation of interest at 12% per annum. The said objection was based on the fact that Mr. Ajay Kumar Bajaj, who purportedly signed the letter as director of the CD, was not a director on the said date as per the records available on the Ministry of Corporate Affairs portal. The DC on perusal of the admission order dated 08.11.2023 notes that the admission order dated 08.11.2023 was primarily based on the CD's acknowledgment of the owing a debt of ₹1.22 crore in its financial statements and submissions.

2.3.2. The DC further notes that after admission of CIRP against the CD, Mandyati submitted its claim in Form C, but it did not attach the letter dated 20.09.2010, purportedly containing the terms and conditions of the alleged loan to prove the covenant of interest against the given debt or any other element to satisfy the element of time value of money. Keeping in view the proceedings before the NCLT, in which the authenticity of the letter dated 20.09.2010 was questioned by the CD before the AA, the DC notes that the RP was under a statutory duty to examine the authenticity of this letter. While noting that the alleged letter has not been attached by Mandyati with its claim Form C which has been duly relied upon by Mandyati while initiating the CIRP against the CD, the DC observes that Mr. Madhur Agarwal has not shown any efforts to verify the basis of the claim of the Mandyati. Mr. Madhur Agarwal is, thus, not discharged from his duty of verifying the claim on the ground that the CIRP has been initiated on the application preferred by Mandyati under Section 7 of the Code, especially when the authenticity of the letter indicating the existence of the claim was itself challenged before the AA.

2.3.3. The DC further notes that the directors of the suspended board of the CD had challenged the admission order dated 08.11.2023 before the NCLAT. The NCLAT, upon a detailed perusal of the record held that the letter dated 20.09.2010 was fabricated, as Mr. Ajay Kumar Bajaj was not a director of the CD during that time period. The NCLAT *vide* its order dated 04.09.2024 held that,

in the absence of a valid agreement or document showing disbursal for time value of money, there was no financial debt as defined under Section 5(8) of the Code and the admitted debt of Rs. 1,22,50,000/- have not been proved to be a financial debt. The inference which can be drawn by the DC from the order of the NCLAT is that along with acknowledgment of debt as observed by the AA, Mr. Madhur Agarwal should have also verified whether the debt under reference is financial debt in terms of Section 5(8) of the Code.

- 2.3.4. The DC notes that Mr. Madhur Agarwal has already acknowledged in his reply to the Board that the CD in his books of accounts has treated the loans received from FCs as being without interest and only the principal amount has been mentioned. He merely relied on the date wise details and a statement of interest @12% per annum given by Mandyati, while admitting the claim. The documents submitted by Mandyati should have been verified from the records of CD, rather than relying solely on the accounts maintained by Mandyati.
- 2.3.5. Regarding the submission of Mr. Madhur Agarwal that the duly signed and notarized copies of the MoU pertaining to the interest rate between the Financial Creditor & the CD was submitted, the DC observes that the document referred herein was not provided by Mr. Madhur Agarwal and the document before the DC providing for interest is the same letter dated 20.09.2010, whose veracity and authenticity was already contested by the CD before the AA.
- 2.3.6. The DC further notes that the Balance Sheet of the CD as on 31.03.2020 mentioned unsecured loans from the FC. However, Note 4 to the financial statements clearly states that *"in the absence of any agreement, the terms of repayment of the unsecured loan is not ascertainable."* Furthermore, the ledger statement provided by the FC which were relied upon by Mr. Madhur Agarwal in verifying the alleged payment of interest cannot be treated as reliable evidence. Admitting the claim without cross checking the proofs, like ledger statement, from the records of the CD shows lack of proper due diligence in verification of claims. The bank statements, so attached with the Form C, merely reflect certain payments, which are not supported by any narration, vouchers, or communication to substantiate that they were made towards interest accrued on the amount extended to the CD. Moreover, the payment of interest is required to be made on terms agreed between the parties which in this case was already contested. Thus, the DC notes that basis of any such interest obligation and its payment has not been verified by Mr. Madhur Agarwal.
- 2.3.7. The DC finds that despite Mr. Madhur Agarwal being aware of the objection raised in respect of the sanctity of letter dated 20.09.2010, its absence in the claim form submitted by Mandyati and interest on the loans taken by the CD not being reflected in its book of accounts, he ignored these facts while collating and verifying claims. This indicates that he could not properly discharge his duties as an insolvency professional in verification of the claims, in conformity with the existing provisions of the Code & related Regulations. Thus, Mr. Madhur Agarwal's failure to properly verify the claim submitted by Mandyati in the objective & transparent manner, led to an incorrect classification & consequential admission of FC claim under the category of financial debt, which is a serious lapse on the part of Mr. Madhur Agarwal in exercising his duties as an RP. Hence, the DC holds the contravention.

2.4. Contravention-II

Wrongful constitution of CoC and Inclusion of related parties in the CoC with Voting Rights.

2.4.1. Section 21(2) of the Code states that the Committee of Creditors (CoC) shall comprise all financial creditors of the corporate debtor, provided that a financial creditor or the authorised representative of the financial creditor referred to in sub-section (6) or sub-section (6A) or sub-section (5) of section 24, shall not have any right of representation, participation or voting in a meeting of the committee of creditors provided if it is a related party of the corporate debtor.

2.4.2. As per the latest list of claims uploaded by Mr. Madhur Agarwal on the website of the Board, Manokamna Enterprises Private Limited and Mandyati were included in the CoC with voting rights. On an examination by the Board, it was observed that Manokamna Enterprises Private Limited and Mandyati were related to the CD. The relationship of the mentioned FCs with the CD is explained as under:-

a. Manokamna Enterprises Private Limited (FC)

Section 5(24)(d) of the Code states that “related party”, in relation to a corporate debtor, means.....*a private company in which a director, partner or manager of the corporate debtor is a director and holds along with his relatives, more than two per cent. of its share capital.* On examination by the Board, it was found that Mr. Prashant Banka was holding the position of director in both CD and FC. Moreover, Mr. Banka was also holding 2.64% shares in FC. Hence, Manokamna Enterprises Private Limited is a related party to the CD.

b. Mandyati Dealcomm Private Limited (FC)

i. Section 5(24)(f) of the Code states that, “related party”, in relation to a corporate debtor, means:-
.....*(f) anybody corporate whose board of directors, managing director or manager, in the ordinary course of business, acts on the advice, directions or instructions of a director, partner or manager of the corporate debtor;*

ii. It has been observed that Mr. Sushil Kumar Bajaj, who is a director and shareholder of the CD along with his Hindu Undivided Family, holds a 92.11% shareholding in the CD.

iii. Further, it is observed that Mr. Sushil Kumar Bajaj, along with his relatives as defined under Section 5(24A) of the Code, owns nearly the entire shareholding in the following four companies.

- (a) Manohar Vanijya Pvt. Ltd. (87.15%)
- (b) Paramsukh Merchandise Pvt. Ltd. (100%)
- (c) Ria Homes Pvt. Ltd. (100%)
- (d) Jharkhand Alloys Pvt. Ltd. (100%).

2.4.3. These four companies, in turn, collectively hold the entire shareholding in Mandyati. Consequently, the controlling shareholders of both the CD and the FC are the same individuals, thereby establishing the FC as a related party to the CD. Thus, Board held *prima facie* view that Mr. Madhur

Agarwal has contravened Sections 21(2), 208(2)(a) & (e) of the Code, Regulation 7(2)(a) and (h) of IP Regulations read with Clause 14 of the Code of Conduct.

2.5. Submissions by Mr. Madhur Agarwal.

2.5.1. Mr. Madhur Agarwal submitted that as per the updated list of claims on 01.12.2023, the CoC was reconstituted wherein Manokamna Enterprises Private Limited was included in the CoC with voting rights. However, upon further examination, it was observed that the aforesaid Manokamna Enterprises Private Limited was a Related Party. Subsequently, during the third Meeting of the CoC dated 12.03.2024, the aforesaid party was tagged as a related party and was not entitled to any voting rights whatsoever.

2.5.2. Mr. Madhur Agarwal further submitted that the shareholding structure presented in the SCN failed to indicate that Mandyati is a related party of the CD on the basis of the following:-

- a. Manohar Vanijya Private Limited: As per the Master Data of the aforesaid company, available on the MCA website, Sarita Bajaj and Awi Bajaj are the directors of the Company. The majority of shares are thus held by Ajay Bajaj (18.17%), Ajay Bajaj HUF (10.04%), Sarita Bajaj (15.76%), Awi Bajaj (13.05%), amounting to a majority of 57.02%. In other words, Manohar Vanijya Private Limited is a Company that is controlled and Majority-owned by the Ajay Bajaj Group, not by Sushil Bajaj. Manohar Vanijya Private Limited holds 30.42% shares of Mandyati.
- b. Paramsukh Merchandise Private Limited: As per the Master Data of the aforesaid company, available on the MCA website, Sarita Bajaj and Awi Bajaj are the directors of the Company. The majority of shares are thus held by Ajay Bajaj HUF (9.77%), Sarita Bajaj (21.95%), and Awi Bajaj (18.73%), amounting to a majority of 50.45% shares. In other words, Paramsukh Merchandise Private Limited is controlled and Majority-owned by the Ajay Bajaj Group, not by Sushil Bajaj. Paramsukh Merchandise Private Limited holds 24.52% shares of Mandyati.

Thus as per the abovementioned shareholding structure, the majority of shareholding in Mandyati is held by Manohar Vanijya Private Limited i.e 30.42%, and Paramsukh Merchandise Private Limited i.e. 24.52%, amounting to a majority shareholding of 54.94%. Therefore, the aforesaid companies are neither owned nor controlled by Sushil Kumar Bajaj i.e. the Corporate Debtor and thus it has no nexus with the aforesaid allegation of both parties being the same individuals.

- c. Ria Homes Private Limited: Sushil Kumar Bajaj along with his wife Suman Bajaj are the directors of Ria Homes Private Limited. Ria Homes Private Limited is the shareholder of only 22.10% shares of Mandyati. Thus, he denied that the company Mandyati is controlled at all by Sushil Kumar Bajaj or his wife Suman Bajaj.
- d. Jharkhand Alloys Private Limited: Sushil Kumar Bajaj along with his wife Suman Bajaj are the directors of Jharkhand Alloys Private Limited. Jharkhand Alloys Private Limited is the shareholder of only 22.95% shares of Mandyati.

- 2.5.3. Mr. Madhur Agarwal further submitted that even if it is hypothetically assumed that Mandyati is controlled and owned by Sushil Kumar Bajaj or his wife Suman Bajaj, there is no nexus as to why Sushil Kumar Bajaj, the Corporate Debtor herein shall initiate CIRP against himself.
- 2.5.4. Mr. Madhur Agarwal submitted that Section 5(24A) of the Code would not apply in the present case, as it defines a *related party in relation to an individual* and not a *corporate debtor*. He contended that since the issue in question pertains to whether Mandyati, (FC) a related party of CD, the relevant provision would be Section 5(24) of the Code, 2016, and not Section 5(24A).
- 2.5.5. He additionally submitted that the test to decide whether FC is a related party of CD is provided in clauses (d) and (m) of section 5(24). In the instant case the two directors of Mandyati are Sarita Bajaj and Awi Bajaj . None of the said directors are also directors in CD. As such the said clause (d) of section 5(24) does not apply in the instant case. He submitted that the management and control of FC is in the hands of Ajay Bajaj group and not Sushil Bajaj Group as demonstrated above. Thus, clause (m) of section 5(24) also does not apply in his understanding. Thus he concluded that FC is not a related party to CD.

2.6. Analysis and findings.

- 2.6.1. Section 5(24) of the Code defines “related party” in relation to a corporate debtor and includes a wide array of entities and persons having a close nexus with the management, control or ownership of the corporate debtor. Clause (f) specifically includes any body corporate whose board of directors acts on the advice or directions of a director or manager of the corporate debtor. To determine such control, Section 5(24A), which defines “related party” in relation to an individual, becomes relevant. It includes the individual's relatives as well as the relatives of the concerned individual’s spouse, thereby covering family relationships such as siblings, their spouses, and children. In cases where the control of the corporate debtor is vested with an individual or group of individuals, and the financial creditor is controlled by relatives of such individuals, the relational mapping between Section 5(24) and Section 5(24A) becomes crucial. Therefore, in closely held or family-run businesses, the proper application of Section 5(24) necessarily entails reading it with Section 5(24A) to uncover the beneficial ownership structures.

With respect to inclusion of Manokamna Enterprises Private Limited into CoC.

- 2.6.2. Mr. Madhur Agarwal accepts that Manokamna Enterprises Private Limited was a related party of the CD and he removed it from the CoC. The DC notes that during the 3rd meeting of the CoC dated 12.03.2024, it was tagged as a related party and was not entitled to any voting rights whatsoever. Thus, Mr. Madhur Agarwal accepted his mistake of inclusion of a related party into the CoC. He took the corrective action by removing it from the CoC. Such act may reduce the impact of contravention but it still remains a contravention as such inclusion will vitiate all the decisions taken by the CoC in the meeting when such related party holds voting power. Mr. Madhur Agarwal was expected to verify the claims diligently at first instance only to avoid the inclusion of any related party.

With respect to inclusion of Mandyati into CoC.

2.6.3. The DC notes that Mr. Madhur Agarwal placed reliance solely on directorship records or shareholding percentages, without considering the factor of effective control and beneficial ownership, demonstrating an incomplete analysis of the statutory tests as provided under Section 5(24) and 5(24A) of the Code. The DC notes that the obligation on the RP to assess the related party relation of the parties is not limited to reviewing MCA data but includes exercising professional judgment to assess actual control, influence, and nexus, especially in cases involving closely held or family-run corporate structures.

2.6.4. The DC notes that Mr. Madhur Agarwal has not denied that Mr. Sushil Kumar Bajaj along with his Hindu Undivided Family, holds a 92.11 % shareholding in the CD. Now with respect to FC, Mandyati, it has been owned by four private limited companies enumerated as below:

- Ria Homes Private Limited is wholly owned by Mr. Sushil Kumar Bajaj and his wife.
- Jharkhand Alloys Private Limited is majorly owned (57.60%) by Mr. Sushil Kumar Bajaj and his wife.
- In Manohar Vanijya Private Limited Mr. Sushil Kumar Bajaj and his HUF and wife owns, 30.12% of the shareholding.
- In Paramsukh Merchandise Private Limited Mr. Sushil Kumar Bajaj and his HUF and wife owns 49.54%.

From the above, the DC observes that Mandyati is predominantly held by Mr. Sushil Kumar Bajaj and his wife. The remaining shareholding is held by Mr. Ajay Kumar Bajaj, his HUF, wife, and son, similar to the shareholding pattern in the other two companies, namely Manohar Vanijya Private Limited and Paramsukh Merchandise Private Limited.

2.6.5. Under clause (f) of Section 5(24) of the Code, a corporate is considered related party if it acts on the advice, directions or instructions of a director, partner or manager of the CD. Mr. Sushil Kumar Bajaj being a 92.11% shareholder in CD also held indirect control of the FC through the four companies which own the CD. The four companies are held by Mr. Sushil Kumar Bajaj and his family along with Mr. Ajay Kumar Bajaj and his family. As per clause (a) of Section 5(24A), the related party in relation to an individual means a person who is a relative of the individual or a relative of the spouse of the individual. Thus, it cannot be ignored that the FC was held by the CD's owner family in tandem with his brother's (Ajay Kumar Bajaj) family.

2.6.6. The DC notes Mr. Madhur Agarwal's contention that Mandyati is not a related party, asserting that the control of the said company lies with the Ajay Bajaj group, and hence, there is no nexus with the CD which is controlled by Mr. Sushil Kumar Bajaj is not tenable in view of the fact that Mr. Sushil Kumar Bajaj and Mr. Ajay Kumar Bajaj are brothers and qualifies as a *related party to each other* under Section 5(24A) of the Code. Mr. Madhur Agarwal further argued that Section 5(24A) of the Code, which defines "related party" in relation to an individual, is inapplicable in the context of a CD cannot be accepted when the facts are apparent on record. In this context, the DC notes that

Section 5(24A) becomes relevant in the present case as the relationship between individuals, namely Mr. Sushil Kumar Bajaj, Mr. Sushil Kumar Bajaj's wife (Ms. Suman Bajaj) Mr. Ajay Kumar Bajaj (his brother), as well as Mr. Ajay Kumar Bajaj's wife (Sarita Bajaj) and son and (Awi Bajaj), is crucial for determining whether Mandyati qualifies as a related party. The DC observes that for determining whether a financial creditor is a related party of a corporate debtor, the provision of Section 5(24) of the Code, 2016 must be read in conjunction with Section 5(24A) of the Code to establish the relevant relationships and familial connections among individuals associated with the CD and FC.

2.6.7. In this context, the DC further notes that Mr. Ajay Bajaj, being the brother of Mr. Sushil Kumar Bajaj, Ms. Sarita Bajaj being wife of Mr. Ajay Bajaj, Mr. Awi Bajaj being son of Mr. Ajay Bajaj qualifies as a *relative* under Section 5(24A), and therefore, Section 5(24A)(a) is attracted, which provides that related party in relation to an individual person who is a relative of the individual or a relative of the spouse of the individual. The familial ties and overlapping business interests in closely held family companies further reinforce the *prima facie* inference that Mandyati is a related party to the CD as it is a body corporate who in the ordinary course of business is controlled by Mr. Sushil Kumar Bajaj and his family.

2.6.8. Accordingly, the DC finds that the explanation offered by Mr. Madhur Agarwal to exclude Mandyati from the category of related party on the ground that Section 5(24A) is not applicable in this case is neither tenable nor acceptable, keeping in view the undisputed facts on record. Hence the DC holds the contravention.

2.7. Contravention-III

2.7.1. According to the CIRP cost sheet submitted by Mr. Madhur Agarwal before the IBBI, a total expenditure of Rs.32.32 lakh was incurred on the process from its initiation to the date of the CIRP being quashed by the NCLAT. This amount includes Rs.25.72 lakh paid as fees to the IP. Given that the CIRP was subsequently set aside by the NCLAT, it appears that the costs mentioned above could have been avoided had Mr. Madhur Agarwal exercised due diligence in verifying claims and constituting the CoC.

2.7.2. In view of the above the Board held *prima facie* view that by Mr. Madhur Agarwal's above stated conduct and actions, he has contravened Sections 21(2), 208(2)(a) and (e) of the Code, Regulation 13 of the CIRP Regulations, and Regulations 7(2)(a) and (h) of IP Regulations read with Clauses 3 and 14 of the Code of Conduct.

2.8. Submissions by Mr. Madhur Agarwal.

2.8.1. Mr. Madhur Agarwal agreed that a total expenditure of Rs. 32.32 Lakhs was incurred on the process from its initiation to the date of the CIRP being quashed by the NCLAT and an amount of Rs. 25.72 Lakhs was paid as fees to the IP. However, the payment of such applicable costs was already made and cannot be cancelled retrospectively. He denied that the circumstances could have been altered at all with due diligence as such aforesaid costs were imposed plainly based on the directions of the AA *vide* order dated 08.11.2023.

2.9. Analysis and findings.

- 2.9.1. The DC notes that the CoC, comprising Mandyati as the sole financial creditor of the CD, in its 1st CoC meeting held on 02.12.2023, approved via Agenda Item No. 9, the remuneration of Mr. Madhur Agarwal as the IRP of the CD at Rs. 2 lakhs per month (plus applicable taxes). The CoC at Items No. 10 to 14 also approved Mr. Madhur Agarwal's appointment as the RP of the CD for the monthly fee of Rs. 2 lakhs per month (plus applicable taxes).
- 2.9.2. The DC further notes that in the 2nd CoC meeting held on 25.01.2024, the CoC quorum comprised of Mandyati and M/s. Kems Services Private Limited, where the cost incurred in the CIRP was placed before the CoC. In the 3rd CoC meeting, the CoC quorum again comprised only Mandyati. The Manokamna Enterprise Pvt. Ltd. was removed from the CoC. In this meeting, CIRP expenses including the fees of the RP, were placed before the CoC for consideration.
- 2.9.3. The DC notes that the 1st CoC meeting was attended solely by Mandyati which was later held not to be a FC by the NCLAT. Moreover, considering the facts as discussed in Contravention-II above, that when FC is a related party to CD, the fixing of fees of Mr. Madhur Agarwal by CoC constituted by such FC solely is bound to raise some eyebrows. In light of this finding, the DC notes that the decisions taken by the CoC, particularly with regard to the appointment and remuneration of IRP/RP, raises serious concerns regarding transparency and propriety in the conduct of the CIRP.
- 2.9.4. The DC notes that a total expenditure of Rs. 32.32 lakh was incurred in the process from initiation till the date the CIRP was quashed by the NCLAT *vide* its order dated 04.09.2024. Out of this, Rs. 25.72 lakh was paid as fees to Mr. Madhur Agarwal. Also, the NCLAT *vide* its interim order dated 04.12.2023, had directed that the CoC shall not issue Form-G or Expression of Interest. This clearly signifies that no major development has taken place in the CIRP of CD in light of the NCLAT order dated 04.09.2024. The DC notes that the CIRP cost including the fees of the IRP/RP could have been avoided had Mr. Madhur Agarwal exercised due diligence in verifying the claims as discussed above in contravention-I and appropriately constituting the CoC.
- 2.9.5. In view of the above, the DC notes that Mr. Madhur Agarwal should have exercised utmost caution so that the excess cost incurred in the process could have been avoided.

3. Order.

- 3.1. The DC observes that Mr. Madhur Agarwal was well aware that the books of accounts of the CD did not record any interest component with respect to the loans allegedly advanced by the financial creditors, and only the principal amount was reflected in the balance sheet. Despite this, Mr. Madhur Agarwal proceeded to admit the claim of Mandyati solely based on a letter purportedly issued in 2010, without adequate verification of its authenticity or supporting financial documentation, especially in the light of the fact that the same was contested by the CD at the admission stage.
- 3.2. In view of the foregoing, the DC in exercise of the powers conferred under section 220 of the Code

read with regulation 13 of the IBBI (Inspection and Investigation) Regulations, 2017 hereby suspends the registration of Mr. Madhur Agarwal having Registration No. IBBI/IPA-001/IP-P00653/2017-2018/11127 for a period of one year.

- 3.3. This Order shall come into force after expiry of 30 days from the date of its issuance.
- 3.4. A copy of this order shall be sent to the CoC/ Stakeholders Consultation Committee of all the Corporate Debtors in which Mr. Madhur Agarwal provides his services, if any and the CoC/SCC may decide on the continuation of services of Mr. Madhur Agarwal.
- 3.5. A copy of this order shall be forwarded to the Insolvency Professionals of ICAI where Mr. Madhur Agarwal is enrolled as a member.
- 3.6. 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.
- 3.7. Accordingly, the show cause notice is disposed of.

Dated: 27 November 2025
Place: New Delhi

-sd/-
(Dr. Bhushan Kumar Sinha)
Whole Time Member
Insolvency and Bankruptcy Board of India