NATIONAL COMPANY LAW TRIBUNAL
MUMBAI BENCH COURT VI

Item No. P3

C.P. (IB)/304(MB)2026

CORAM:

SHRI SAMEER KAKAR
HON'BLE MEMBER (TECHNICAL)

SHRI NILESH SHARMA
HON'BLE MEMBER (JUDICIAL)

ORDER SHEET OF HEARING (HYBRID) DATED **19.08.2026**

NAME OF THE PARTIES: **Sachetna Finance Private Limited**

Vs

Shroff Textiles Limited

Under Section 7, IBC 2016.

ORDER

The case is fixed for pronouncement of the order. The order is pronounced in the open court, *vide* separate order. Detailed order is being uploaded on the NCLT portal today.

Sd/-
NILESH SHARMA
MEMBER (JUDICIAL)

Sd/-
SAMEER KAKAR
MEMBER (TECHNICAL)

//VM//

IN THE NATIONAL COMPANY LAW TRIBUNAL, MUMBAI BENCH-VI
C.P. (IB)/304/MB/2026

[Under Section 7 of the Insolvency and Bankruptcy Code, 2016 r/w Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016]

SACHETNA FINANCE PRIVATE LIMITED

Unit No. 002-B Wing, Ground Floor,
Raheja Plaza - 1, L.B.S. Road,
Ghatkopar (West), Mumbai City,
Mumbai, Maharashtra - 400 086.

…Applicant/Financial Creditor

V/s

SHROFF TEXTILES LIMITED
CIN No. U17100MH1966PL013537
303 B-Wing, Kotia Nirman, Near Fun
Republic Cinema New Link Road,
Andheri - West, Mumbai,
Maharashtra, India, 400053.

...Respondent/Corporate Debtor

Pronounced: 19.08.2026

CORAM:

HON'BLE SHRI NILESH SHARMA, MEMBER (JUDICIAL)
HON'BLE SHRI SAMEER KAKAR, MEMBER (TECHNICAL)

<u>Appearances: Hybrid</u>

For Applicant: Adv. Mr. Sharad Bansal a/w Adv. Mr. Sonesh Jain i/b Eternity Legal.

For Respondent: Adv. Adv. Mr. Siddha Pamecha, a/w Adv. Ms. Shruthi Dandu & Adv. Ms. Mansi Patel.

ORDER

[PER: CORAM]

1. BACKGROUND

1.1 This C.P. (IB) No.304/MB/2026 (Application) was filed on 23.03.2026 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 Sachetna Finance Private Limited, the Financial Creditor (FC), for initiating Corporate Insolvency Resolution Process (CIRP) against M/s Shroff Textiles Limited, the Corporate Debtor (CD), for the alleged default in repayment of financial debt of Rs. 6,32,50,000/-.

1.2 The date of default, as given in Part IV of the Application is 27.06.2023.

1.3 The Applicant has proposed Mr. Hemant J. Mehta, having Registration No. IBBI/IPA-001/IP-P00027/2016-2017/10060, to act as the Interim Resolution Professional (IRP) in case the Application is admitted.

2. CONTENTIONS OF FC AS MADE IN ITS APPLICATION

2.1 The total amount of debt granted with date(s) of disbursement are as follows:

Sr. No.	Loan Amount (in Rs.)	Disbursed on
1.	1,00,00,000	October 11, 2018
2.	1,25,00,000/-	November 19, 2018
3.	1,25,00,000/-	February 01, 2019
4.	1,00,00,000/-	April 30, 2019
5.	25,00,000/-	September 2, 2020
6.	25,00,000/-	September 25, 2020

7.	25,00,000/-	October 13, 2020
8.	50,00,000/-	January 22, 2021
9.	25,00,000/-	February 10, 2021
10.	25,00,000/-	March 2, 2021
11.	67,50,000/-	March 31, 2021
12.	45,00,000/-	June 27, 2022

A copy of bank statement of Financial creditor's account bearing No. 13930200006396 with Federal Bank evidencing the aforesaid disbursements to the Corporate Debtor is annexed as Exhibit "A". A certificate dated 01.10.2025 from Federal Bank confirming the above disbursements in favour of the Corporate Debtor is annexed as Exhibit "B".

2.2 The Financial Creditor further submitted the copies of the audited financial statements of the Corporate Debtor for the financial years ending 31.03.2019 and 31.03.2023, as filed by the Corporate Debtor with the Registrar of Companies and available on the online portal of the Ministry of Corporate Affairs, Government of India, reflect the outstanding debt owed by the Corporate Debtor to the Financial Creditor. Copies of the said audited financial statement are annexed as Exhibit "C" of the Application.

<u>Details of Transactions on account of which debt fell Due:</u>

2.3 It is submitted that, prior to the above disbursements, Sachetna finance Private Limited ("Financial Creditor") and Shoff Textile Limited ("Corporate Debtor") had entered into a Loan Agreement dated 19.09.2017 ("2017 Loan Agreement") for a loan amount of Rs. 63,00,000/- on the terms and conditions therein. A copy of the 2017 Loan Agreement is annexed as Exhibit "D" to the Application.

2.4 It is further submitted that, vide Memorandum of Deposit of Title Deeds dated 19.09.2017, the Corporate Debtor deposited its title deeds with the Financial Creditor i.e., Agreement of Lease dated 06.01.1979 and Lease Deed dated 18.02.1988 entered into between Maharashtra Industrial Development Corporation ("MIDC") and Corporate Debtor for leasing a piece of land known as Plot No. J-78 in the Tarapur Industrial area, with in the village limits of Saravalli, Tq. Palghar, Dist. Palghar, containing the ad-measuring 6,823 Sq. Mtrs, or thereabouts ("Land"/ "Property") for securing a loan from the Financial Creditor amounting to Rs. 63,00,000/- under the 2017 Loan Agreement. Copy of the Original Lease Deed dated 18.02.1988 entered into between MIDC and the Corporate Debtor is annexed as Exhibit "E" to the Application.

2.5 It is submitted that, on 19.09.2017, by way of security for repayment of loan under the 2017 Loan Agreement, the Corporate Debtor also submitted a Demand Promissory Note and Demand promissory Note Delivery Letter and post-dated cheques for repayment of principal and interest. The loan amount of Rs. 63,00,000/- under the 2017 Loan Agreement was repaid by the Corporate Debtor on 03.10.2018.

2.6 Vide letter dated 18.09.2018, the Corporate Debtor requested the Financial Creditor for a loan enhancement to the tune of Rs. 4,50,00,000/- for its business. Copy of the letter dated 18.09.2018 is annexed as Exhibit "F" to the Application. Thereafter, vide Memorandum of Deposit of Title Deeds dated 11.10.2018, the Corporate Debtor deposited the Title Deeds for Leased Land with the Financial Creditor for securing a loan of Rs.

4,50,00,000. Copy of the Memorandum of Deposit of Title Deeds dated 11.10.2018 is annexed as Exhibit “G” to the Application.

2.7 The Financial Creditor agreed to grant such loan and pursuant thereto a Loan Agreement dated 11.10.2018 (“2018 Loan Agreement”) was entered into between the Financial Creditor and Corporate Debtor for a loan amount of Rs. 4,50,00,000 on the terms and conditions specified therein. Copy of the 2018 Loan Agreement is annexed as Exhibit “H” of the Application.

2.8 The repayment schedule mentioned in the schedule to the 2018 Loan Agreement is annexed as Exhibit “I” to the Application.

2.9 In order to secure the loan under the 2018 Loan Agreement, one of the whole-time directors of the Corporate Debtor i.e., Mr. Shrenik Dhirajlal Shroff (“Guarantor”) stood as guarantor for the loan granted under 2018 Loan Agreement and executed a Deed of Guarantee dated 10.10.2018. In addition, the Corporate Debtor also issued a Demand Promissory Note dated 11.10.2018 for repayment of the said loan of Rs. 4,50,00,000/- along with interest from the date of disbursal till full discharge of the said amount. The copy of the Deed of Guarantee dated 10.11.2018 and a copy of Resolution dated 20.09.2018 along with Demand Promissory Note dated 11.10.2018 are annexed as Exhibit “J” to the Application.

2.10 In addition, thereto it was agreed that the charge on the property created in favour of the Financial Creditor by way of deposit of title deeds shall continue in respect of the loan granted under the 2018 Loan Agreement.

2.11 On 11.10.2018, the Corporate Debtor submitted cheque submission form with 120 post-dated cheques drawn on Bank of India in favour of Financial Creditor from the period 30.10.2018 till 30.09.2023 respectively (from

Cheque No. 142251 to Cheque No. 142373), for repayment of principal and interest under the 2018 Loan Agreement. The copy of the cheque submission form dated 11.10.2018, submitted by the Corporate Debtor to the Financial Creditor is annexed as Exhibit "K" to the Application.

2.12 Subsequently, through letters dated 17.08.2020, 20.01.2021 and 27.06.2022, the Corporate Debtor requested additional term loans of Rs. 90,00,000/- Rs. 2,00,00,000/- and Rs. 45,00,000/- respectively. The Copies of the Letter dated 17.08.2020, 20.01.2021 and 27.06.2022 issued by the Corporate Debtor to the Financial Creditor are annexed as Exhibit "L" to the Application.

2.13 The Corporate Debtor, along with guarantor Mr. Shrenik Dhirajlal Shroff, submitted copies of Resolutions, Delivery Letters along with Demand Promissory Notes dated 29.08.2020 for Rs. 90,00,000/- and 20.01.2021 for Rs. 2,00,00,000/- with 18% annual interest respectively. Additionally, the Corporate Debtor submitted copy of Resolution, Delivery Letter along with Demand Promissory Note dated 27.06.2022 for 45,00,000/- with 15% annual interest. Copies of Resolutions, Delivery Letters and Demand Promissory Notes dated 29.08.2020, 20.01.2021 and 27.06.2022 respectively. Copies of Resolutions, Delivery Letters and Demand Promissory Notes dated 29.08.2020, 20.01.2020 and 27.06.2022 respectively are annexed as Exhibit "M" to the Application

2.14 The Corporate Debtor through its letter dated 20.01.2021 had also requested the Financial Creditor to reschedule the repayments into monthly instalments over additional period of 5 to 7 years. The Corporate Debtor also provided three undated cheques as and by way of security: Cheque

No. 194035 for Rs. 90,00,000/-, cheque No. 194150 for Rs.2,00,00,000/- and cheque No. 234501 for 45,00,000/- all drawn on Bank of India, Juhu Branch, in favour of the Financial Creditor. Copies of undated cheques given by way of security by the Corporate Debtor to the Financial Creditor are annexed as Exhibit "N" to the Application.

2.15 It is stated that Financial Creditor thereafter sanctioned loans to the tune of Rs. 90,00,000/-, Rs. 2,00,00,000 /- and Rs. 45,00,000/- on terms and conditions provided in the Loan Agreement dated 11.10.2018, and consequently granted loans to the tune of Rs. 2,87,50,000 /- from the period of 02.09.2020 to 27.06.2022 from the aforesaid sanctioned amounts.

2.16 Despite extending the loan repayment period as requested by the Corporate Debtor, the Corporate Debtor started defaulting on its repayment schedule. Thereafter, the Financial Creditor vide its email dated 20.12.2023, called upon the Corporate Debtor to repay the outstanding loan amounts and vide various WhatsApp messages dated 05.02.2024 and 06.03.2024 and through various calls to the concerned person of the Corporate Debtor for repaying the outstanding loan amounts, there was no response received for the same. Therefore, despite giving repeated assurances, the Corporate Debtor has failed to make the required payments to the Financial Creditor. Copies of the said email dated 20.12.2023 and WhatsApp messages dated 05.02.2024 and 06.03.2024 are annexed as Exhibit "O" to the Application.

2.17 Thereafter, the Financial Creditor classified the account of the Corporate Debtor as Non-Performing Asset in the books of Financial Creditor on 31.03.2024.

2.18 Due to non-payment of outstanding principal amounts, the Financial Creditor issued a Legal Notice / Loan Recall Notice on 10.05.2024, for repayment outstanding amount i.e., Rs. 6,40,00,000/- along with interest as on 30.04.2024 of Rs. 3,29,59,286/-. However, no reply has been received from the Corporate Debtor till date. A copy of the said Legal Notice dated 10.05.2024 is annexed as Exhibit “P” to the Application.

2.19 The Financial Creditor, thereafter, filed a Company Petition under Section 7 of the Code, being C.P. (IB) / 723 (MB) of 2025, before this Tribunal. This Tribunal dismissed C.P. (IB) / 723 (MB) of 2025 as being not maintainable since it included part of sums in respect of which default had occurred during the period of moratorium under Section 10A of the Code. The Tribunal granted liberty to the Applicant to file a fresh Section 7 Application excluding the default amount under the Section 10A period. A copy of Order dated 29.01.2026 passed by this Tribunal is annexed as Exhibit “Q” to the Application.

2.20 The Financial Creditor submits that in the facts and circumstances as set out hereinabove, it is clear that the Corporate Debtor has defaulted in the repayment of a financial debt; it is unable to pay off its debts arising in the usual and ordinary course of its business and has become commercially insolvent. In such circumstances, it is just, necessary and imperative that the Corporate Insolvency Resolution Process be initiated against the Corporate Debtor.

2.21 It is further submitted that a total sum of Rs. 6,32,50,000/- is outstanding towards principal amount for the three loans granted by the Financial Creditor. The interest due on these three loans as on 31.01.2026 is Rs.

5,16,84,581/-. Therefore, the total outstanding amount as on 31.01.2026 is Rs. 11,49,34,581/-.

2.22 However, after excluding the instalments which were due and payable during the period of moratorium under Section 10A of the Code, the total outstanding amount is Rs. 9,75,57,035/-.

2.23 The Financial Creditor reiterates that the exclusion of sums due during the Section 10A period is solely for the purposes of the present Application.

2.24 The Financial Creditor submits that two separate statements of computation, which are certified by the chartered accountant, are annexed as Exhibit “R” to the present Application. The first statement sets out the total amount due and payable by the Corporate Debtor along with interest as per the contractual terms. The second statement sets out the amount claimed in the present Application after excluding the instalments which fell due during the period prescribed under Section 10A of the Code. The present Application is confined to the amount reflected in the second statement.

2.25 The Corporate Debtor failed to pay the instalments as per the originally agreed repayment schedule. It sought extension of time from the Financial Creditor to repay the loan amounts, which was granted by the Financial Creditor. The Corporate Debtor failed to repay the loan even after seeking an extension. The date of default as per the extended date is 27.06.2023.

<u>Particulars of security held are as under</u>:

1. Leasehold rights in all the piece of land known as Plot No. J-78 in the Tarapur Industrial Area, within the village limits of Saravalli, Taluka Palghar, District Palghar, containing by admeasurement 6823 sq. mtrs. or thereabouts and bounded as follows, that is to say:

- On or towards the North by Private Land;
- On or towards the South by Road;
- On or towards the East by Plot No. J-77;
- On or towards the West by Plot No. J-79

2. For loan amount of Rs. 4,50,00,000/- the Corporate Debtor submitted one hundred and twenty (120) post-dated cheques in favour of the Financial Creditor from the period 30.10.2018 till 30.09.2023 respectively (from Cheque Nos. 142251 to 142373).
3. The Corporate Debtor has also provided three undated cheques as and by way of security to the Financial Creditor:
   - For securing a loan amount of Rs. 90,00,000/- the Corporate Debtor submitted a post-dated Cheque bearing No. 194035;
   - For securing a loan amount of Rs. 2,00,00,000/- the Corporate Debtor submitted a post-dated cheque bearing No. 194150; and
   - For securing a loan amount of Rs. 45,00,000/- the Corporate Debtor submitted a post-dated cheque bearing No. 234501.

3. CONTENTIONS OF CD

3.1 The Corporate Debtor has filed affidavit-in-reply dated 02.05.2026 affirmed by Mr. Aashok Laxminarayan Pande, Managing Director of the Corporate Debtor.

3.2 It is submitted that the present Petition under Section 7 of the Insolvency and Bankruptcy Code, 2016 is not maintainable, as the necessary authorisation to initiate the proceedings has not been granted. The Petition is therefore liable to be rejected on this ground alone. The institution of proceedings under the Code requires a specific and valid authorisation of the Board of Directors. Such authorisation must be evident from the record. A general or omnibus authorisation is insufficient. In the present case, the Board Resolution relied upon by the Applicant does not confer any specific authority to initiate insolvency proceedings under the Code. A bare perusal of the said resolution would show that it is vague, general in nature, and does not expressly empower the concerned individual to file an application under Section 7 before this Hon'ble Tribunal.

3.3 It is submitted that in the absence of a valid and specific authorisation, the present Petition is not maintainable and is liable to be rejected.

3.4 It is submitted that the present Petition arises from the same financial transactions and claim which were the subject matter of the earlier Company Petition bearing C.P. (IB) No. 723 of 2025 filed by the Applicant against the Respondent. The said Petition was dismissed by this Tribunal after examining the record and holding that the claim included defaults falling within the period covered under Section 10A of the Insolvency and Bankruptcy Code, 2016. The present Petition is based on the same loan account and underlying transactions.

3.5 It is also submitted that the amount now claimed under the present Petition still includes interest accrued during the period covered under Section 10A, and the non-payment of such interest forms part of the alleged default. The Petition fails to exclude the interest component that accrued during the period covered under Section 10A and on this ground alone the Petition is liable to be dismissed.

3.6 It is submitted that, as stated in Part IV of the Petition, the Petitioner has falsely alleged that an amount of INR 11,49,34,581/- is in default. The said amount is stated to comprise principal of INR 6,32,50,000/- and an interest component of INR 5,16,84,581/-. However, the Petition fails to disclose any clear basis or detailed computation for arriving at the said figures. Further, Exhibit R at page 238 of the Petition also reflects the same amounts. However, it appears from the calculations set out therein that the alleged amount in default includes interest accrued during the period covered under Section 10A of the Insolvency and Bankruptcy Code, 2016. For ready reference, a snapshot of page 238 of the Petition is reproduced hereinbelow.

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Exhibit "R"

Sachetna Finance Private Limited
Shroff Textiles Pvt. Ltd.

Loan Summary as on 31-01-2026 (as per Contratual Terms Excluding 10A of IBC)

Particulars	Principle	Interest	Total Amount
Loan 1	3,45,00,000.00	2,77,98,247.63	6,22,98,247.63
Loan 2	2,42,50,000.00	2,10,54,162.96	4,53,04,162.96
Loan 3	45,00,000.00	28,32,170.24	73,32,170.24
Total	6,32,50,000.00	5,16,84,580.84	11,49,34,580.84

NOTARY * SHASHI BHUSHAN KUMAR MUMBAI REGN. No.-30817 Exp. Dt. 06-01-2030 GOVT. OF INDIA

For M. D. MAKADIA & CO.

PROPRIETOR

M. D. MAKADIA & CO. MUMBAI M.NO. 37766 F.NO. 106838W CHARTERED ACCOUNTANTS

Place: Mumbai
Date: 11/03/2026
UDIN: 26037766ELZFGO9275

3.7 In fact, the second statement at Exhibit R also includes interest accrued during the period covered under Section 10A of the Insolvency and Bankruptcy Code, 2016.

3.8 It is submitted that the dismissal of the earlier Petition was not on a technical ground but on substantive findings, inter alia, that the Application was vitiated by inclusion of defaults falling within the period specified under Section 10A of the Code, that the Applicant had failed to properly segregate such defaults, and that the Application suffered from fundamental defects. The Applicant has filed the present Petition without curing the fundamental defects identified by this Tribunal in the earlier petition rendering the present petition also liable for rejection.

3.9 This Tribunal has categorically held that if an Application includes any default committed during the period covered under Section 10A, the same is not maintainable irrespective of whether the threshold requirement is otherwise satisfied.

3.10 This Tribunal has further recorded that defaults in the present case existed during the period from 25.03.2020 to 24.03.2021 and therefore fell squarely within the statutory bar under Section 10A of the Code.

3.11 The Tribunal rejected the Applicant's contention that the defaults occurred prior to the Section 10A period and further recorded that, despite being given an opportunity, the Applicant failed to amend the Application to segregate defaults falling within the Section 10A period.

3.12 It is submitted that the law laid down by the Hon'ble Supreme Court in ***Ramesh Kymal v/s. Siemens Gamesa Renewable Power Pvt. Ltd***.

makes it clear that no application shall ever be filed for defaults occurring during the Section 10A period, and the bar is absolute.

3.13 It is submitted that the present Petition is an attempt to circumvent the statutory bar by artificially including certain amounts allegedly pertaining to the Section 10A period, which is impermissible in law.

3.14 The Petition is not maintainable as it suffers from fundamental defects in proving the debt, seeks to circumvent Section 10A by artificially splitting an indivisible financial arrangement, and is vitiated by the same defects that led to the dismissal of the earlier Petition, warranting its rejection with costs.

3.15 It is submitted that the Applicant has arbitrarily and without any basis alleged the date of default as 27.06.2023, without explaining how such date has been arrived at, particularly when the transactions between the parties span several years and involve multiple disbursements and alleged repayment obligations. It is submitted that the alleged date of default is wholly unsubstantiated and unexplained. It is further pertinent to note that the Petitioner itself has classified the account as NPA only on 31.03.2024, though the alleged date of default is stated to be much prior thereto. The inconsistency in the Applicant's own case demonstrates that the alleged date of default has been stated mechanically and without any proper basis.

3.16 It is submitted that this Tribunal has already recorded in the earlier order that the Applicant failed to satisfactorily establish the date of default, and the present Petition does not cure the said defect.

3.17 It is submitted that the amounts claimed by the Applicant are inconsistent, contradictory and unreliable. The Applicant has, at different stages, claimed varying figures towards principal and interest, and even in the earlier proceedings, had to revise the interest component, thereby demonstrating a lack of proper computation.

3.18 It is submitted that in the present Petition also, the claim amount has been arbitrarily computed and no proper working, statement of account or loan-wise breakup has been furnished.

3.19 The alleged claim includes excessive and inflated interest, without any clear contractual or mathematical basis, and the same is seriously disputed.

3.20 The Applicant has failed to place on record a complete and reliable statement of account, repayment schedule, or detailed calculation showing how the alleged liability has been arrived at.

3.21 The Petition is further defective inasmuch as the Applicant has failed to establish a legally valid and authenticated record of default, which is essential for maintaining a Petition under Section 7 of the Code.

3.22 It is submitted that the entire transaction between the parties reflects a continuing financial arrangement with ongoing dealings, disbursements and adjustments, and there is no crystallized or unequivocal default as alleged.

3.23 It is submitted that the Applicant has also suppressed material facts, including the complete nature of restructuring, adjustments and repayments, and has approached this Tribunal without full and candid disclosure.

4. <u>AFFIDAVIT IN REJOINDER DATED 12.05.2026 FILED BY THE APPLICANT.</u>

4.1 It is submitted that the Loan Agreement dated 11.10.2018, together with all supplemental documents relied upon by the applicant, have been duly stamped and executed in accordance with the applicable provisions of the

Maharashtra Stamp Act, 1958. The Respondent has not placed on record any material, expert evidence or specific computation to substantiate the alleged insufficiency of stamps duty. A bare assertion without supporting particulars cannot constitute a valid legal objection. It is further submitted that the Respondent has conspicuously not disputed the execution of the Loan Agreement dated 11.10.2018, or any of the other documents relied upon by the Applicant. The sole objection raised is to the alleged insufficiency of stamping, which has no basis whatsoever. It is a well settled proposition of law that in summary proceedings under Section 7 of the Insolvency and Bankruptcy Code, 2016, the Adjudicating Authority is not required to embark upon an enquiry into the technical sufficiency of stamping of documents, particularly when the existence of debt and default is independently established from other admitted evidence on record. In any event, the existence of the financial debt and the occurrence of default are independently, sufficiently, and comprehensively established through multiple sources of corroborative evidence on record.

4.2 The present Application has been filed in the prescribed Form 1 as mandated under Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rule, 2016. Part IV of the Application clearly and completely sets out:

(a) the total amount of the financial debt, loan wise (Loans 1,2 and 3) along with the respective dates of disbursement;

(b) the date of default (27.06.2023); and

(c) a detailed computation of the outstanding amount, separately certified by an independent chartered account Exhibit “R).

The Application is further supported by comprehensive documentary evidence. The Respondent's contention that the Application is incomplete is ex facie incorrect and contrary to the record before this Hon'ble Tribunal.

4.3 It is submitted that the present Application was filed with the specific and valid authorization of the Board of Directors of the Applicant, Sachetna Finance Private Limited. A certified copy of the Board Resolution authorizing Mr. Sandeep Diddi to file and pursue proceedings on behalf of the Company before any tribunal or quasi-judicial body was duly filed as part of the present petition.

4.4 It is submitted that in order to remove any technical objection in this regard, the Applicant is filing herewith a fresh and additional Board Resolution of the Board of Directors of Sachetna Finance Private Limited, specifically and unambiguously authorizing Mr. Sandeep Diddi ratifying initiation, prosecution, and pursuing of the Corporate Insolvency Resolution Process against Shroff Textiles Limited under Section 7 of the Code. This Additional Board Resolution completely and conclusively negates the Respondent's objection at its root.

4.5 The Respondent's elaborate plea on Section 10A of the Code is patently incorrect, misleading, and is squarely contradicted by the record.

i. The earlier Company Petition bearing C.P. (IB) No. 723 of 2025 ("Earlier Petition") was dismissed by this Hon'ble Tribunal vide Order dated 29.01.2026 ("Earlier Order"). Pertinently, the Earlier Order expressly granted liberty to the Applicant to file a fresh Application under Section 7 of the Code. The present Petition has been filed in strict compliance with, and pursuant to, the liberty granted by this

Hon'ble Tribunal. The Respondent's attempt to characterise the present Petition as a repetition of the Earlier Petition is a misrepresentation of the order of this Tribunal.

ii. The present Application is consciously and meticulously confined to defaults occurring entirely outside Section 10A moratorium period (25.03.2020 to 24.03.2021). The date of default claimed in the present Application is 27.06.2023 which falls more than two years after the expiry of the Section 10A moratorium period, and cannot, by any stretch of law or logic, be said to fall within the Section 10A period. The Section 10A bar is therefore entirely inapplicable to the present Petition.

iii. Section 10A of the Code bars the filing of applications for defaults that occurred during the exclusion period (25.03.2020 – 24.03.2021). The date of default in the present Petition is 27.06.2023. This is a fresh default arising from a rescheduled repayment arrangement independently agreed to by the parties. The Section 10A bar has no application whatsoever to a default occurring in June 2023.

iv. It is submitted that the Applicant, contrary to the submissions of the Respondent, has, in fact, filed two separate CA certified computation statements at Exhibit 'R'. At the outset, it is submitted that the first computation (at page no. 238 of the Application) is titled "Loan Summary as on 31-03-2026 (as per Contractual Terms Excluding 10A of IBC)". However, the usage of word ‘Excluding’ is an inadvertence and the Applicant intended to use word ‘Including’ as such computation shows total amount outstanding including interest accrued across all periods including Section 10A period; the second computation (at page no. 254 of the Application) which forms the basis of the present Application expressly and specifically excludes all instalments that fell due during the Section 10A period, principal and interest thereon. The amount claimed in the present Application is based solely on the second computation, which is the amount of Rs. 9,75,57,035/-. Therefore, the Respondent's argument that the Petition's computation "includes" Section 10A amounts is a misreading of the record. This conclusively demonstrates that the Applicant has consciously and carefully excluded Section 10A amounts from its claim.

4.6 The date of default of 27.06.2023, is not arbitrary -it is specifically, precisely, and founded on the extended repayment schedule agreed to by the Financial Creditor.

i. The Corporate Debtor, through its letters dated 17.08.2020, 20.01.2021 and 27.06.2022, expressly and repeatedly requested rescheduling of the repayment of the outstanding loans into monthly instalments over an additional period of 5 to 7 years. The Financial Creditor, acting in good faith and in the interest of the Corporate Debtor, acceded to these requests and granted the extension. The Corporate Debtor itself executed fresh Demand Promissory Notes and Board Resolutions in respect of the rescheduled repayment obligations, thereby providing a fresh acknowledgment of debt and creating a fresh cause of action within the meaning of Section 18 of the Limitation Act, 1963.

ii. The extension of repayment obligations was granted by the Financial Creditor in furtherance of repeated requests made by the Corporate Debtor. The Financial Creditor, acting in good faith and with a view to enable the Corporate Debtor to regularise its outstanding dues, continued to grant sufficient time and indulgence to the Corporate Debtor to discharge its admitted liability. However, despite such repeated indulgence and opportunities, the Corporate Debtor failed and neglected to repay the outstanding dues. Consequently, upon expiry of the extended repayment period, the debt became due and payable and remained unpaid, thereby resulting in a default on June 27.06.2023. It is this date on which the recalled debt became due and payable and remained unpaid, that constitutes the date of default under Section 7 of the Code. This is the date of default claimed in the present Application.

iii. The Respondent's contention regarding the NPA classification on 31.03.2024, is entirely misconceived. The date of default under Section 7 of the IBC is the date on which the debt became due and was not paid, and not the date on which the account was classified as an NPA. The NPA classification on 31.03.2024 is therefore consistent with, and does not contradict, the date of default of 27.06.2023.

4.7 The entire loan disbursal history, repayment schedule, and computation of the outstanding amounts are set out in complete detail in the Application and are supported by comprehensive documentary evidence including Federal Bank statements (Exhibit 'A'), Federal Bank certificate (Exhibit 'B'), CIBIL Report dated 27.02.2026 (Exhibit 'U'), and the CA-certified computation statements (Exhibit 'R').

i. The outstanding principal of Rs. 5,42,50,000/ - is calculated on a precise, loan-wise basis: Loan 1 -Rs. 2,55,00,000/-; Loan 2 - Rs. 2,42,50,000/ -; Loan 3-Rs. 45,00,000/--as reflected in Exhibit 'R'. This is not an arbitrary computation but a precisely documented, independently certified accounting statement. The allegation that no loan-wise breakup has been furnished is factually incorrect and contrary to the record before this Hon'ble Tribunal.

ii. The alleged "inconsistency" in the claim amount is due to the fact that the Applicant, in the earlier Petition, had included instalments for the Section 10A period as well, which this Tribunal found to be a defect. In the present Petition, the Applicant has duly and diligently corrected this by filing a fresh, independent computation that expressly excludes such instalments and interest accrued thereon during the Section 10A period. This demonstrates not inconsistency, but rather strict compliance with the directions of this Tribunal.

4.8 The Applicant has placed before this Tribunal all relevant and material documents, including the complete history of the loan transactions, all communications between the parties, the Earlier Order dated January 29, 2026, computation statements certified by an independent Chartered Accountant, and the Record of Financial Information filed with the Information Utility.

i. It is submitted that the Corporate Debtor's own audited financial statements for FY 2018-19 and FY 2022-23 (Exhibit 'C'), as filed by the Corporate Debtor with the Registrar of Companies, expressly reflect the outstanding loan liabilities owed to the Financial Creditor. This independent and voluntary acknowledgment of debt in the Corporate Debtor's own statutory filings provides the strongest possible corroboration of the financial debt.

ii. The Record of Default filed with the Information Utility in Form C (Exhibit T) is an independent, authoritative, and statutory record of both the financial debt owed by the Corporate Debtor and the default in repayment thereof, as contemplated under Section 7(3)(c) of the Code.

4.9 The Applicant adopts the submissions made in above paragraphs and the same are not repeated for sake of brevity. The allegation that the present Petition is an "abuse of process" and is a "coercive measure" is baseless and is deprecated in the strongest possible terms.

4.10 It is the Corporate Debtor that has acted in bad faith. Despite the Applicant extending the repayment timeline and accommodating the Corporate Debtor's own written requests for rescheduling, the Corporate Debtor has failed to repay the outstanding principal.

5. WRITTEN SUBMISSIONS BY FINANCIAL CREDITORS

The Financial Creditor has reiterated the facts in the Written Statement. For the sake of brevity, the same are not repeated here.

6. WRITTEN SUBMISSIONS BY CORPORATE DEBTOR

The Corporate Debtor has reiterated the facts in the Written Statement. For the sake of brevity, the same are not repeated here.

7. ANALYSIS AND FINDINGS

7.1 We have heard both the Ld. Counsels and perused the documents available on record. Our findings in the matter are as under:-

7.2 **Case of the Applicant**

I. Applicant has disbursed the loan to the Respondent on different dates ranging from 11.10.2018 to 27.06.2022. Applicant has placed the relevant bank statements to prove disbursement on record.

II. Loan agreements dated 19.09.2017 and 11.10.2018 were entered between the parties.

III. Respondent has provided security which besides other things included mortgage by way of deposit of title deeds of Leased Land with the Financial Creditor and has executed various loan documents and demand promissory notes.

IV. Part payments were made by the Corporate Debtor towards the loan, however ultimately it defaulted in loan repayment.

V. After excluding the instalments which were due and payable during the period of moratorium under Section 10A of the Code, the total outstanding amount is Rs. 9,75,57,035/-.

VI. Applicant has placed with its rejoinder certified copy of Board Resolution authorizing Mr. Sandeep Diddi to file the present application specifically and unambiguously authorizing Mr. Sandeep Diddi ratifying initiation, prosecution, and pursuing of the Corporate Insolvency Resolution Process against Shroff Textiles Limited under Section 7 of the Code.

7.3 **Respondent's Objections are dealt with in the following paragraphs:**

I. **Objection - Authorization is not proper**: We observe that the Financial Creditor has placed on record a Board Resolution dated 06.05.2026 authorising

Mr. Sandeep Diddi to institute and pursue proceedings on behalf of the Financial Creditor, specifically ratifying and authorising the initiation, prosecution and pursuit of CIRP against the Corporate Debtor under Section 7 of the Code. Thus, even assuming that the original Board Resolution dated 07.03.2024 required further clarification, the same stands duly supplemented and ratified by the subsequent resolution. The objection is accordingly rejected.

II. **Objection - Earlier Company Petition bearing C.P. (IB) No. 723 of 2025 filed by the Applicant against the Respondent was dismissed by this Tribunal after examining the record and holding that the claim included defaults falling within the period covered under Section 10A of IBC, 2016**: The earlier Application was admittedly dismissed with liberty to the Financial Creditor to file a fresh Application after excluding the amounts falling within the statutory embargo under Section 10A. The present Application has been filed pursuant to such liberty. The mere fact that the present Application arises out of the same underlying loan transactions cannot, by itself, render it non-maintainable. What is material is whether the default in respect of which the present Application is founded is a default prohibited by Section 10A. It is seen that the Application is filed excluding the default falling under Section 10A period.

III. **There is no clear basis for date of default and amount claimed**: The Financial Creditor has specifically pleaded the date of default as 27.06.2023, which is substantially subsequent to the expiry of the Section 10A period, i.e. 24.03.2021. The Financial Creditor has explained that the date of default arises from the extended repayment arrangement granted pursuant to the requests made by the Corporate Debtor. The Corporate Debtor's letters dated

17.08.2020, 20.01.2021 and 27.06.2022 seeking additional time for repayment and the subsequent loan documentation have been relied upon by the Financial Creditor. It is seen that the CD has acknowledged the debt payable in its balance sheet for the FY 2019 to 2023. The subsequent classification of the account as NPA on 31.03.2024 does not, by itself, obliterate or alter an earlier default which had already occurred. NPA classification is an accounting/regulatory classification and cannot be treated as the sole determinant of the date of default under Section 7. In any case the date of default is relevant only the purpose of determining as to whether the Application is in limitation period. In view of the above objection of the Corporate Debtor in this regard is reflected as the Date of Default stated by the Applicant in the Form-I is 27.06.2023 and the Application filed by the Applicant falls within limitation period of 3 years. Further, even if the date of NPA which is 31.03.2024, is considered as the date of default, for which there is no dispute, the Application will still be within the limitation period of three years as it was filed on 23.03.2026.

It is correct that the Application refers to a total contractual outstanding amount of Rs.11,49,34,581/-, comprising principal of Rs.6,32,50,000/- and interest of Rs.5,16,84,581/-, while the amount claimed after exclusion of the Section 10A period is stated to be Rs.9,75,57,035/-. The Financial Creditor has explained that the former represents the overall contractual liability whereas the latter represents the amount actually pressed in the present Application after giving effect to the Section 10A exclusion.

IV. **The Corporate Debtor has alleged that the Financial Creditor has suppressed material facts relating to restructuring, adjustments and**

repayments. We find that the Financial Creditor has disclosed the relevant loan transactions, subsequent requests for additional finance, repayment rescheduling, the earlier Section 7 proceedings, the order dated 29.01.2026, the exclusion of the Section 10A amounts and the revised computation. In fact, the earlier proceedings and the order passed therein have expressly been disclosed in the present Application.

V. **The Corporate Debtor has also raised an objection concerning alleged insufficiency of stamping of the Loan Agreement and related documents**. The said objection does not affect the maintainability of the present Application. The Corporate Debtor has not disputed the execution of the Loan Agreement, the receipt of the financial assistance, the subsequent requests for additional finance or the execution of Demand Promissory Notes and other security documents. Its objection is essentially directed towards the technical sufficiency of stamping. In proceedings under Section 7 of the Code, the Adjudicating Authority is required to determine whether a financial debt exists and whether default has occurred. Where the existence of the transaction and disbursement is independently demonstrated through bank records, admitted documents, statutory financial statements and other contemporaneous material, a technical objection concerning stamping, in the absence of a demonstrated legal consequence affecting the underlying transaction, cannot by itself defeat the insolvency proceedings. Respondent has not denied the existence of loan or default.

VI. **The present Petition still includes interest component covered under Section 10A period**: It is seen that the Applicant has showed two computations of the debt in the Application. One computation includes the interest covered under Section 10A period and another excluding the interest covering Section 10A period. The computation on page no. 254 of the Application forms the basis on the present petition which excludes all the instalments (principal and interest) that fell due during the Section 10A period and hence, the amount claimed in the present Application is Rs. 9,75,57,035/-. In any case the amount claimed in the Application is more than the threshold of Rs. 1 Crore and even if any amount falling under Section 10A period has been added in the claim amount, the Application cannot be said to be non-maintainable as the claim amount is more than threshold of Rs. 1 Crore.

VII. **Amounts claimed are inconsistent , unreliable without proper working and not placing of statement of account and repayment schedule**: We observe that the amounts claimed in the Application are consistent as the Applicant has placed on record the computation of the loans due and payable by the Corporate Debtor and that the other relevant documents such as loan transactions, all communications between the parties, demand promissory notes from the Corporate Debtor, repayment schedule and CA certified computation statements. The Applicant has placed on record the bank statements showing the disbursements made to the Corporate Debtor. Therefore, the said objection of the Corporate Debtor is hereby disregarded. It is also to be noted that ultimately the Adjudicating Authority required to determine the exact quantum or precise claim amount. The IRP will collate the same.

VIII. **Record of default**: As the Corporate Debtor states that the authenticated record of default is not placed on record, which is essential under Section 7 Application, we observe that the Form C has been placed on record by the

Applicant. Also, on reading of Section 7 Application, it is to be noted that the record of default under Section 7 is not mandatory. However, the Adjudicating Authority has to only see if the debt is established and default exists, which is present case the Applicant has established by placing on record all the relevant documents.

7.4 Applicant has placed at page no. 98 of the application the audited financial statements of the CD where loan of Rs. 5,70,62,263/- is shown from the applicant under the heading long term borrowing. The last payment was done by the CD some time in the year 2025.

7.5 In our view the applicant has placed all the necessary evidence to support that it has advanced an interest-bearing loan which is presently under default for an amount exceeding Rs. 1 Crore as prescribed under Section 4 of IBC, 2016.

7.6 The application is complete as all the required information has been provided in the Application and all the required documents have been attached.

7.7 Further, this Tribunal has relied on the judgment in the matter of *Power Trust (Promoter of Hiranmaye Energy Ltd.) v. Bhuvan Madan, IRP of Hiranmaye Energy Ltd. and Ors. Civil Appeal No(s). 2211/2024* wherein the Hon'ble Supreme Court has, while examining the validity of the admission of the Corporate Debtor to CIRP held that in a Section 7 Application the Adjudicating Authority has only to determine whether a default exceeding the threshold has taken place or not and based on the said determination, it has to either accept or reject the said Application. Relevant portion of the said judgment is reproduced hereunder :-

> ***B. Validity of CIRP Admission***
>
> *28. The other aspect on which the Appellant has heavily relied is the acceptance of various sums of money paid by the Corporate Debtor purportedly under the 1st and 2nd restructuring proposals, which according to them amounts to deemed approval of such*

proposal. As discussed earlier, such argument flies in the face of the fact that the 2nd Respondent had resolutely maintained and rightly so, that the restructuring proposals were underpinned on pre-implementation conditions which the Corporate Debtor had failed to fulfil. Under such circumstances, receipt of various sums of money would not amount to acceptance of the restructuring proposals, thereby novating the earlier loan agreement. Neither would such part payments constitute full satisfaction of the existing debt so as to render the Section 7 application inadmissible.

29. It has also been vociferously contended that the Corporate Debtor is an ongoing concern and does not lack the ability to repay the debt. It has a subsisting PPA for 25 years with WBSEDCL, and has raised bills of Rs. 906 crore from 01.11.2024 to 31.03.2025. It also has a continuous fuel supply arrangement with Mahanadi Coalfields Ltd. under the SHAKTI scheme and had earned EBIDTA of Rs. 20 crore per month during the CIRP. These facts though attractive at first blush, do not yield either legal or factual justification to rebut the admission of the Section 7 application.

30. On the legal score, one must bear in mind the scope and purpose for which IBC was promulgated. The main objective of its enactment was to create a complete code for easy, prompt and seamless resolution of insolvency process and thereby ensure that the net worth of the Corporate Debtor is not dissipated and the entity is salvaged from corporate death through a viable resolution plan accepted by its CoC. <u>The Code prescribes whenever a Corporate Debtor defaults on a debt that is due and payable, an insolvency process may be initiated. Section 3(12) defines "default" as non payment of a debt which has become due and payable, and includes default in respect of a part or instalment thereof.</u> Such insolvency process may be initiated either by the Corporate Debtor itself, or by its creditors who are classified as financial creditor or operational creditor. "Financial creditor" is defined as any person to whom a financial debt is owed and includes a person to whom such debt has been legally assigned.26 A "financial debt" means a debt along with interest if any, which is disbursed against the consideration for time value of money and includes money borrowed against payment of interest.27 "Operational creditor" is defined as a person to whom an operational debt is owed and includes any person to whom such debt has been legally assigned.28 "Operational debt" is a claim in respect of the provision of goods or services including employment or a debt in respect of payment of dues arising under any law for the time being in force and payable to the Central or State government, or any local authority.29 31. In Swiss Ribbons (P) Ltd. v. Union of India [(2019) ibclaw.in 03 SC],30 such classification of creditors as financial *creditors and operational creditors has been held to be constitutionally valid. The Bench underscored the essential differences between a financial creditor and operational creditor and held that financial creditors were mostly secured creditors like banks and financial institutions who extended finance to enable a Corporate Debtor to set up and/or operate its business. Such credit is extended to a Corporate Debtor under well-defined loan agreements having specified repayment schedules and reserving rights to recall the loan in case of default or restructure the same enabling a Corporate Debtor to tide over unforeseen financial stress. On the contrary, operational creditors are mostly unsecured creditors and their claims are relatable to supply of goods and services in the operation of the business. Ordinarily, operational debts are not based on admitted documents and the possibility of genuine disputes with regard to such debts is much higher compared to financial debts.*

32. In light of such classification, the Code makes a distinction in the manner in which an insolvency process may be initiated by a financial creditor under Section 7, IBC in contradistinction to an operational creditor under Section 8 and 9, IBC. Unlike an operational creditor, a financial creditor may trigger an insolvency process under Section 7 in respect of default of any financial debt, whether owed to itself or to any other financial creditor. While the financial creditor may directly file an application under Section 7 setting out the particulars of the financial debt and evidence of default, the operational creditor, on the occurrence of a default, is to first deliver a demand notice of the unpaid debt to a Corporate Debtor and the latter may within 10 days of receipt of such demand notice bring to the notice of the operational creditor the existence of a dispute or record the pendency of a pre-existing suit or arbitration proceeding in respect of such debt. Once a Corporate Debtor demonstrates a dispute regarding the existence of the debt, the insolvency process stands aborted vis-à-vis the operational creditor. <u>But when the financial creditor initiates the insolvency process for the purposes of admission, the Adjudicating Authority is only to ascertain the existence of a default from the records of the information utility or the evidence furnished by the financial creditor within fourteen days from the receipt of such application. At this stage, neither is a Corporate Debtor entitled nor is the Adjudicating Authority required to examine any dispute regarding the existence of such debt. This significantly reduces the scope of enquiry at the stage of a time-bound admission of an insolvency process by a financial creditor which has been succinctly summed up in Innoventive (supra):</u>

"30…… in the case of a Corporate Debtor who commits a default of a financial debt, the adjudicating authority has merely to see the records of the information utility or other evidence produced by the financial creditor to satisfy itself that a default has occurred. It is of no matter that the debt is disputed so long as the debt is "due" i.e. payable unless interdicted by some law or has not yet become due in the sense that it is payable at some future date. It is only when this is proved to the satisfaction of the adjudicating authority that the adjudicating authority may reject an application and not otherwise."

33. Reiterating the ratio in Innoventive (supra), this Court in ES Krishnamurthy v. Bharath Hi-Tech Builders (P) Ltd. [(2021) ibclaw.in 173 SC]32 held as follows: "34. The adjudicating authority has clearly acted outside the terms of its jurisdiction under Section 7(5) IBC. The adjudicating authority is empowered only to verify whether a default has occurred or if a default has not occurred. Based upon its decision, the adjudicating authority must then either admit or reject an application, respectively. These are the only two courses of action which are open to the adjudicating authority in accordance with Section 7(5). The adjudicating authority cannot compel a party to the proceedings before it to settle a dispute."

34. In a similar vein, the Adjudicating Authority is not required to go into the inability of a Corporate Debtor to pay its debt. This is a clear departure from the scheme of winding up envisaged under Section 433(e) of the erstwhile Companies Act, 1956 which required the Adjudicating Authority to come to a finding with regard to the inability of the company to pay the debt and thereby arrive at a requisite satisfaction whether it is just and equitable to wind up the company.

The Code restricts the scope of enquiry for admission of an insolvency process by a financial creditor merely to the existence of default of a debt due and payable and nothing more. The legislative intent behind such prompt and summary intervention is "to ensure revival and continuation of the Corporate Debtor by protecting the Corporate Debtor from its own management and from a corporate death by liquidation."

35. The Appellant has heavily relied on Vidarbha (supra) to argue that the Adjudicating Authority has ample discretion to apply its mind to relevant factors including the feasibility of initiation of insolvency process notwithstanding the existence of default on a debt due and payable by the Corporate Debtor. In Vidarbha (supra), this Court observed:-

"61. In our view, the Appellate Authority (NCLAT) erred in holding that the adjudicating authority (NCLT) was only required to see

whether there had been a debt and the Corporate Debtor had defaulted in making repayment of the debt, and that these two aspects, if satisfied, would trigger the CIRP. The existence of a financial debt and default in payment thereof only gave the financial creditor the right to apply for initiation of CIRP. The adjudicating authority (NCLT) was required to apply its mind to relevant factors including the feasibility of initiation of CIRP, against an electricity generating company operated under statutory control, the impact of MERC's appeal, pending in this Court, order of Aptel referred to above and the overall financial health and viability of the Corporate Debtor under its existing management.

…………………………………………………………………

90. We are clearly of the view that the adjudicating authority (NCLT) as also the Appellate Tribunal (NCLAT) fell in error in holding that once it was found that a debt existed and a Corporate Debtor was in default in payment of the debt there would be no option to the adjudicating authority (NCLT) but to admit the petition under Section 7 IBC."

36. However, in review, this Court clarified that observations made in Paragraph 90 are restricted to the facts of Vidarbha (supra):-

"6. The elucidation in para 90 and other paragraphs [of the judgment under review] were made in the context of the case at hand. It is well settled that judgments and observations in judgments are not to be read as provisions of statute. Judicial utterances and/or pronouncements are in the setting of the facts of a particular case."

37. Finally, the apparent dichotomy between Innoventive (supra) and Vidarbha (supra) was set at rest in M. Suresh Kumar Reddy (supra), wherein this Court observed: "14. Thus, it was clarified by the order in review that the decision in Vidarbha Industries was in the setting of facts of the case before this Court. Hence, the decision in Vidarbha Industries cannot be read and understood as taking a view which is contrary to the view taken in Innoventive Industries and E.S. Krishnamurthy. The view taken in Innoventive Industries still holds good."

38. In light of the ratio in M. Suresh Kumar Reddy (supra) there is no cavil that the ratio in Innoventive (supra) lays down the correct proposition of law and the observations in Vidarbha (supra) were made in the facts of the case and do not operate as binding precedent.

39. Even otherwise on facts, Vidarbha (supra) does not come to the aid of the Appellant. In Vidarbha (supra), this Court had taken note of an award passed by APTEL in favour of the Corporate Debtor *which far exceeded the claim of the financial creditor, and held in the setting of such facts, initiation of CIRP was unwarranted. In the present case, Appellant's contention regarding Corporate Debtor's viability is highly dubious. Though the Corporate Debtor strenuously demonstrates its commercial viability, the NCLAT has noted that the extent of outstanding liability as on 02.01.2024 was Rs. 3103.31 crore, which far exceeds the bills raised on WBSEDCL to the tune of Rs 906 crore and EBITDA of Rs. 20 crore per month during the CIRP.*

40. For these reasons, we are of the opinion the admission of the Section 7 application was lawful and does not call for interference."

(emphasis wherever required supplied)

7.8 To summarize the above judgment, we observe as under:-

a. The Code prescribes whenever a corporate debtor defaults on a debt that is due and payable, an insolvency process may be initiated. Section 3(12) defines "default" as non-payment of a debt which has become due and payable, and includes default in respect of a part or instalment thereof.

b. When the financial creditor initiates the insolvency process for the purposes of admission, the Adjudicating Authority is only to ascertain the existence of a default from the records of the information utility or the evidence furnished by the financial creditor within fourteen days from the receipt of such application. At this stage, neither is a corporate debtor entitled nor is the Adjudicating Authority required to examine any dispute regarding the existence of such debt. This significantly reduces the scope of enquiry at the stage of a time-bound admission of an insolvency process by a financial creditor.

c. The adjudicating authority is empowered only to verify whether a default has occurred or if a default has not occurred. Based upon its decision, the adjudicating authority must then either admit or reject an application, respectively. These are the only two courses of action which are open to the adjudicating authority in accordance with Section 7(5).

d. The Adjudicating Authority is not required to go into the inability of a corporate debtor to pay its debt.

e. The Code restricts the scope of enquiry for admission of an insolvency process by a financial creditor merely to the existence of default of a debt due and payable and nothing more.

7.9 Applying the ratio of Power Trust (supra), we are of the view that, the applicant has advanced a financial debt, which is in default for an amount exceeding Rs. 1 Crore. The applicant has placed necessary proof being record of default issued by the information utility, which clearly indicates that the debt is in default. In terms of the above we are forced to order commencement of CIRP on the Corporate Debtor **Shroff Textiles Limited.**

7.10 Financial Creditors have also proposed the name of an Insolvency Professional i.e. **Mr. Hemant J. Mehta** a registered Insolvency Professional having Registration Number IBBI/IPA-001/IP-P00027/2016-17/10060 and e-mail address hemant@apmh.in having valid Authorisation for Assignment up to 30.06.2027 as per IBBI portal and as per the Form 2 attached along with the Application, no disciplinary proceedings are going on against the said IP.

7.11 Further, this Application is complete as all the required documents have been attached along with the Application. Accordingly, the present Application is fit for admission under Section 7 of the IBC, 2016.

7.12 We make it clear that at this stage we have not crystallised the amount as claimed in this Application; the same is left to be collated by the IRP.

ORDER

In view of the aforesaid findings, Application bearing **C.P.(IB) No.304/MB/2026** filed under Section 7 of the Code by Sachetna Finance Private Limited, the Applicant, for initiating CIRP in respect of **Shroff Textiles Limited**, the Corporate Debtor is hereby **admitted.**

We further declare moratorium under Section 14 of the Code with consequential directions as mentioned below: -

I. We prohibit-

(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 Securitisation 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 possession of the Corporate Debtor**.**

II. That the supply of essential goods or services to the Corporate Debtor, if continuing, shall not be terminated or suspended or interrupted during the moratorium period.

III. That the order of moratorium shall have effect from the date of this order till the completion of the CIRP or until this Tribunal approves the resolution plan under Section 31(1) of the Code or passes an order for the liquidation of the Corporate Debtor under Section 33 thereof, as the case may be.

IV. That the public announcement of the CIRP shall be made in immediately as specified under Section 13 of the Code read with Regulation 6 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 and other Rules and Regulations made thereunder.

V. That this Bench hereby appoints **Mr. Hemant J. Mehta** a registered Insolvency Professional having Registration Number IBBI/IPA-001/IP-P00027/2016- 17/10060 and e-mail address hemant@apmh.in having valid Authorisation for Assignment up to 30.06.2027 as the IRP to carry out the functions under the Code.

VI. That the fee payable to IRP/RP shall be in accordance with such Regulations/Circulars/ Directions as may be issued by the IBBI.

VII. That during the CIRP Period, the management of the Corporate Debtor shall vest in the IRP or, as the case may be, the RP in terms of Section 17 or Section 25, as the case may be, of the Code. The officers and managers of the Corporate Debtor are directed to provide effective assistance to the IRP as and when he takes charge of the assets and management of the Corporate Debtor. Coercive steps will follow against them under the provisions of the Code read with Rule 11 of the NCLT Rules for any violation of law.

VIII. In exercise of the powers under Rule 11 of the NCLT Rules, 2016, the Applicant is directed to deposit a sum of Rs.3,00,000/- (Rupees Three Lakh) with the IRP to meet the initial CIRP cost arising out of issuing public notice and inviting claims, etc. The amount so deposited shall be interim finance and paid back to the Applicant on priority upon the funds available with IRP/RP from the Committee of Creditors (CoC). The expenses incurred by IRP out of this fund are subject to approval by the CoC.

IX. A copy of this Order be sent to the Registrar of Companies, Maharashtra, Mumbai for updating the Master Data of the Corporate Debtor.

X. The IRP is directed to issue notice of admission upon all the statutory authorities of the Corporate Debtor without fail.

XI. A copy of the Order shall also be forwarded to the IBBI for record and dissemination on their website.

XII. The Registry is directed to immediately communicate this Order to the Applicant, the Corporate Debtor and the IRP by way of Speed Post, e-mail and WhatsApp.

XIII. Compliance report of the order by Designated Registrar is to be submitted today.

Sd/-	**Sd/-**
NILESH SHARMA	**SAMEER KAKAR**
MEMBER (JUDICIAL)	**MEMBER (TECHNICAL)**

//SS//