**IN THE NATIONAL COMPANY LAW TRIBUNAL: NEW DELHI**
**COURT-IV**

**ITEM No. 301**
**IA/5150/ND/2025 IN IB/659/ND/2021**

**IN THE MATTER OF:**

Punjab National Bank .... Applicant
Versus
M/s Karnal Agriculture Industries Ltd Respondent

**Under Section 7 of the Insolvency & Bankruptcy Code, 2016**

**Order delivered on 30.10.2025**

**CORAM:**
**SHRI MANNI SANKARIAH SHANMUGA SUNDARAM**
**HON'BLE MEMBER (JUDICIAL)**
**SHRI ATUL CHATURVEDI**
**HON'BLE MEMBER (TECHNICAL)**

**PRESENT:**

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| For the Applicant/IRP | : | Ms. Swastika Kumari, Advocate along with Mr. Ravi Bansal, IRP in IA/5150/ND/2025 |
| For the Respondent | : | Mr. Rishi Kapoor, Mr. Sumeet Kapoor, Advocates |

**HYBRID HEARING (PHYSICAL & VC)**

**ORDER**

**1.** This is an application on behalf of the Interim Resolution Professional under section 12 A of the Insolvency and Bankruptcy Code, 2016 read with Regulation 30 A of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 seeking withdrawal of the Corporate Insolvency Resolution Process (herein after referred as “CIRP”) of the Karnal Agricultural Industries Limited (Corporate Debtor)

**2.** The facts of the case are that CIRP was initiated against the Corporate Debtor vide order dated 10.12.2024 passed by this Adjudicating Authority in CP (IB) No. 659 of 2021 and Mr. Arvind Kumar, bearing Registration No. IBBI/IPA-001/IP-P00178/2017-18/10357, was appointed as the Interim Resolution Professional (IRP) of the Corporate Debtor, in accordance with the provisions of Section 16(1) of the Insolvency and Bankruptcy Code, 2016.

**3.** Thereafter, the erstwhile directors of the Corporate Debtor preferred an appeal before the Hon'ble National Company Law Appellate Tribunal (NCLAT) challenging the admission order dated 10.12.2024 passed by this Adjudicating Authority in CP (IB) No. 659 of 2021. The said appeal was registered as Company Appeal (AT) (Insolvency) No. 2342 of 2024. That vide order dated 18.12.2024, the Hon'ble NCLAT issued notice in the appeal and, while doing so, directed the Interim Resolution Professional (IRP) not to constitute the Committee of Creditors (CoC) until further orders. It is pertinent to note that no stay was granted on the Corporate Insolvency Resolution Process (CIRP).

**4.** The Applicant submitted that on 14.10.2025, the Financial Creditor emailed the Applicant enclosing the Settlement/OTS documents and a copy of Form FA. It is pertinent to note that, as per the OTS Letter dated 05.08.2025 issued by Punjab National Bank, and the other Financial Creditor, ARCIL, vide email dated 13.10.2025, furnished a copy of the Settlement Approval dated 01.09.2025 along with the No Dues Certificate dated 15.09.2025.

**5.** That thereafter, the suspended Directors, vide email dated 14.10.2025, submitted copies of the combined approval letters issued by the State Bank of India dated 05.04.2025 and 28.08.2025, respectively. Through the said letters, State Bank of India conveyed its consent to the proposed settlement/OTS arrangement, subject to fulfilment of the stipulated terms and conditions. That against the aggregate admitted debt of INR 4,913,531,506/-, the consortium of Financial Creditors had approved a One-Time Settlement (OTS) proposal of the Corporate Debtor for an amount of INR 62.00 Crore.

**6.** We are inclined to refer to Section 12 A of the Code and Regulation 30A of CIRP Regulations 2016:

> ***12A. Withdrawal of application admitted under section 7, 9 or 10. –***
> *The Adjudicating Authority may allow the withdrawal of application admitted under section 7 or section 9 or section 10, on an application made by the applicant with the approval of ninety per cent. voting share of the committee of creditors, in such manner as may be specified.*
>
> ***30 A. Withdrawal of application.***
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> *(1) An application for withdrawal under section 12A may be made to the Adjudicating Authority –*
>
> *(a) before the constitution of the committee, by the applicant through the interim resolution professional;*
>
> *(b) after the constitution of the committee, by the applicant through the interim resolution professional or the resolution professional, as the case may be:*
>
> *Provided that where the application is made under clause (b) after the issue of invitation for expression of interest under regulation 36A, the applicant shall state the reasons justifying withdrawal after issue of such invitation.*
>
> *(2) The application under sub-regulation (1) shall be made in Form FA of the [Schedule-I ]accompanied by a bank guarantee-*
>
> *(a) towards estimated expenses incurred on or by the interim resolution professional for purposes of regulation 33, till the date of filing of the application under clause (a) of sub-regulation (1); or*
> *(b) towards estimated expenses incurred for purposes of clauses (aa), (ab), (c) and (d) of regulation 31, till the date of filing of the application under clause (b) of sub-regulation (1).*
>
> *(3) Where an application for withdrawal is under clause (a) of sub-regulation (1), the interim resolution professional shall submit the application to the Adjudicating Authority on behalf of the applicant, within three days of its receipt.*

*(4) Where an application for withdrawal is under clause (b) of sub-regulation (1), the committee shall consider the application, within seven days of its receipt.*

*(5) Where the application referred to in sub-regulation (4) is approved by the committee with ninety percent voting share, the resolution professional shall submit such application along with the approval of the committee, to the Adjudicating Authority on behalf of the applicant, within three days of such approval.*

*(6) The Adjudicating Authority may, by order, approve the application submitted under sub-regulation (3) or (5).*

*(7) Where the application is approved under sub-regulation (6), the applicant shall deposit an amount, towards the actual expenses incurred for the purposes referred to in clause (a) or clause (b) of sub-regulation (2) till the date of approval by the Adjudicating Authority, as determined by the interim resolution professional or resolution professional, as the case may be, within three days of such approval, in the bank account of the corporate Debtor, failing which the bank guarantee received under sub-regulation (2) shall be invoked, without prejudice to any other action permissible against the applicant under the Code.]*

**7.** We note that Regulation 30A (2) provides that the application must be made in the manner prescribed in Form FA of Schedule-I, and must be accompanied by a bank guarantee towards the specified expenses. Regulation 30A (3) provides that in cases where the application for withdrawal is moved before the constitution of the CoC, the IRP shall submit the application to the NCLT on behalf of the applicant within three days of receipt.

**8.** We further note that, while the Hon'ble NCLAT had granted a stay on the constitution of the CoC, the IRP was directed to proceed with the collation of claims. In compliance with the said directions, the IRP undertook the collation process and has submitted the following claims pertaining to the Corporate Debtor which is produced over-leaf:

| M/S KARNAL AGRICULTURAL INDUSTRIES LIMITED (UNDER CORPORATE INSOLVENCY RESOLUTION PROCESS) | | | |
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| List of creditors as on 18-04-2025 | | | |
| In accordance with Regulation 13 of The Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016. | | | |
| **Category- Financial Creditor (Secured)** | | | |
| **Sr.** | **Name of Creditor** | **Receipt of claim** | **Amount claimed (Rs.)** |
| 1 | Punjab National Bank | 15.04.2025 | 955,928,891 |
| 2 | State Bank of India | 17.04.2025 | 1,903,042,461 |
| 3 | Asset Reconstruction Company (India) Limited | 10.04.2025 | 2,054,560,154 |
| | | Total Rs. A | 4,913,531,506 |
| **Category- Operational Creditor Except for Workmen and Employees (Unsecured)** | | | |
| 4 | Custom | 16.04.2025 | 65,907,299 |
| 5 | Income Tax | 16.04.2025 | 2,539,034,438 |
| | | Total Rs. B | 2,604,941,737 |
| | | Total (A+B) | 7,518,473,243 |
| ** The Hon'ble National Company Law Appellate Tribunal ("NCLAT"), vide order dated 18.12.2024, directed the IRP to collate claims but restrained him from constituting the Committee of Creditors ("CoC") until further orders. In compliance with the said directions, the IRP has collated the claims and refrained from verifying the claims and constituting the CoC. The IRP shall proceed with verification of claims and constitution of the CoC as and when further directions are issued by the Hon'ble NCLAT.* | | | |

**9.** Further, reliance is placed on the judgment of the Hon'ble Supreme Court in *Swiss Ribbons Ltd. & Anr. v. Union of India & Ors.*, (2019) 4 SCC 17, wherein it has been held that while considering an application under Section 12A of the IBC, the Adjudicating Authority is required to examine all relevant facts and circumstances. In particular, the fact that claims of other creditors have already been filed in the CIRP constitutes a material consideration before permitting withdrawal of the process.

**10.** It was observed in the said Judgement that at any stage prior to the constitution of the CoC, a party may approach the Adjudicating Authority directly for withdrawal or settlement. It has been clarified that the Adjudicating Authority may allow or reject such an application after affording an opportunity of hearing to all concerned parties and upon considering all relevant factors in the facts of each case. Paragraph 82 of the judgment reads as under:

> ***"82.*** *It is clear that once the Code gets triggered by admission of a creditor's petition under Sections 7 to 9, the proceeding that is before the adjudicating authority, being a collective proceeding, is a proceeding in rem. Being a proceeding in rem, it is necessary that the body which is to oversee the resolution process must be consulted before any individual corporate debtor is allowed to settle its claim. A question arises as to what is to happen before a Committee of Creditors is constituted (as per the timelines that are specified, a Committee of Creditors can be appointed at any time within 30 days from the date of appointment of the interim resolution professional). We make it clear that at any stage where the Committee of Creditors is not yet constituted, a party can approach NCLT directly, which Tribunal may, in exercise of its inherent powers under Rule 11 of NCLT Rules, 2016, allow or disallow an application for withdrawal or settlement. This will be decided after hearing all the parties concerned and considering all relevant factors on the facts of each case."*

**11.** We have also taken note of the observations made by the Hon'ble Supreme Court in *GLAS Trust Company LLC (Civil Appeal No. 9986 of 2024)*, a three-Member Bench judgment which had occasion to consider the entire scheme of the IBC concerning withdrawal, Hon'ble Supreme Court also in Paragraph 44 noticed two significant principles in following words:

> ***"44.*** *In summary, the scheme of the IBC under Chapter II gives rise to two significant principles:*
>
> *a. Once the petition is admitted, the proceedings are no longer the preserve of the applicant creditor and the debtor. They now become*

*in rem and all creditors of the corporate debtor become stakeholders in the process; and*

*b. Once the petition is admitted, the management of the affairs of the corporate debtor is vested in the IRP and eventually, in the RP. Thus, the corporate debtor no longer exists in the form that it did, before the admission of the petition. Once CIRP is initiated, the interests of the erstwhile management of the corporate debtor must be distinguished from the interests of the corporate debtor."*

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***49.*** *Against this backdrop, the Ministry of Corporate Affairs of the Government of India set up the Insolvency Law Committee,39 to address the early teething challenges arising from the implementation of the IBC. The ILC Report, submitted on 26 March 2018, also dealt with the issue of withdrawal of CIRP proceedings and discussed the existing practice of this Court of granting "judicial permission" for withdrawal of CIRP after the admission of the application of the creditor. In this context, the report discussed the objectives of the IBC, drawing from the report of the Bankruptcy Law Reforms Committee which preceded the enactment of the IBC, and concluded that:*

> ***"29.1 …it was agreed that once the CIRP is initiated, it is no longer a proceeding only between the applicant creditor and the corporate debtor but is envisaged to be a proceeding involving all creditors of the debtor. The intent of the Code is to discourage individual actions for enforcement and settlement to the exclusion of the general benefit of all creditors."***

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***58.****From the above observations of this Court in Swiss Ribbons (supra), the following positions of law may be deduced:*

*a. Once the petition instituted by a creditor is admitted, the proceedings before the NCLT become a 'collective proceeding' or a proceeding in rem. Thus, the body which oversees the resolution process, i.e. CoC must be consulted before allowing the claim to be settled;*

*b. This Court recognized that there was a lacuna in relation to cases where the CoC had not been formed. Accordingly, it was held that, in such cases, the party can approach the NCLT directly, and the NCLT may exercise its inherent powers under Rule 11 to allow or disallow the application for settlement/withdrawal. However, given the in rem nature of the proceedings, such an application must be decided only after hearing all the parties concerned and considering the relevant factors in the case;*

*c. This high threshold of a ninety-percent voting share of the CoC is not arbitrary. The idea is that the financial creditors have to put their heads together to allow such withdrawal; and*

*d. Under Section 60 of the IBC, the decision of the CoC to reject or accept the settlement claim can be challenged before the NCLT and then, the NCLAT.*

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*66. We do not concur with the above understanding for two broad reasons.*

*a. Firstly, that the application is to be submitted by the IRP rather than the parties themselves is not a distinction without difference. As noted above, once the application is admitted and CIRP is initiated, it is the IRP who takes charge of the affairs of the corporate debtor. The proceedings become collective proceedings and the interests of the former management of the corporate debtor, become disjunct from the interest of the corporate debtor. Therefore, the parties (such as the former management of the corporate debtor) must submit their application for withdrawal through the IRP who is now the person in control of the insolvency proceedings. To subvert this requirement would run contrary to the scheme of the IBC and the underlying principles discussed in this judgment; and*

*b.* ***Secondly, the NCLT cannot be considered a post office that merely puts a stamp on the withdrawal application submitted by the parties through the IRP. The ILC Report, in response to which, the parent provision, i.e. Section 12A was introduced in the IBC specifically discussed the possibility of the creditors, apart from the applicant creditor agreeing to a settlement as the underlying reason to permit withdrawal even after initiation of the CIRP. It was never fathomed by the ILC that withdrawal of claims would remain a unilateral process, even though the application is admitted and CIRP has been initiated. Similarly, this Court in Swiss Ribbons (supra), in response to which Regulation 30A was amended, specifically observed that in cases where withdrawal is sought after initiation of CIRP, but before the CoC is constituted, the NCLT must decide on the application after "hearing all the parties concerned and considering all relevant factors on the facts of each case." Therefore, the NCLT does conduct an adjudicatory exercise when the application for withdrawal is placed before it, and the procedure is not a mere technicality.***

**12.** Upon a consideration of Paragraph 66(b) of the judgment, it is evident that, prior to the constitution of the CoC, this Adjudicating Authority is required to adjudicate upon a withdrawal application after affording an opportunity of hearing to all concerned parties and upon evaluating all relevant factors in the facts of each case. The Hon'ble Supreme Court has categorically held that, at this stage, the NCLT undertakes a substantive adjudicatory exercise and that the process is not a mere technical formality. It has further been clarified that the NCLT cannot act as a mere post office to mechanically endorse a withdrawal application routed through the IRP.

**13.** The ratio of the judgment unequivocally establishes that, while considering an application under Section 12A filed before the constitution of the CoC, the Adjudicating Authority is duty-bound to hear all stakeholders and to examine all relevant circumstances pertaining to the matter. The judgment thus clearly empowers the Adjudicating Authority to evaluate all pertinent factors and take an informed decision on a Section 12A application submitted by the IRP prior to the formation of the CoC.

**14.** Based upon the Judgements of the Hon'ble Supreme Court we observe that once the CIRP is admitted under Section 7 of the IBC, the proceedings attain the character of *in rem*. We observe that while the claims of the Financial Creditors, comprising three FCs, have been settled, no opportunity was afforded to the other creditors to enable settlement of their respective claims. Consequently, the Income Tax Department, being a stakeholder and creditor of the Corporate Debtor, was entitled to have its objections or claims considered prior to any decision on a Section 12A application filed by the IRP pursuant to a settlement with another creditor.

**15.** Permitting withdrawal of the CIRP solely on the basis of settlement with one set of creditors, to the exclusion of others, effectively results in a preferential payment to a particular class of creditors, which is contrary to the scheme and objectives of the IBC.

**16.** As per the submission of the IRP we note that the Income Tax dept. has submitted a claim amount for INR 253,90,34,438/- and the Custom Department has submitted a claim for an amount of INR 6,59,07,299/-, collectively for an amount of INR 260,49,41,737/-.

**17.** We observe that it was on account of the default committed by the Corporate Debtor that the CIRP had to be initiated. We further note that although the Financial Creditors claim to have been making efforts to settle the matter with the Corporate Debtor prior to initiation of CIRP, the settlement proposal was placed before this Adjudicating Authority only after the CIRP order had been passed. This conduct indicates that the Financial Creditors were not proactively pursuing a resolution of the Corporate Debtor's distress prior to commencement of CIRP.

**18.** We further note that even under the eventual settlement, the Financial Creditors have agreed to a substantial haircut. In the facts and circumstances of the case, we deem it appropriate to impose costs upon the Financial Creditors, who permitted the matter to remain unresolved for an unduly prolonged period before arriving at a settlement involving such significant concessions. This Adjudicating Authority expresses its strong disapproval of the laxity displayed in the conduct of this matter and observes that the delay and lack of due diligence have ultimately resulted in financial prejudice. Accordingly, this Adjudicating Authority is inclined to impose costs of INR 5 lakh each upon the Financial Creditors i.e. Punjab National Bank, State Bank of India and Asset Reconstruction Company (India) Limited to be paid to Prime Minister's National Relief Fund (PMNRF) within 7 days of passing of this order.

**19.** We further note that the IRP, in the present Application, has submitted that the CIRP costs remain unpaid. However, during the course of hearing of another application in the main matter held on 03.12.2025, the IRP submitted that the entire CIRP cost has been paid.

**20.** Considering the circumstances of the case, and upon evaluating the submissions and arguments advanced by the parties, as well as the judicial precedents placed on record, and in exercise of the powers conferred under Section 12A of the Insolvency and Bankruptcy Code, 2016 read with Regulation 30A of the CIRP Regulations, this Adjudicating Authority allows the present application. Accordingly, withdrawal of CP (IB) No. 659 of 2021 is permitted in view of the One-Time Settlement (OTS) arrived at and executed between the parties.

Let a copy of this order, be communicated by the Registry to the concerned Income-Tax Department and Custom Department.

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| **Sd/-** | **Sd/-** |
| **ATUL CHATURVEDI**<br>**MEMBER (TECHNICAL)** | **MANNI SANKARIAH SHANMUGA SUNDARAM**<br>**MEMBER (JUDICIAL)** |