



**NATIONAL COMPANY LAW TRIBUNAL  
CUTTACK BENCH  
CP(IB) No. 48/CB/2025**

*(An application 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)*

**In the Matter of:**

**M/S MICRO UNITS' DEVELOPMENT AND REFINANCE AGENCY  
LIMITED (MUDRA)**

through its Authorized Officer

Bhuvnesh Kumar Sen (AGM)

Plot No. C-11, 'G' Block,

Bandra Kurla Complex,

Bandra (East),

Mumbai, Maharashtra, India,

400051.

EMAIL: [bhuvneshs@mudra.org.in](mailto:bhuvneshs@mudra.org.in)

**..... Applicant/Financial Creditor**

**Versus**

**M/S ADHIKAR MICROFINANCE PRIVATE LIMITED**

having its registered office at-

Plot No. 77/180/970,

Subudhipur, Tomando,

Bhubaneshwar, Khordha-752054, Odisha

**..... Respondent/Corporate Debtor**

**Order pronounced on: 06.10.2026**

**CORAM: CHEEKATI RADHA KRISHNA, MEMBER(J)**

**BANWARI LAL MEENA, MEMBER(T)**

**APPEARANCE:**

**FOR APPLICANT: Ms. PINKI, ADV.**

**FOR RESPONDENT: MR. SUBHAJEET SAHU, ADV**

**Ms. KAJAL SAHOO, ADV**

**MR. RONIT GHOSH, ADV**

**Ms. URMILA SAHOO, ADV**

**MR. ROMEET PANIGRAHI, ADV**

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**ORDER**

**PER: BANWARI LAL MEENA, MEMBER (T)**

1. The instant application has been filed by **Micro Units' Development and Refinance Agency Limited (MUDRA)** (CIN: U65100MH2015PLC274695) (hereinafter referred to as the **"Applicant/Financial Creditor"**) under Section 7 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as the **"Code"**) read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 (hereinafter referred to as the **"Adjudicating Authority Rules"**), seeking initiation of **Corporate Insolvency Resolution Process ("CIRP")** against **Adhikar Microfinance Private Limited** (hereinafter referred to as the **"Respondent/Corporate Debtor"**). The Applicant has claimed an outstanding financial debt of **Rs.1,68,30,860/-** (Rupees One Crore Sixty-Eight Lakhs Thirty Thousand Eight Hundred and Sixty only), comprising **principal overdue of Rs.1,26,82,412/- and interest overdue of Rs.41,48,448/-**. The Applicant has stated that the **first default occurred on 10.11.2021** and continued thereafter.

**SUMMARY OF PLEADINGS**

2. The averments made by the Financial Creditor/Applicant in its application and as placed before the Tribunal are summarised as under:

- 2.1 The Applicant, **Micro Units' Development and Refinance Agency Limited (MUDRA)**, is stated to be a financial institution incorporated as a wholly-owned subsidiary of the **Small Industries Development Bank of India (SIDBI)**, which operates under the administrative control of the Ministry of Finance, Government of India. The Applicant has stated that MUDRA was established by the Government of India as a public undertaking with the primary objective of providing refinancing support to banks, NBFCs and other financial intermediaries for lending to micro and small enterprises engaged in income-

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generating activities, particularly to facilitate access to formal credit for unserved and underserved segments of the economy.

- 2.2** It is further averred that MUDRA is entirely owned and controlled by SIDBI, which is a statutory body constituted under an Act of Parliament, and that MUDRA accordingly qualifies as a government-owned Public Financial Institution and a public sector undertaking within the meaning of applicable laws. On this basis, the Applicant has asserted that it is competent to institute proceedings under Section 7 of the Code as a Financial Creditor.
- 2.3** The Corporate Debtor, namely Adhikar Microfinance Private Limited ("AMPL"), is stated to be engaged in microfinance lending activities to women based on the joint-liability group model. The Applicant has stated that the Corporate Debtor offers products and services including income generation loans, WASH loans, house improvement loans, energy loans, micro-insurance and pensions.
- 2.4** According to the Applicant, the Corporate Debtor has a presence in Odisha, Chhattisgarh and Gujarat, and had recently commenced operations in Assam. It is further stated that the Corporate Debtor had partnerships with State Bank of Patiala, IDBI Bank, Reliance Capital, Canara Bank, Dia and DCB Bank, amongst others. The paid-up capital of the Corporate Debtor is stated to be Rs.10.79 Crores.
- 2.5** The Applicant has specifically addressed the question as to whether the Corporate Debtor falls within the definition of a "Financial Service Provider" under Sections 3(16) and 3(17) of the Code. It has submitted that Section 3(17) defines a Financial Service Provider as a person engaged in the business of providing financial services in terms of an authorisation issued or registration granted by a financial sector regulator, and that the definition does not, by itself, specifically include every NBFC.

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According to the Applicant, the relevant consideration is whether the person provides any of the financial services contemplated under Section 3(16) of the Code.

**2.6** The Applicant has thereafter examined each of the services enumerated in Section 3(16) of the Code and, through the tabulated analysis annexed with the application, has submitted that the Corporate Debtor does **not** provide any service falling within the said statutory definition. The table specifically deals with the following categories:

- (a) accepting of deposits;
- (b) safeguarding and administering assets consisting of financial products belonging to another person;
- (c) effecting contracts of insurance;
- (d) offering or managing financial products belonging to another person;
- (e) rendering advice or soliciting for buying, selling or subscribing to financial products, availing financial services, or exercising rights associated with financial products or financial services;
- (f) establishing or operating an investment scheme;
- (g) maintaining or transferring records of ownership of financial products;
- (h) underwriting the issuance or subscription of financial products; and
- (i) selling, providing or issuing stored value or payment instruments or providing payment services.

**2.7** In the said tabulated analysis, the Applicant has stated, inter alia, that the Corporate Debtor was never granted an RBI licence to accept deposits and was not engaged in accepting deposits; that it does not safeguard or administer financial assets belonging to another person; that it is not engaged in insurance business; that it does not provide portfolio or asset-management

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services; that it is not registered as an NBFC/Financial Institution and has never undertaken activities relating to buying, selling or subscribing to financial products or rendering advice in that regard; that it has never established or operated an investment scheme; that it is not engaged in maintaining or transferring records of ownership of securities or financial instruments; that it does not act as an underwriter or participate in issuance/subscription of financial products; and that it does not provide payment systems or stored-value/prepaid instruments.

- 2.8** On the basis of the aforesaid analysis, the Applicant has submitted that the Corporate Debtor does not fall within the ambit of a “Financial Service Provider” under Sections 3(16) read with 3(17) of the Code. The Applicant has accordingly sought consideration of the Section 7 application on that basis.
- 2.9** The Applicant has further relied upon MCA Notification S.O. 4139(E) dated 18.11.2019, stating that the said notification provides for filing of CIRP applications in respect of non-banking finance companies, including housing finance companies, having an asset size of Rs.500 Crores or more, as per the last audited balance sheet, by the Reserve Bank of India.
- 2.10** According to the Applicant, the aforesaid notification applies only to those Financial Service Providers which are NBFCs having an asset size of Rs.500 Crores or more. The Applicant has asserted that the Corporate Debtor is not presently an NBFC since its licence has already been cancelled by the Reserve Bank of India. It has further stated that, as per the Corporate Debtor’s last audited balance sheet for FY 2023–24, its assets amounted to only Rs.95.07 Crores. On these grounds, the Applicant has submitted that the Corporate Debtor is not a Financial Service Provider for the purposes of the present proceedings and that the Section 7 application is maintainable.

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- 2.11** The Applicant has stated that it sanctioned a term loan of Rs.4.50 Crores to the Corporate Debtor pursuant to the Letter of Intent/Sanction Letter dated 04.12.2019. The loan was stated to be secured by a primary security by way of exclusive first charge over the book debts/receivables of the Corporate Debtor.
- 2.12** The Applicant has further stated in Part IV of Form 1 that the aforesaid term loan of Rs.4.50 Crores was disbursed on 13.12.2019. The Loan Account/Statement of Account maintained by the Financial Creditor has been relied upon in support of the disbursement and outstanding liability.
- 2.13** The particulars of the loan, as set out in the tabular statement accompanying the application, record the date of sanction letter as 04.12.2019, the date of sanction as 28.11.2019, the nature of facility as Term Loan, the sanctioned amount as Rs.4,50,00,000/-, and the outstanding amount, inclusive of interest, as Rs.1,68,30,860/-.
- 2.14** The Applicant has averred that the Corporate Debtor operated the loan account with discipline up to June 2021, but from July 2021 onwards started delaying payment of instalments and interest. It is stated that the instalments and interest falling due up to October 2021 were paid belatedly, but the amounts were never fully paid. Consequently, according to the Applicant, the loan account was classified as Non-Performing Asset ("NPA") on 08.02.2022.
- 2.15** The Applicant has stated that despite requests and demands, the Corporate Debtor failed to adhere to the repayment schedule of the Loan Account in accordance with the agreed terms and failed to close the loan account.
- 2.16** The Applicant has furnished a detailed month-wise statement showing the amount falling due, principal due, interest due, total amount due, amount paid, overdue amount and the corresponding default date. The said statement records that the

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first default was on 10.11.2021, with a principal amount of Rs.16,07,200/-, interest of Rs.98,567/-, total due of Rs.17,05,767/-, payment of Rs.2,31,762/-, leaving an overdue amount of Rs.14,74,005/-.

**2.17** The said statement further records subsequent defaults on a continuing monthly basis. For the initial period, the dues included principal instalments of approximately Rs.16,07,200/- per month, together with applicable interest. The statement records part-payments against the instalments due on 10.12.2021, 10.01.2022 and 10.02.2022, while the subsequent instalments remained unpaid.

**2.18** From **10.03.2022 onwards**, the table records continuing unpaid dues, with the principal component progressively ceasing to appear and interest amounts being carried as overdue. The monthly interest/overdue amounts thereafter include, inter alia, Rs.93,115/- on 10.07.2022; Rs.96,729/- on 10.08.2022; Rs.97,256/- on 10.09.2022; Rs.94,632/- on 10.10.2022; Rs.98,304/- on 10.11.2022; Rs.95,652/- on 10.12.2022; Rs.99,364/- on 10.01.2023; Rs.99,905/- on 10.02.2023; Rs.90,731/- on 10.03.2023; Rs.1,00,947/- on 10.04.2023; Rs.98,225/- on 10.05.2023; and Rs.1,02,036/- on 10.06.2023, as reflected in the Applicant's computation.

**2.19** The statement thereafter records continuing monthly defaults from **10.07.2023 onwards**, including interest/overdue amounts of Rs.99,283/- on 10.07.2023; Rs.1,03,135/- on 10.08.2023; Rs.1,03,698/- on 10.09.2023; Rs.1,00,891/- on 10.10.2023; Rs.1,04,807/- on 10.11.2023; Rs.1,01,978/- on 10.12.2023; Rs.2,42,756/- on 10.01.2024; Rs.1,05,245/- on 10.02.2024; Rs.98,056/- on 10.03.2024; Rs.1,05,206/- on 10.04.2024; Rs.1,02,367/- on 10.05.2024; Rs.1,06,339/- on 10.06.2024; and Rs.1,03,470/- on 10.07.2024.

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- 2.20** The computation further records continuing defaults from 10.08.2024 to 10.07.2025, comprising, inter alia, Rs.1,07,486/- on 10.08.2024; Rs.1,07,448/- on 10.09.2024; Rs.1,04,459/- on 10.10.2024; Rs.1,08,514/- on 10.11.2024; Rs.1,05,586/- on 10.12.2024; Rs.1,09,682/- on 10.01.2025; Rs.1,10,281/- on 10.02.2025; Rs.1,00,152/- on 10.03.2025; Rs.42,716/- on 10.04.2025; Rs.41,450/- on 10.05.2025; Rs.42,946/- on 10.06.2025; and Rs.41,674/- on 10.07.2025. The Applicant's tabulation shows the cumulative overdue amount as Rs.1,68,30,860/-.
- 2.21** The Applicant has accordingly stated that the Corporate Debtor defaulted continuously in meeting its repayment obligations/commitments from 10.02.2021 till date, and that despite requests made by the Applicant, the Corporate Debtor failed to pay the amounts due and failed to clear the default. The application, however, separately identifies the first default date as 10.11.2021 in Part IV of Form 1 and in the limitation pleadings.
- 2.22** As per Part IV of Form 1, the amount claimed to be in default is specifically stated as Rs.1,26,82,412/- towards principal overdue and Rs.41,48,448/- towards interest overdue, totalling Rs.1,68,30,860/-.
- 2.23** On the issue of limitation, the Applicant has submitted that the application is within the prescribed period on the basis of the acknowledgment of liability contained in the audited balance sheets of the Corporate Debtor.
- 2.24** The Applicant has relied upon the judgment of the Hon'ble Supreme Court in Dena Bank (now Bank of Baroda) v. C. Shivakumar Reddy & Anr., (2021) 10 SCC 330, and submitted that a written acknowledgment of liability made by a debtor before expiry of the period of limitation extends the period of limitation. The Applicant has further relied upon the said

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judgment for the proposition that payments made towards principal or interest after classification of an account as NPA may constitute acknowledgment of liability under Section 18 of the Limitation Act, 1963.

- 2.25** The Applicant has also relied upon Asset Reconstruction Company (India) Ltd. v. Bishal Jaiswal & Anr., (2021) 6 SCC 366, submitting that acknowledgment of debt in the books of account and balance sheets of a company can amount to acknowledgment under Section 18 of the Limitation Act, thereby giving rise to a fresh period of limitation.
- 2.26** It is the specific case of the Applicant that the Corporate Debtor acknowledged the outstanding financial debt in its audited balance sheets for the financial years 2021-22, 2022-23 and 2023-24. The Applicant has relied particularly upon the balance sheet as on 31.03.2024 for the purpose of demonstrating acknowledgment of the debt.
- 2.27** The Applicant has further pleaded limitation on the basis of part-payments made by the Corporate Debtor. It has stated that, although the first default occurred on 10.11.2021 and the account was classified as NPA on 08.02.2022, the Corporate Debtor made payments towards the outstanding financial debt, which according to the Applicant constitute acknowledgment of liability under Section 18 of the Limitation Act.
- 2.28** In one part of the application, the Applicant has specifically referred to repayments made on 18.01.2024, 08.02.2024 and 16.02.2024, as reflected in the account statements, and has submitted that such payments were made within the limitation period and consequently extended the limitation period.
- 2.29** In Part IV of Form 1, the Applicant has additionally referred to part-payments made on 13.10.2023, 28.11.2023 and 18.01.2024, stating that these payments towards the outstanding financial debt are reflected in the bank statements

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and constitute acknowledgment of liability under Section 18 of the Limitation Act, 1963.

**2.30** On the basis of the aforesaid acknowledgments in the balance sheets and the part-payments reflected in the Statement of Account, the Applicant has submitted that a fresh period of limitation commenced from the relevant acknowledgment/payment and that the present application is within the period of limitation prescribed under the Limitation Act, 1963.

**2.31** The Applicant has further disclosed that an Application for Insolvency Resolution Process of the Personal Guarantor of the Corporate Debtor has been filed under Section 95 of the Code by Small Industries Development Bank of India (SIDBI).

**2.32** It has been stated that, pursuant to Section 97(3) of the Code, the Adjudicating Authority has appointed a Resolution Professional in the said personal insolvency proceedings. The Applicant has relied upon the order dated 12.12.2023 appointing the Resolution Professional.

**3. The submissions made by the Corporate Debtor/Respondent in its reply and as argued by the learned counsel appearing on its behalf are summarised as under:**

**3.1** The Corporate Debtor has stated that **Adhikar Micro Finance Private Limited** is engaged in the business of providing loans to individuals and firms for meeting their personal and business requirements and was registered as an NBFC with the Reserve Bank of India. It has further stated that it approached MUDRA and availed a **term loan facility of Rs.4.50 Crores** pursuant to the sanction/renewal dated **28.11.2019**, and that the loan facility was thereafter disbursed upon execution of the requisite loan transaction documents.

**3.2** It has been submitted that, as security for the aforesaid loan facility, the receivables and book debts of the Corporate Debtor

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were hypothecated/charged in favour of MUDRA. The Corporate Debtor has stated that, while applying for and availing the loan facility, it agreed to abide by the terms and conditions governing the loan transaction and undertook to repay the amount availed by way of Equated Monthly Instalments (EMIs) on their respective due dates.

- 3.3** The Corporate Debtor has stated that, according to its understanding of the repayment history, the date of default was 08.02.2022, whereas the last instalment was paid on 14.08.2024. It has further stated that the amount due, according to its computation, was Rs.93,58,411/- as on the date of filing of the application and that it has been making efforts to repay the remaining loan amount in monthly instalments.
- 3.4** The Corporate Debtor with the contention regarding repayment has relied upon a tabulated statement titled “Adhikar Microfinance Private Limited – Micro Units Development (MUDRA) Loan Outstanding as on 13.02.2026.” The statement records an initial disbursement of Rs.4,50,00,000/- on 13.12.2019 and thereafter sets out the repayments made and the corresponding outstanding balance.
- 3.5** As per the said statement, the Corporate Debtor has stated that repayments were made from time to time, including payments of Rs.18,37,095/- on 09.03.2020; Rs.18,44,172/- on 09.04.2020; Rs.18,28,034/- on 19.06.2020; Rs.36,61,794/- on 09.07.2020; Rs.18,09,064/- on 11.08.2020; Rs.18,00,570/- on 10.09.2020; Rs.17,85,564/- on 09.10.2020; Rs.17,82,733/- on 10.11.2020; Rs.17,68,576/- on 10.12.2020; Rs.17,65,179/- on 11.01.2021; Rs.17,56,810/- on 10.02.2021; Rs.17,34,035/- on 10.03.2021; Rs.17,38,847/- on 09.04.2021; Rs.17,26,107/- on 10.05.2021; Rs.17,21,293/- on 09.06.2021; and Rs.16,07,200/- on 13.07.2021, with the outstanding amount correspondingly reducing from the original sanctioned/disbursed amount.

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- 3.6** The said statement further recorded a repayment of Rs.49,24,516/- on 03.11.2021, following which the outstanding amount is shown as Rs.99,08,411/-. Thereafter, further repayments of Rs.50,000/- each on 14.07.2023, 17.08.2023, 13.10.2023, 28.11.2023, 16.12.2023 and 18.01.2024, Rs.50,000/- on 08.02.2024, Rs.1,00,000/- on 16.02.2024, and Rs.1,00,000/- on 14.08.2024 are reflected in the statement. The cumulative repayment is shown as Rs.3,56,41,589/-, leaving an outstanding amount of Rs.93,58,411/- against the original loan amount of Rs.4.50 Crores.
- 3.7** The Corporate Debtor has contended that the aforesaid repayment history demonstrates that it has not abandoned its repayment obligations and has continued to make payments towards the loan account. It has specifically relied upon the fact that the last repayment was made on 14.08.2024, and has submitted that the outstanding amount reflected in its tabulation is substantially lower than the amount claimed by the Financial Creditor in the Section 7 application.
- 3.8** The Corporate Debtor has explained that it is a microfinance company which borrows funds from MUDRA and deploys the same by providing further loans/financing to Self-Help Groups ("SHGs") for enabling them to carry on and expand their businesses. It has submitted that, owing to the outbreak and disruption caused by COVID-19, the SHGs financed by it were adversely affected and were unable to repay their loans within time, which in turn resulted in delay in repayment of the loan availed from MUDRA.
- 3.9** It has been submitted that the loans advanced by the Corporate Debtor are utilised by poor and needy persons for carrying on small livelihood activities. According to the Corporate Debtor, a substantial number of its borrowers are women belonging to economically weaker sections, who use the loan amounts for

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activities such as vegetable vending, purchase of cattle and goats, handloom weaving, stone carving and other handicraft-related activities. The loan amounts advanced to such persons are stated to be generally in the range of Rs.15,000/- to Rs.20,000/-.

- 3.10** The Corporate Debtor has stated that, although its clients had been repaying their loans on time, they lost their livelihoods during the COVID-19 period. The governmental assistance received by them in the form of essential commodities such as rice and dal was, according to the Corporate Debtor, sufficient only for survival and not for revival of their lost businesses. It has submitted that the borrowers have been gradually recovering and attempting to restore their livelihoods.
- 3.11** It has further been submitted that several borrowers left their places of residence and migrated to different destinations in search of livelihood and consequently failed to repay the amounts due to the Corporate Debtor. According to the Corporate Debtor, it may therefore take two to three years to establish contact with such borrowers and recover the amounts due from them, which has correspondingly affected its ability to repay MUDRA.
- 3.12** The Corporate Debtor has set out its principal objectives as including: (i) meeting the credit needs of poor persons; (ii) encouraging financing activity, both on the thrift and credit side, in segments of the population which are ordinarily difficult for formal financial institutions to reach; (iii) building the functional capacity of poor and marginalized sections in employment and income-generating activities; (iv) providing collateral-free loans to persons who generally find it difficult to obtain loans from banks; and (v) facilitating women empowerment through women SHGs. It has stated that the amounts received from MUDRA are utilised for providing loans to poor and marginalised persons, particularly rural women.

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- 3.13** The Corporate Debtor has further stated that it had previously received loans from SIDBI, including a Rs.3 Crore term loan in 2016 and a Rs.5 Crore term loan in 2017, and claims to have successfully repaid the same. On this basis, it has submitted that its conduct demonstrates its efforts to service and repay its financial obligations.
- 3.14** The Corporate Debtor has submitted that it is making efforts to repay the remaining loan amount through monthly installments and has prayed that reasonable time be granted to enable it to repay the outstanding principal amount. It has further stated that, as it is not permitted to collect additional interest from its borrowers, it would be difficult for it to recover the interest component from its clients and consequently discharge the corresponding interest liability to MUDRA.
- 3.15** The Corporate Debtor has specifically disputed the Applicant's contention that it does not fall within the definition of a "Financial Service Provider" under the Code. It has submitted that microfinance activity is a core financial service activity and that the Corporate Debtor has historically operated under the regulatory framework of the Reserve Bank of India. According to the Corporate Debtor, the nature of its business squarely falls within the financial services contemplated under the Code and, consequently, it falls within the scope of Sections 3(16), 3(17) and 3(7) of the Code.
- 3.16** The Corporate Debtor has further contended that, even assuming, without admitting, that its RBI licence was cancelled, the determination under Section 3(17) of the Code cannot be based merely upon the present status of its licence. According to the Corporate Debtor, the relevant test is the nature of the business and the regulatory framework under which it has historically operated, and not merely its present licensing status. It has therefore submitted that the Applicant's attempt to

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contend that the Corporate Debtor is not a Financial Service Provider is misconceived and legally untenable.

- 3.17** The Respondent contended that the Applicant has attempted to artificially exclude the Corporate Debtor from the definition of a Financial Service Provider, whereas the principal activity of the Corporate Debtor is microfinance lending, which involves lending operations, management of loans and delivery of financial products to borrowers.
- 3.18** The Corporate Debtor has disputed the proposition that only entities formally classified as NBFCs can qualify as Financial Service Providers. It has contended that the statutory definition under Section 3(16) of the Code is directed towards the nature of financial service activities and not merely the regulatory nomenclature of an entity as an NBFC. Accordingly, it has submitted that the Applicant's attempt to exclude the Corporate Debtor from the definition of Financial Service Provider is self-serving and legally unsustainable.
- 3.19** The Corporate Debtor has disputed the amount of Rs.1,68,30,860/- claimed by the Applicant as outstanding as on 14.07.2025. It has contended that the Applicant has included penal charges and other amounts in its tabular computation and that the principal/interest breakup reflected in the Applicant's statement contains serious inconsistencies. According to the Corporate Debtor, the alleged computation requires detailed examination and cannot be conclusively determined in the summary jurisdiction exercised under Section 7 of the Code.
- 3.20** The Corporate Debtor has raised an objection regarding the statutory threshold under Section 4 of the Code. It has submitted that, when the amount of default is computed in accordance with the provisions of the Code, the alleged default is below the threshold of Rs.1 Crore prescribed under Section 4, as amended by the notification dated 24.03.2020.

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- 3.21** The Respondent contended that the Applicant has wrongly inflated the alleged amount of default by including interest and penal charges so as to artificially cross the minimum statutory threshold for commencement of insolvency proceedings. According to the Corporate Debtor, the principal amount of default, even if assumed to be due, is below Rs.1 Crore, and therefore the essential jurisdictional requirement under Section 4 of the Code is not satisfied.
- 3.22** The Corporate Debtor has further submitted that insolvency proceedings cannot be initiated by artificially aggregating interest with the principal amount merely to cross the statutory threshold, particularly where the principal amount of default itself does not meet the prescribed minimum. It has contended that the minimum threshold is intended to ensure that insolvency proceedings are not invoked in respect of relatively small disputes or recovery claims.
- 3.23** The Corporate Debtor has contended that the amount claimed by the Applicant is factually incorrect, inflated and unsupported by legally admissible evidence. It has submitted that the Applicant has failed to place on record a properly certified and reconciled statement of account establishing the exact amount allegedly outstanding. It has further contended that the tabular computation contains discrepancies in the calculation of principal, interest and penal charges and that the figures reflected therein are inconsistent and incapable of proper verification.
- 3.24** The Respondent contended, in the absence of a duly certified statement of account in terms of the Bankers' Books Evidence Act, 1981, the amount alleged to be in default cannot be treated as proved. According to the Corporate Debtor, the Adjudicating Authority, while considering an application under Section 7, is

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required to be satisfied as to the existence of a definite and legally established default.

- 3.25** The Corporate Debtor has submitted that where the quantum of the alleged debt and default itself is disputed and the computation relied upon by the Applicant is stated to be demonstrably incorrect, the petition cannot be admitted in the summary jurisdiction of the Tribunal. It has therefore contended that the present application, being founded upon an erroneous and unsubstantiated computation of the alleged outstanding amount, is liable to be rejected at the threshold.
- 3.26** The Respondent contended that the Applicant has failed to establish the existence of a legally enforceable “default” under Section 7 of the Code. According to the Corporate Debtor, mere assertion of non-payment, without cogent and admissible evidence such as a duly certified statement of account, loan recall notice and proof of classification of the account as NPA in accordance with RBI guidelines, cannot constitute sufficient proof of default.
- 3.27** The Corporate Debtor has also contended that the Applicant has failed to establish that the alleged debt was “due and payable in law” on the date of filing of the application. It has disputed the computation of the outstanding amount and submitted that the Applicant has not demonstrated that the entire amount claimed had become due and payable in accordance with the terms of the loan agreement. In the absence of crystallization of liability, according to the Corporate Debtor, the Section 7 application is not maintainable.
- 3.28** The Corporate Debtor has further alleged that the Applicant approached the Tribunal without full and frank disclosure of material facts. It has specifically referred to the alleged non-disclosure of the actual financial position of the Corporate Debtor, payments made by it from time to time, and negotiations

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or restructuring efforts undertaken between the parties. According to the Corporate Debtor, suppression of such material facts disentitles the Applicant from obtaining relief in the present proceedings.

**3.29** The Corporate Debtor has contended that it is a going concern and is actively engaged in its business operations. It has submitted that there is no material demonstrating that it is commercially insolvent or incapable of meeting its obligations.

**3.30** The Respondent has submitted that the delay in repayment has arisen from temporary financial stress and liquidity difficulties, particularly in the context of the difficulties faced by its microfinance borrowers, and that such temporary financial stress or delay in repayment cannot, according to the Corporate Debtor, be equated with insolvency so as to justify commencement of CIRP.

**4. The submissions made by the Financial Creditor/Applicant in its rejoinder and as placed before the Tribunal are summarised as under:**

**4.1** The Applicant has submitted with regard to the loan facility and date of default, that the Corporate Debtor was engaged in the business of providing loans and was registered as an NBFC with the RBI, that it approached MUDRA, a wholly owned subsidiary of SIDBI, and availed a term loan of Rs.4.50 Crore, and that the loan was disbursed upon execution of the loan transaction documents, with receivables and book debts being hypothecated in favor of MUDRA as security. However, the Applicant has denied the assertion of the Corporate Debtor that the date of default was 08.02.2022. According to the Applicant, the actual date of default was 10.11.2021, being the date on which the EMI fell due and remained unpaid. It has been contended that the Corporate Debtor has confused the date of default with the subsequent date of classification of the account as

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NPA. According to the Applicant, 08.02.2022 was merely the date on which the account was classified as NPA under the RBI prudential norms, whereas the date of default under the IBC was the date on which the debt became due and payable but remained unpaid. The Applicant has relied upon Section 3(12) of the IBC in support of its contention that NPA classification does not determine the date of default under Code. The Applicant has further denied that the amount outstanding was Rs.93,58,411/- as alleged by the Corporate Debtor. It has submitted that the actual outstanding amount was Rs.1,68,30,860/-, as reflected in the Statement of Account. The Applicant has described the said Statement of Account as a system-generated and authentic statement maintained in the ordinary course of business and has contended that it is admissible under the Bankers' Books Evidence Act, 1891. According to the Applicant, the Corporate Debtor has understated the dues by excluding accrued interest and penal charges payable under the loan transaction documents with the intention of portraying the claim as being below the statutory threshold of Rs.1 Crore. The Applicant has therefore submitted that the computation relied upon by the Corporate Debtor is self-serving and liable to be rejected.

**4.2** The Applicant has stated that although it does not dispute that the Corporate Debtor was engaged in microfinance lending to Self-Help Groups and that the COVID-19 pandemic caused economic hardship to several sectors, the narration regarding the difficulties faced by the borrowers of the Corporate Debtor is irrelevant to the determination of the present Application under Section 7 of the IBC.

The Applicant has contended that the inability of the Corporate Debtor's SHG borrowers to repay their respective loans cannot constitute a defence to the Corporate Debtor's independent and

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primary contractual obligation to repay the loan availed from MUDRA. According to the Applicant, the liability of the Corporate Debtor towards MUDRA cannot be made contingent upon the financial position or repayment capacity of the Corporate Debtor's own borrowers. The Applicant has submitted that the Corporate Debtor voluntarily availed the loan facility and agreed to repay the same through EMIs and therefore cannot transfer its repayment liability to its downstream borrowers. The Applicant has further submitted that the COVID-19 pandemic cannot operate as a perpetual shield against repayment obligations. It has specifically contended that the default occurred on 10.11.2021, by which time economic activity had substantially resumed. The Applicant has pointed out that although the Corporate Debtor received Rs.4.50 Crore, only partial repayments were made and the account was not fully regularised thereafter. According to the Applicant, financial difficulty, even if sympathetically considered, does not constitute a legal defence against a crystallised debt and default.

**4.3** The Applicant has further submitted that the detailed narration in the reply concerning the socio-economic objectives of microfinance, the profile of the borrowers and the social purpose served by the Corporate Debtor's business does not have relevance to the determination of the Section 7 Application. It has contended that the scope of enquiry under Section 7 is confined to the existence of a financial debt and the occurrence of default and that the social objectives of the Corporate Debtor cannot override its contractual obligation to repay the financial debt.

**4.4** The Applicant has submitted that the fact that the Corporate Debtor had successfully repaid larger loan amounts in the past does not constitute a defence to the present default. On the contrary, according to the Applicant, such repayment demonstrates that the Corporate Debtor had the institutional capacity and wherewithal to honour its repayment obligations. The

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Applicant has therefore contended that repayment of earlier loans cannot operate as a defence or set-off against the present subsisting liability.

- 4.5** The Applicant has submitted that such a request is legally untenable. According to the Applicant, the Corporate Debtor is contractually bound to repay the entire outstanding amount, including interest, in accordance with the loan transaction documents. The Applicant has contended that the Corporate Debtor's inability to recover interest from its own borrowers is a matter between the Corporate Debtor and its borrowers and cannot diminish or extinguish its liability towards MUDRA.
- 4.6** The Applicant has further submitted that a request for additional time to repay, irrespective of the circumstances in which such request is made, cannot defeat or delay the statutory remedy available to the Financial Creditor under the IBC. It has also pointed out that the Section 7 Application was instituted on 30.09.2025 and has contended that sufficient opportunity had already been available to the Corporate Debtor to discharge the outstanding liability. According to the Applicant, the reliance on COVID-19 at this stage is an afterthought, particularly when the disruption period had substantially subsided and the Corporate Debtor continued to remain in default.
- 4.7** The Applicant has denied that the Corporate Debtor falls within the definition of a Financial Service Provider under Section 3(17) of the IBC. It has contended that merely carrying on microfinance-related activities does not automatically bring the Corporate Debtor within the definition of a Financial Service Provider so as to attract the exclusion under Section 3(7) of the Code. According to the Applicant, in order to be treated as a Financial Service Provider, the Corporate Debtor must be shown to be engaged in providing financial services pursuant to a valid and subsisting authorisation or registration granted by the relevant

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financial sector regulator. It has therefore contended that in the absence of such subsisting authorisation, the Corporate Debtor cannot claim exclusion from the definition of “corporate person” under Section 3(7) of the Code.

- 4.8** The Applicant has submitted that even assuming that the Corporate Debtor was earlier covered within the definition of a Financial Service Provider by virtue of its registration as an NBFC, such registration had already been cancelled by the Reserve Bank of India on 20.05.2025. According to the Applicant, as on the relevant date stated by it, i.e. 19.09.2025, the Corporate Debtor was no longer an NBFC and consequently could not be treated as a Financial Service Provider. It has therefore contended that once the NBFC registration stood cancelled, the Corporate Debtor ceased to have the character of a Financial Service Provider and the exclusion under Section 3(7) became inapplicable. In support of the said contention, the Applicant has relied upon the judgment of the Hon'ble NCLAT in **Ankush Saluja v. Urmila Goyal & Anr., Comp. App. (AT) (Ins.) No.1560 of 2025**, stated to have been decided on 21.01.2026. According to the Applicant, in the said matter, the Hon'ble NCLAT held that upon cancellation of the registration of the Corporate Debtor as an NBFC by the RBI, the Corporate Debtor no longer continued as a Financial Service Provider and the exclusion under Section 3(7) of the IBC could not thereafter be invoked to challenge the maintainability of proceedings under Section 7. On this basis, the Applicant has submitted that the objection of the Corporate Debtor regarding its status as a Financial Service Provider is baseless and that the Corporate Debtor is amenable to proceedings under the IBC.
- 4.9** The Applicant has denied that there are any serious inconsistencies requiring detailed adjudication beyond the scope of Section 7 proceedings. It has submitted that the amount claimed is duly reflected in the Statement of Account maintained by the

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Applicant in the ordinary and regular course of business. According to the Applicant, the Corporate Debtor has not produced any cogent material to discredit or disprove the said Statement of Account.

The Applicant has further contended that the objection concerning penal charges and the breakup of principal and interest is a vague and bald denial. According to the Applicant, the existence of the debt and default is evident from the documents placed on record and minor or self-serving objections concerning computation cannot defeat a Section 7 Application once the default exceeds the statutory threshold.

**4.10** The Applicant has denied the contention that the alleged default is below the prescribed threshold. It has submitted that the total amount in default is Rs.1,68,30,860/-, which, according to the Applicant, exceeds the threshold of Rs.1 Crore prescribed under Section 4 of the IBC. The Applicant has referred to Notification S.O.1205(E), F. No.30/9/2020-Insolvency dated 24.03.2020, whereby the Central Government prescribed the minimum default threshold of Rs.1 Crore under Section 4 of the Code. It has submitted that the computation of the amount in default has been transparently set out at pages 15-16 of the Application for the period commencing from the date of default, stated as 10.11.2021, up to 10.07.2025. According to the Applicant, the computation is based upon the Statement of Account maintained for the period from 01.11.2019 to 14.07.2025. The Applicant has denied the allegation that it has wrongfully inflated the amount by including interest and penal charges and has submitted that interest and related charges constitute part of the financial debt in terms of the agreed contractual terms.

**4.11** The Applicant has denied that the Statement of Account is inadmissible for want of certification under the Bankers' Books

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Evidence Act, 1891. It has reiterated that the Statement of Account is system-generated, authentic and maintained in the ordinary course of business. The Applicant has further submitted that proceedings under Section 7 are summary in nature and that the Adjudicating Authority is required to ascertain the existence of financial debt and default. According to the Applicant, strict rules of evidence applicable to a civil trial cannot be rigidly applied in such proceedings and the requirement of certification under the Bankers' Books Evidence Act cannot be employed as a technical ground to defeat the substantive claim when the debt and default are otherwise established from the record.

**4.12** The Applicant has stated that the Statement of Account filed with the Application records the transactions, disbursement and outstanding dues of the Corporate Debtor. It has contrasted the same with the tabular calculation relied upon by the Corporate Debtor, which, according to the Applicant, is self-serving, unsupported by underlying records and does not account for interest and penal charges.

**4.13** The Applicant has relied upon Clause 2.3 of the Loan Agreement and submitted that the Corporate Debtor was liable to pay interest at the rate of 6.43% per annum with monthly rests on the principal amount outstanding from time to time, payable on a monthly basis. The Applicant has further referred to the contractual stipulation that such interest was payable monthly on the 10th day of each calendar month and that MUDRA reserved the right to review the rate of interest at the time of each disbursement.

**4.14** According to the Applicant, the contractual terms therefore imposed an obligation upon the Corporate Debtor to repay the principal together with interest on a monthly basis. The Applicant has alleged that the Corporate Debtor has incorrectly adjusted the payments made by it towards interest against the principal outstanding, thereby reducing the amount shown as default. It has

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contended that such adjustment is contrary to the agreed repayment terms and has resulted in an artificial reduction of the amount of default reflected in the Corporate Debtor's computation.

- 4.15** The Applicant has submitted that the existence of a legally enforceable financial debt and the occurrence of default have been duly established from the documents filed with the Application. According to the Applicant, the Statement of Account at pages 115-117 demonstrates that the instalments and interest fell due from time to time and remained unpaid.
- 4.16** The Applicant has further relied upon the classification of the Corporate Debtor's account as NPA on **08.02.2022**, followed by issuance of a **Recall Notice dated 23.08.2022**. According to the Applicant, the Recall Notice called upon the Corporate Debtor to repay the outstanding dues, but despite service thereof, the Corporate Debtor failed to discharge the outstanding liability.
- 4.17** The Applicant has further contended that the Corporate Debtor has **not specifically disputed the occurrence of default**. According to the Applicant, in paragraphs 2, 3 and 7 of its reply, the Corporate Debtor has admitted the outstanding liability/default and has merely sought further time to make repayment. The Applicant has submitted that such conduct constitutes an admission of the existence of the debt and default.
- 4.18** The Applicant has placed on record all relevant and material documents necessary for adjudication of the Section 7 Application, including the loan agreement, Statement of Account, details of disbursement, repayments and default. The Applicant has therefore contended that the financial information relevant for determination of "debt" and "default" under the IBC has been transparently disclosed before the Adjudicating Authority.
- 4.19** The Applicant has submitted that such status does not constitute a defence to a Section 7 Application. According to the Applicant, the scheme of the IBC does not require the Financial Creditor to

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establish commercial insolvency or complete inability of the Corporate Debtor to carry on business. The Applicant has contended that the enquiry under Section 7 is confined to determining the existence of financial debt and default.

**4.20** The Applicant has further submitted that, once default is established, the financial health, profitability or status of the Corporate Debtor as a going concern is immaterial for determining admission of the Application. It has also contended that the stand of the Corporate Debtor is self-contradictory, inasmuch as, while portraying itself as a going concern, it has allegedly failed to make any repayment towards the defaulted amount after 2024.

**4.21** According to the Applicant, such continued non-payment demonstrates inability and/or unwillingness to service the debt obligations. The Applicant has therefore submitted that the plea that the Corporate Debtor is not commercially insolvent is irrelevant to the determination of the Section 7 Application.

**5. The submissions made by the Applicant/Financial Creditor in its written notes are summarized as under:**

**5.1** The Applicant has submitted that it sanctioned a term loan of Rs.4.50 Crore to the Corporate Debtor vide Letter of Intent/Sanction Letter dated 04.12.2019. The Applicant has further submitted that the first default occurred on 10.11.2021, when the instalment/interest became due and remained unpaid by the Corporate Debtor. According to the Applicant, the default continued to occur subsequently as and when the instalments/interest became due and remained unpaid.

**5.2** The Applicant has further submitted that it issued a Recall Notice dated 23.08.2022 to the Corporate Debtor demanding the total outstanding amount of Rs.1,37,57,712/- as on 23.08.2022. According to the Applicant, despite issuance of the said Recall Notice, the Corporate Debtor failed to discharge the outstanding

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amount. The Applicant has also submitted that the Recall Notice has not been disputed by the Respondent in its reply.

- 5.3** The Applicant has submitted that the Corporate Debtor is no longer an NBFC, as its Certificate of Registration/licence as an NBFC stood cancelled by the Reserve Bank of India on 20.05.2025. The Applicant has relied upon the RBI press release dated 12.06.2025 evidencing cancellation of the licence of the Corporate Debtor.
- 5.4** The Applicant has further placed reliance upon the judgment of the Hon'ble NCLAT in **Ankush Saluja v. Urmila Goyal & Anr., Company Appeal (AT) (Ins.) No.1560 of 2025**, wherein, according to the Applicant, it was held that upon cancellation of the registration of a Corporate Debtor as an NBFC by the RBI, the Corporate Debtor no longer continues as a Financial Service Provider and an application under Section 7 of the IBC is maintainable against such company.
- 5.5** The Applicant has submitted that the Respondent has admitted the debt/default in paragraphs 2 and 3 of its reply filed before this Adjudicating Authority. According to the Applicant, the contents of the said paragraphs demonstrate that the Corporate Debtor has not disputed the existence of its liability towards the Applicant.
- 5.6** The Applicant has denied the contention of the Corporate Debtor that the amount due as on the date of filing of the Application was only **Rs.93,58,411/-** of default in the tabulation furnished at pages 6-7 of its reply.
- 5.7** The Applicant has submitted that the Corporate Debtor has incorrectly adjusted the payments towards principal and interest against the principal amount alone, which, according to the Applicant, is not the correct method of computation of the outstanding amount. The Applicant has further submitted that, on a perusal of the Statement of Account, the outstanding

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principal amount itself is Rs.1,12,50,400/-, calculated as Rs.16,07,200/- \* 7, which according to the Applicant is itself beyond the statutory threshold of Rs.1 Crore. It has further submitted that upon addition of interest, the amount in default would increase further.

**5.8** The Applicant has reiterated that the NBFC licence of the Corporate Debtor stood cancelled by the RBI and, consequently, the Corporate Debtor no longer retains the status of a Financial Service Provider. According to the Applicant, the Section 7 Application is therefore maintainable against the Corporate Debtor.

**5.9** The Applicant has submitted that limitation is available in the present case on the basis of the Balance Sheet as on 31.03.2024. The Applicant has further submitted that the repayments made by the Corporate Debtor on 18.01.2024, 08.02.2024 and 16.02.2024, as reflected in the Bank Statement at page 116 and explained at pages 18-19 of the Application, constitute acknowledgment of the subsisting debt and consequently extend the period of limitation.

**6. The submissions made by the Respondent/Corporate Debtor in its written notes of submission are summarised as under:**

**6.1** The Respondent has submitted that although the original term loan facility was for Rs.4.50 Crore, the contention in the present proceedings relates to the actual subsisting default, the manner in which repayments made by the Corporate Debtor have been appropriated, and the addition of interest and other charges by which the Applicant seeks to arrive at the alleged outstanding amount of Rs.1,68,30,860/-. According to the Respondent, the Applicant itself records that the Corporate Debtor operated the loan account and made repayments, though such payments became delayed subsequently.

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- 6.2** The Respondent has stated that it has placed on record a transaction-wise statement showing that against the original disbursement of Rs.4,50,00,000/-, repayments aggregating to approximately Rs.3,56,41,589/- were made, leaving, according to the Respondent's computation, an outstanding principal amount of Rs.93,58,411/-. It has further submitted that the repayment chart reflects payments continuing up to 14.08.2024. According to the Respondent, while the Applicant claims Rs.1,68,30,860/- as outstanding, the said figure has been arrived at by including interest and other charges. The Respondent has submitted that the substantial difference between the amount of Rs.93,58,411/- reflected in its computation and the amount of Rs.1,68,30,860/- claimed by the Applicant cannot be treated as a mere arithmetic discrepancy.
- 6.3** The Respondent has accordingly submitted that the Applicant is required to demonstrate, with precision, the principal outstanding after each repayment, the contractual rate of interest, the manner in which each repayment was appropriated, the basis for levy of penal/default charges, and the date on which each component allegedly became due and payable. According to the Respondent, in the absence of such reconciliation, the alleged quantum of default remains seriously disputed and cannot be automatically accepted in summary proceedings under Section 7 of the Code.
- 6.4** The Respondent has clarified that it does not proceed on the broad proposition that interest can never form part of a financial debt. Its submission, according to the written notes, is narrower and arises from the circumstances of the present case, namely, that where interest and additional charges are indispensable for bringing the alleged default within the jurisdictional threshold, the Applicant must establish those components through a transparent, verifiable and duly reconciled calculation.

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- 6.5** The Respondent has submitted that the Applicant seeks to rely upon the same by describing it as a system-generated and authentic statement maintained in the ordinary course of business. According to the Respondent, however, merely describing a document as system-generated does not resolve substantive inconsistencies relating to the principal amount, interest, penal charges and appropriation of repayments.
- 6.6** The Respondent has therefore submitted that where the amount of default necessary to confer jurisdiction is disputed, the computation relied upon by the Applicant must be capable of independent verification.
- 6.7** The Respondent has further pointed out that the Applicant itself relies upon the repayments made by the Corporate Debtor on 18.01.2024, 08.02.2024 and 16.02.2024 for the purpose of contending that the period of limitation stood extended. According to the Respondent, once the Applicant relies upon such payments for the purpose of limitation, the complete accounting effect of those payments must necessarily be reflected while determining the outstanding amount. It has therefore been contended that the Applicant cannot rely upon the said payments for extending limitation while, at the same time, failing to provide a complete reconciliation of the same payments for the purpose of determining the quantum of default.
- 6.8** The Respondent has submitted that it is a Micro Financing Company which borrowed funds from MUDRA and thereafter advanced/lent funds to Self-Help Groups ("SHGs") for the purpose of facilitating and growing their businesses. According to the Respondent, owing to the disruption caused by the COVID-19 pandemic, the SHGs financed by it were adversely affected and were unable to repay their loans in time, which in turn resulted in delay in repayment of the loan availed from SIDBI/MUDRA. The Respondent has submitted that it has

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nevertheless been making efforts to repay the loan by way of monthly instalments.

- 6.9** The Respondent has submitted that the Code is not intended to be used as a substitute for ordinary recovery proceedings. It has acknowledged that proceedings under Section 7 may be summary in nature, but has contended that the foundational facts giving rise to the jurisdiction of the Adjudicating Authority must nevertheless be clearly established. According to the Respondent, where the Applicant seeks to invoke the consequences of commencement of CIRP on the basis of an amount which requires reconciliation of competing accounts, appropriation of multiple repayments and verification of interest and penal/default charges, the Adjudicating Authority ought to require a clear and reconciled demonstration of the qualifying default.
- 6.10** The Respondent has submitted that the Section 7 Application was filed on 19.09.2025 and has remained pending at the stage of admission for an inordinately long period, with the matter being reserved for orders only after nearly eleven months.
- 6.11** The Respondent has referred to Section 7(4) of the IBC, which provides that the Adjudicating Authority shall, within fourteen days of receipt of the application, ascertain the existence of default, whereupon the application is to be dealt with in terms of Section 7(5). According to the Respondent, although the said period has been judicially regarded as directory, the express statutory prescription cannot be rendered otiose or treated as having no significance.
- 6.12** It has therefore been submitted that the prolonged delay in the present matter is inconsistent with the statutory mandate and the time-bound scheme underlying the IBC. According to the Respondent, such departure from the statutory timeframe, particularly at the threshold stage of admission, warrants

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consideration while determining whether the consequences of commencement of CIRP ought to be imposed upon the Corporate Debtor after such prolonged pendency.

**6.13** The Respondent has further submitted that substantial repayments have admittedly been made against the original Rs.4.50 Crore facility. According to its transaction-wise computation, the remaining principal was Rs.93,58,411/-, whereas the Applicant seeks to proceed on the basis of an amount of Rs.1,68,30,860/-.

**6.14** The Respondent has contended that since the additional components of interest and charges are relied upon for taking the alleged default beyond the statutory threshold of Rs.1 Crore, the burden lies upon the Applicant to establish their contractual foundation, accrual, due date, appropriation and exact computation.

#### **ANALYSIS AND FINDINGS**

**7.** We have heard the Learned Counsel appearing for the Applicant/Financial Creditor as well as the Learned Counsel appearing for the Respondent/Corporate Debtor. We have also perused the pleadings, documents, written submissions and the material placed on record. Following are the issues in consideration through which we have examined the issues:

- i) *Whether the Application is maintainable against the Corporate Debtor having regard to its status as a Financial Service Provider?*
- ii) *Whether the existence of financial debt and occurrence of default have been established?*
- iii) *Whether the amount in default satisfies the statutory threshold of Rs. 1 Crore?*
- iv) *Whether the Application is within limitation and whether the Applicant is entitled to initiation of CIRP?*

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**8. Issue No. 1: Whether the Application is maintainable against the Corporate Debtor having regard to its status as a Financial Service Provider?**

- 8.1** The first objection requiring consideration is the contention of the Corporate Debtor that it is a Financial Service Provider and, therefore, falls outside the definition of “corporate person” under Section 3(7) of the Code. The Corporate Debtor has submitted that it was registered as an NBFC with the Reserve Bank of India and that its principal activity consists of microfinance lending. It has therefore contended that its activities constitute financial services within the meaning of Sections 3(16) and 3(17) of the Code.
- 8.2** On the other hand, the Applicant has submitted that the Corporate Debtor's Certificate of Registration as an NBFC was cancelled by the Reserve Bank of India on 20.05.2025 and that, as on the relevant date, the Corporate Debtor no longer possessed a subsisting registration or authorization as an NBFC. The Applicant has relied upon the RBI communication/press release placed on record in this regard.
- 8.3** The material placed before us also shows that the Corporate Debtor itself has admitted that it was earlier registered as an NBFC and was engaged in lending activities. Thus, the contention is not regarding its historical status, but whether, after cancellation of its NBFC registration, it continues to fall within the statutory exclusion applicable to Financial Service Providers.
- 8.4** Section 3(17) of the Code contemplates a person engaged in the business of providing financial services in terms of an authorisation issued or registration granted by a financial sector regulator. In the present case, the Applicant has specifically pleaded, and relied upon material to demonstrate, that the RBI registration of the Corporate Debtor stood cancelled on **20.05.2025**. The present Application was instituted thereafter.

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- 8.5 In the circumstances, merely because the Corporate Debtor had historically carried on microfinance lending and was earlier registered as an NBFC cannot, by itself, result in its continuing to enjoy the statutory exclusion after cancellation of the regulatory registration. The fact that its principal business was microfinance lending is therefore not, by itself, sufficient to defeat the maintainability of the present Application when the regulatory registration under which it carried on such activity had ceased to subsist.
- 8.6 The contention of the Corporate Debtor that the nature of its historical business should alone determine its status as a Financial Service Provider cannot be accepted in the facts of the present case. The statutory definition under Section 3(17) specifically refers to financial services being provided pursuant to an authorisation or registration granted by the relevant financial sector regulator. Once such registration stood cancelled, the Corporate Debtor cannot rely merely upon its previous regulatory status to claim the exclusion from the definition of "corporate person".
- 8.7 We therefore hold that, on the material placed before us, the Corporate Debtor does not retain the status of a Financial Service Provider so as to be excluded from the ambit of the Code under Section 3(7). The present Application under Section 7 is accordingly maintainable.
- 9. Issue No. 2: Whether the existence of financial debt and occurrence of default have been established?**
- 9.1 It is not in dispute that the Applicant sanctioned a **term loan of Rs. 4.50 Crores** to the Corporate Debtor pursuant to the sanction/Letter of Intent dated **04.12.2019**, and that the said facility was disbursed on **13.12.2019**. The Corporate Debtor has itself admitted availing the said term loan and has also

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admitted that its receivables/book debts were charged/hypothecated in favour of the Applicant as security.

- 9.2** Thus, the foundational fact regarding the loan transaction and disbursement is not in dispute. The transaction involved disbursement of money against repayment obligations and interest over time and therefore constitutes a financial debt within the meaning of the Code.
- 9.3** The principal dispute raised by the Corporate Debtor concerns the date and quantum of default. The Applicant has stated that the first default occurred on 10.11.2021, when the instalment and interest falling due remained unpaid. The Applicant has specifically distinguished this date from 08.02.2022, which was the date on which the account was classified as NPA. According to the Applicant, NPA classification cannot substitute the actual date on which the debt became due and remained unpaid.
- 9.4** The Applicant has placed on record a detailed statement showing the instalments falling due and the amounts remaining unpaid and has identified 10.11.2021 as the first date of default. The Corporate Debtor, while stating that according to its understanding the date of default was 08.02.2022, has nevertheless admitted that repayment obligations existed and that repayments were made only from time to time.
- 9.5** More importantly, the Corporate Debtor has itself furnished a repayment statement showing substantial repayments against the loan facility and has admitted that an amount continued to remain outstanding. Its own case is that an amount of Rs. 93,58,411/- remained payable as per its computation and that it was making efforts to repay the same by monthly instalments.

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- 9.6** The aforesaid stand of the Corporate Debtor itself establishes that the financial obligation created under the loan transaction had not been fully discharged. The request for further time to repay the outstanding amount also proceeds on the basis that a subsisting liability remained payable to the Applicant.
- 9.7** The Applicant has additionally relied upon the Recall Notice dated 23.08.2022, whereby the outstanding amount was demanded from the Corporate Debtor. The Applicant has stated that despite the recall notice, the Corporate Debtor failed to discharge the outstanding liability.
- 9.8** The explanation offered by the Corporate Debtor regarding the COVID-19 pandemic and the financial difficulties allegedly faced by its SHG borrowers may explain the circumstances in which the Corporate Debtor experienced difficulty in servicing its liability. However, such circumstances do not efface the independent contractual obligation of the Corporate Debtor towards the Applicant. The Corporate Debtor's liability towards the Applicant cannot be made contingent upon its ability to recover loans from its own borrowers.
- 9.9** Likewise, the fact that the Corporate Debtor is a going concern or that it had successfully repaid earlier loans does not negate an existing default. The enquiry under Section 7 is concerned with the existence of financial debt and occurrence of default and not with whether the Corporate Debtor continues to carry on business or whether the financial difficulties are temporary in nature.
- 9.10** We therefore find that the loan transaction, disbursement of the financial facility and subsistence of an unpaid liability stand established from the record. The material placed before us further establishes that the repayment obligations fell due

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and were not discharged in accordance with the agreed repayment schedule.

- 9.11** Accordingly, we hold that the Applicant has established the existence of a financial debt and occurrence of default within the meaning of the Code.

**10. Issue No. 3: Whether the amount in default satisfies the statutory threshold of Rs. 1 Crore?**

- 10.1** The next question concerns the amount of default for the purpose of Section 4 of the Code. The Applicant has claimed an aggregate outstanding amount of Rs. 1,68,30,860/-, comprising Rs. 1,26,82,412/- towards principal overdue and Rs. 41,48,448/- towards interest overdue. The Applicant has relied upon its Statement of Account and computation in support thereof.
- 10.2** The Corporate Debtor has disputed the aforesaid computation and has relied upon its own transaction-wise statement showing total repayments of approximately Rs. 3,56,41,589/-, leaving an outstanding amount of Rs. 93,58,411/- according to its computation. The principal objection of the Corporate Debtor is that interest and other charges have been included by the Applicant and that the amount has consequently been brought above the statutory threshold of Rs. 1 Crore.
- 10.3** We have considered the rival computations. The mere existence of a dispute regarding the exact outstanding amount does not, by itself, defeat a Section 7 Application. What is required to be determined at this stage is whether the existence of financial debt and a qualifying default are established and whether the amount of default satisfies the statutory threshold.

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- 10.4** In the present case, the Applicant has specifically submitted in its written notes that the **principal amount itself is Rs. 1,12,50,400/-**, calculated on the basis of seven instalments of Rs. 16,07,200/- each. The Applicant has therefore contended that even without taking into consideration the interest component, the principal amount in default itself exceeds the statutory threshold of Rs. 1 Crore.
- 10.5** This aspect assumes significance because the Corporate Debtor's principal objection is founded on the proposition that interest and additional charges are required to be excluded in order to bring the amount below Rs. 1 Crore. However, if the principal component of the default itself exceeds Rs. 1 Crore, the said objection would not affect the jurisdictional threshold.
- 10.6** The Corporate Debtor has admittedly made substantial repayments after disbursement of the original facility. However, such repayments do not establish that the remaining liability was below the statutory threshold. The Corporate Debtor's own statement acknowledges a substantial outstanding balance, and the dispute principally concerns the manner of appropriation of payments and computation of interest and charges.
- 10.7** The Applicant has further explained that the contractual rate of interest was **6.43% per annum with monthly rests**, and has relied upon the terms of the Loan Agreement in support of its computation. The dispute regarding the precise appropriation of payments may have a bearing upon the final reconciliation of accounts, but it does not displace the underlying financial debt or the demonstrated default.
- 10.8** We also note that the Corporate Debtor has not placed before us material demonstrating that the financial debt stood fully discharged. On the contrary, its own case is that an amount

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of **Rs. 93,58,411/-** remained payable and that it was seeking time to repay the same. Thus, the defence of the Corporate Debtor is not that no debt remained outstanding, but that the amount was less than that claimed by the Applicant.

**10.9** In the facts of the present case, the Applicant has specifically demonstrated that the principal component of the default, even independent of the disputed interest component, is stated to be **Rs. 1,12,50,400/-**, which exceeds the statutory threshold of Rs. 1 Crore prescribed under Section 4 of the Code. Consequently, the contention concerning the precise computation of interest and penal charges does not take the default below the jurisdictional threshold.

**10.10** We accordingly hold that the Applicant has established a default exceeding the minimum statutory threshold prescribed under Section 4 of the Code.

**11. Issue No. 4: Whether the Application is within limitation and whether the Applicant is entitled to initiation of CIRP?**

**11.1** The Applicant has stated that the first default occurred on **10.11.2021**. The present Application was instituted thereafter. The Applicant has relied upon acknowledgments contained in the audited financial statements of the Corporate Debtor for the relevant financial years and, additionally, upon part-payments made by the Corporate Debtor towards the outstanding loan account.

**11.2** In particular, the Applicant has relied upon payments made on **18.01.2024, 08.02.2024 and 16.02.2024**, besides other payments reflected in the Statement of Account. The Corporate Debtor itself has furnished a repayment chart acknowledging payments made during 2023 and 2024 and, significantly, records the last repayment as having been made on **14.08.2024**.

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- 11.3** Thus, irrespective of the dispute regarding the precise date of the first default, the record demonstrates that the Corporate Debtor continued to make payments towards the very loan liability during the subsistence of the debt. The Applicant has relied upon such payments and acknowledgments for the purpose of Section 18 of the Limitation Act, 1963.
- 11.4** The Applicant has also relied upon the audited balance sheet as on **31.03.2024** as an acknowledgment of the subsisting liability. The principles relied upon by the Applicant in ***Dena Bank (now Bank of Baroda) v. C. Shivakumar Reddy & Anr. and Asset Reconstruction Company (India) Ltd. v. Bishal Jaiswal & Anr.*** have been invoked in support of the plea that acknowledgment of liability and payments made towards the debt may give rise to a fresh period of limitation.
- 11.5** The Corporate Debtor has not demonstrated that the debt became time-barred before such acknowledgment/payment or that the present Application was instituted beyond the applicable period of limitation. On the contrary, its own repayment statement records payments continuing up to **14.08.2024**, thereby confirming the subsistence and acknowledgment of the loan liability.
- 11.6** As regards the Corporate Debtor's contention concerning the prolonged pendency of the Application before this Adjudicating Authority, we find that such pendency cannot retrospectively extinguish an otherwise subsisting cause of action or invalidate the statutory right of the Financial Creditor. The period prescribed under Section 7(4) concerns the statutory scheme for consideration of the Application and does not, by itself, result in extinguishment of the underlying debt or default.
- 11.7** The plea that the Corporate Debtor is a going concern and that it requires further time to repay also cannot constitute a

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ground for refusing admission once the statutory ingredients of Section 7 are established. The insolvency jurisdiction under Section 7 is triggered upon establishment of the financial debt and default satisfying the statutory requirements.

**11.8** Having regard to the totality of the facts and circumstances, we are satisfied that the Applicant has established the existence of financial debt, occurrence of default and satisfaction of the minimum statutory threshold, and that the Application is within limitation. The objections raised by the Corporate Debtor do not constitute a ground for rejection of the Application.

**11.9** Accordingly, the present Application satisfies the requirements of Section 7 of the Code and is liable to be admitted.

**12.** In view of our findings on the aforesaid issues, we are satisfied that the Applicant has established the existence of a financial debt, occurrence of default and a default exceeding the minimum statutory threshold prescribed under Section 4 of the Code. We further hold that the Corporate Debtor is not entitled to claim exclusion from the definition of “corporate person” on the ground of being a Financial Service Provider, its NBFC registration having stood cancelled prior to the filing of the present Application. The Application is also found to be within limitation.

**13.** In view of the foregoing discussion and being satisfied that a financial debt is due and payable by the Corporate Debtor and that default has occurred, the present Company Petition filed under Section 7 of the Insolvency and Bankruptcy Code, 2016 is admitted.

**14.** The application filed under Section 7 of the IBC, 2016 is **allowed** and CIRP is initiated against the **M/S Adhikar Microfinance Private Limited.**

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15. A **moratorium** is declared under Section 14 of the Insolvency and Bankruptcy Code, 2016, prohibiting the following actions in terms of Section 14(1) of the Code:
- 15.1 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;
  - 15.2 Transferring, encumbering, alienating or disposing of by the Corporate Debtor any of its assets or any legal right or beneficial interest therein;
  - 15.3 Any action to foreclose, recover or enforce any security interest created by the Corporate Debtor in respect of its property, including any action under the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002;
  - 15.4 The recovery of any property by an owner or lessor where such property is occupied by or in the possession of the corporate Debtor.
16. The moratorium shall remain in force from the date of this order till the completion of the Corporate Insolvency Resolution Process or until this Adjudicating Authority approves a resolution plan under section 31(1) of the code or passes an order for liquidation of the Corporate Debtor under Section 33 of the Code, whichever is earlier.
17. The Financial Creditor proposed the name of an IRP through its written submissions and thereafter filed a separate application annexing the consent in Form-2, seeking appointment of **Efficax Resolution Professionals Private Limited**, Corporate IP, bearing Registration No. IBBI/IPE-0153/IPA-3/2023-24/50063, having its office at C-69, Housing Board Colony, Baramunda, Bhubaneswar (M.C.), P.O. Baramunda Colony, District Khorda, Odisha – 751003 as the Interim Resolution Professional, in terms of Section 16(4) of the Insolvency and Bankruptcy Code, 2016.

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18. The Interim Resolution Professional so appointed shall make a public announcement of the initiation of the Corporate Insolvency Resolution Process and call for submission of claims in terms of Section 15 read with Section 13(1)(b) of the Code.
19. The supply of essential goods or services to the corporate debtor, if continuing, shall not be terminated, suspended or interrupted during the moratorium period. The Corporate Debtor shall extend full assistance and cooperation to the Interim Resolution Professional in discharge of his duties as and when he takes charge of the assets and management of the corporate debtor".
20. The IRP shall perform all its functions as contemplated, inter alia, by sections 17,18,20 & 21 of the code. It is further made clear that all personnel connected with Corporate Debtor, its Promoter or any other person associated with the management of the Corporate Debtor are under a legal obligation under Section 19 of the Code to extend every assistance and co-operation to the Interim Resolution Professional where any personnel of the corporate Debtor, its Promoter, or any other person is required to assist or co-operate with IRP, if it does not assist or co-operate, the IRP is at liberty to make an appropriate application to this Adjudicating Authority with a prayer for passing an appropriate order.
21. The IRP shall be under a duty to protect and preserve the value of the property of the corporate Debtor and manage the operations of the Corporate Debtor as a going concern as a part of the obligation imposed by Section 20 of the Insolvency & Bankruptcy Code, 2016.
22. The Interim Resolution Professional / Resolution Professional shall submit periodic progress reports before this Adjudicating Authority in accordance with the provisions of the code and the regulations framed thereunder.
23. The Financial Creditor shall deposit an initial amount of Rs. 2,00,000/- (Rupees Two Lakhs only within 3 days (Three days) from the date of receipt of this order towards the expenses of the

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Corporate Insolvency Resolution Process. Proof of such deposit shall be filed before this Adjudicating Authority along with the first progress report. The Interim Resolution Professional shall be at liberty to seek further interim finance, as required, in accordance with law.

24. Further, the Registry is directed to communicate a copy of this order to the financial creditor, the Corporate Debtor, the Interim Resolution professional and the concerned Registrar of Companies within seven working days and upload the same on the website of this Tribunal immediately after pronouncement.
25. The Interim Resolution Professional shall also serve a copy of this order upon statutory authorities including the Income Tax Department, GST authorities, State commercial Tax Department, Provident Fund authorities and such other authorities as may have claims against the corporate Debtor, &S well as employees or workmen associations, if any.
26. The Corporate Insolvency Resolution Process shall commence from the date of this order.
27. The Resolution Professional shall submit reports and compliances before this Adjudicating Authority strictly in accordance with the timelines prescribed under the Insolvency and Bankruptcy Code, 2016 and the regulations made thereunder.
28. Accordingly, **C.P. (IB) No. 48/CB/2025**, stands **ALLOWED**.

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**BANWARI LAL MEENA**  
**MEMBER (TECHNICAL)**

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**CHEEKATI RADHA KRISHNA**  
**MEMBER (JUDICIAL)**