

NATIONAL COMPANY LAW TRIBUNAL
INDORE BENCH
COURT NO. 1

ITEM No.201
CP(IB)/57(MP)2025

Order under Section 7 IBC

IN THE MATTER OF:

Shantanu Gupta
V/s
Sansar Health Resorts Pvt Ltd

.....Applicant

.....Respondent

Coram:

Hon'ble Shri Brajendra Mani Tripathi, Member (J)
Hon'ble Shri Man Mohan Gupta Member (T)

PRONOUNCEMENT OF ORDER
Delivered on 30/06/2026

The case is fixed for pronouncement of the order.

The order is pronounced in open Court *vide* separate sheet.

Sd/-

Sd/-

MAN MOHAN GUPTA
MEMBER (TECHNICAL)

BRAJENDRA MANI TRIPATHI
MEMBER (JUDICIAL)

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IN THE NATIONAL COMPANY LAW TRIBUNAL

INDORE BENCH

COURT NO. 1

Company Petition (IB) No. CP(IB)/57(MP)/2025

(Under Section 7 of the Insolvency and Bankruptcy Code, 2016 read with Rule 4 of the IBC (Application to Adjudicating Authority) Rules, 2016)

IN THE MATTER OF:

Shantanu Gupta

S/o Shri Dinesh Gupta

C/o Selection Enterprises, Main Road,
Sohagpur, Shahdol, M.P. 484001

...Applicant /
Financial Creditor

Versus

Sansar Health Resorts Private Limited

CIN: U55201MP1995PTC009335

Survey No. 360/4, Dewas Bhopal Highway,
Dewas, Madhya Pradesh – 455001

...Respondent /
Corporate Debtor

Coram:

Hon'ble Mr. Brajendra Mani Tripathi, Member (Judicial)

Hon'ble Mr. Man Mohan Gupta, Member (Technical)

Appearances:

Counsel for Applicant: Dr. Rajesh Jain, Adv (Online)

Counsel for Respondent: Mr. Vijayesh Atre, Adv (Online)

ORDER

Delivered on 30.06.2026

I. BRIEF FACTS OF THE CASE

1. The present Company Petition has been filed by the Applicant, Shantanu Gupta (hereinafter referred to as the 'Financial Creditor' or 'FC'), under Section 7 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as 'IBC' or 'the Code') read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016, seeking initiation of Corporate Insolvency Resolution Process ('CIRP') against **M/s Sansar Health Resorts Private Limited** (hereinafter referred to as the 'Corporate Debtor' or 'CD').
2. The Corporate Debtor, M/s Sansar Health Resorts Private Limited, is a Private Limited Company incorporated on 25.04.1995 under the Companies Act, 1956 (CIN: U55201MP1995PTC009335), having its registered office at Survey No. 360/4, Dewas Bhopal Highway, Dewas, Madhya Pradesh – 455001. It was promoted by the Trehan family, consisting of Shri Anil Salhotra, Shri Ranjeet Kumar Trehan and Shri Sharad Trehan (real brothers) and their late mother Smt. Rajkiran, for the purpose of running a family health resort and club at Dewas. As per MCA records (Annexure D), the Corporate Debtor presently has six directors: Shri Anil Salhotra (Director, Promoter), Shri Ranjeet Kumar Trehan (Director, Promoter), Shri Sharad Trehan (Managing Director, Promoter), and three additional professional directors — Shri Narendra Hingal, Smt. Manju Trehan and Smt. Monika Hingal — all appointed on 25.02.2025.
3. The following chronology of events emerges from the documents placed on record by both parties, which are not disputed as to their existence:
 - a. **On 29.03.2025**, a Loan Agreement (Annexure H) was executed between the Financial Creditor and the Corporate Debtor. The principal amount was Rs.1,10,00,000/-, carrying interest @ 12% per

annum from the date of disbursement till actual repayment, repayable on or before **30.06.2025** with a final extended date of **07.07.2025**, secured by charge on the assets of the Corporate Debtor, and intended for use in payment of the Corporate Debtor's income tax liability the deadline for which was 31.03.2025. The agreement was executed on behalf of the Corporate Debtor by Shri Anil Salhotra, Director.

- b. On **29.03.2025**, the Financial Creditor disbursed the loan amount of Rs.1,10,00,000/- by cheque bearing No.000015 drawn on HDFC Bank, Shahdol Branch (Annexure I). The bank statement of the Financial Creditor (Annexure K) records the corresponding debit of Rs.1,10,00,000/- for the credit given to the Corporate Debtor on the same date.
- c. The bank statement of the Corporate Debtor's account with HDFC Bank, Malwa Shehnai Complex, Dewas (Account No.50200030026829), placed on record as Annexure O (pages 43-44), records a credit of Rs.1,10,00,000/- on 29.03.2025, with the narration 'FT-CR-50100160741392-SHANTANU GUPTA'.
- d. On **04.04.2025**, the Corporate Debtor, through its Director Shri Anil Salhotra, issued a Loan Confirmation Letter (Annexure L) on the Corporate Debtor's letterhead, addressed to the Financial Creditor, confirming the outstanding principal amount of Rs.1,10,00,000/- as on 31.03.2025.
- e. The loan was not repaid by **30.06.2025** or by the extended date of 07.07.2025. The Financial Creditor sent a reminder for repayment dated 10.06.2025 (Annexure M), which was delivered to the Corporate Debtor on 16.06.2025 as per postal tracking records.
- f. On **10.07.2025**, the Financial Creditor issued a formal Demand Notice and Recall of Loan (Annexure N). The said notice was

delivered to the Corporate Debtor on **19.07.2025** as confirmed by the postal tracking record (Annexure N). No reply was received and no payment was made by the Corporate Debtor.

- g. The present petition was filed before this Tribunal on **12.08.2025**, claiming a total outstanding of Rs.1,14,00,000/- comprising principal of Rs.1,10,00,000/- and interest of Rs.4,00,000/- calculated @ 12% per annum up to 20.07.2025. Shri Harsh Firoda (IBBI Registration No. IBBI/IPA-001/IPP-01944/2020-2021/13252) has been proposed as the Interim Resolution Professional.
- h. During the pendency of this petition, certain directors and shareholders of the Corporate Debtor, namely Shri Ranjeet Kumar Trehan and others, filed a petition under Sections 241-242 of the Companies Act, 2013, being CP No.19 of 2025 on 13.11.2025, before this Tribunal, inter alia seeking a declaration that the borrowing of Rs.1,10,00,000/- from the Financial Creditor is ultra-vires and not binding on the Corporate Debtor. This Tribunal, vide its order dated 27.11.2025 in CP No.19 of 2025 issued notice to the respondents therein, and directed the parties to maintain status-quo in respect of the tangible properties of the Corporate Debtor till the next date of hearing.
- i. The Applicant aggrieved by non-payment of loan by the corporate debtor has filed the present petition on 12.08.2025.

II. SUBMISSIONS OF THE APPLICANT/FINANCIAL CREDITOR:

4. The Applicant/Financial Creditor has submitted as under:

- 4.1 **On existence and admittedness of debt:** The loan of Rs.1,10,00,000/- given on 29.03.2025 is acknowledged by the Corporate Debtor in its own bank statement (Annexure O, pages 43-44), which shows the credit entry, and further confirmed through the Loan Confirmation Letter dated 04.04.2025 (Annexure L) signed

by the Corporate Debtor's Director. There is no denial of receipt of the loan by the Corporate Debtor anywhere in its reply. The Corporate Debtor acknowledged an outstanding of Rs.1,10,00,000/- , which is above the threshold limit of Rs.1,00,00,000/- prescribed under Section 4 of the Code.

- 4.2 That, provisions and jurisprudence of Section 7 of IBC is very crystal clear on the point of admission of petition. It is established law that for admitting the petition u/s 7 of IBC, there should be debt and such debt should be outstanding and in default. This petition complies with the requirement of section 7.
- 4.3 The loan was utilised to pay off the statutory income tax liability of the Corporate Debtor, which had been outstanding for more than 6 years.
- 4.4 **On Section 7 compliance and the word 'may':** The provisions of Section 7 require only that there be a debt and that it be outstanding and in default. Section 7 does not differentiate between long-term and short-term loans. The presence of the word 'may' in Section 7 is to be treated as 'shall' in light of various decisions of the Hon'ble Supreme Court and NCLAT. The proposed IBC amendment bill pending before Parliament also deletes the word 'may', reflecting a legislative intent to make admission mandatory upon satisfaction of the conditions under Section 7.
- 4.5 **On the Corporate Debtor's non-compliance with law:** The Corporate Debtor has not held its AGM since 30.09.2023, has not got its books of account audited, and has not filed balance sheets with the Registrar of Companies since 2023 — all contrary to the Companies Act, 2013. It failed to pay its income tax dues for over 6 years. The conduct of the Corporate Debtor is against the provisions of law and against the public interest. The ROC be directed to initiate legal action against the directors of the Corporate Debtor.

- 4.6 Reliance is placed on ***Power Trust v. Bhuvan Madan, IRP of Hiranmaye Energy Ltd. and Ors.***, (2026) ibclaws.in 87 SC, holding that at the admission stage under Section 7, this Tribunal is required to see only the existence of debt and its default. The viability of the Corporate Debtor is not a consideration at this stage, and neither the Corporate Debtor nor the Tribunal is required to investigate disputes regarding existence of debt.

III. SUBMISSIONS OF THE RESPONDENT/CORPORATE DEBTOR

5. The Respondent/Corporate Debtor has raised the following submissions before this Tribunal:
- 5.1 **On the background and family dispute:** The Corporate Debtor is a family-owned company in which serious disputes exist amongst the Trehan family members. The four promoters jointly purchased the land at Khasra No.360/4, Dewas, on 08.03.1982, and with mutual consent executed a Lease Deed on 25.02.1999 leasing the land to the Corporate Debtor for 20 years ending 31.12.2014. After expiry of the lease, the Corporate Debtor has no rights over the land, however the hotel building, club building ('Shrishti Club') and other amenities continue to exist and are in use for the benefit of the shareholders.
- 5.2 Over a period of time, Shri Anil Salhotra unlawfully and arbitrarily, without consent of the Board, took over the Corporate Debtor's properties for his personal benefit and diverted the funds generated therefrom, without recording such income in the books of accounts. Shri Anil Salhotra and his son Shri Ankit Salhotra collectively diverted the Corporate Debtor's business to their own firms and started collecting cash at the counters and transferring the same.

- 5.3 Shri Anil Salhotra, without authority, executed a **Rent Agreement dated 29.09.2022 to 28.08.2023** giving all properties of the Corporate Debtor to his son Shri Ankit Salhotra for **11 months at Rs. 22,000/- per month**, also granting rights to obtain licences to run a restaurant. On its expiry, with malicious intent, a further Lease Agreement dated 08.07.2024 was executed for 120 months, to continuously keep the Corporate Debtor's assets under their unlawful control.
- 5.4 The majority directors filed a petition under Sections **241-242 of the Companies Act, 2013 (CP No.19 of 2025)** before this Tribunal, alleging oppression and mismanagement by Shri Anil Salhotra. This Tribunal, vide order dated 27.11.2025 in CP No.19 of 2025, after considering the entire factual matrix and disputes between the parties, directed the parties to maintain status-quo in respect of the tangible properties of the Corporate Debtor, to safeguard the interests of all stakeholders pending adjudication.
- 5.5 **On the ultra-vires nature of the borrowing:** Shri Anil Salhotra, after diverting all funds in the Corporate Debtor, unlawfully operated the HDFC Bank account at Dewas and — without knowledge and approval of the Board of Directors of the Corporate Debtor — entered into the alleged fraudulent transactions with the Financial Creditor. The sole director, without convening any Board meeting or obtaining any shareholders' approval for the borrowing or for creation of charge over the Corporate Debtor's assets, has fraudulently shown an ultra-vires borrowing of Rs.1,10,00,000/- from the Financial Creditor. This borrowing is ultra-vires and not binding on the Corporate Debtor.
- 5.6 **On the fraudulent and malicious nature of the petition / Section 65:** The Financial Creditor is a close business associate and friend of Shri Ankit Salhotra. Both were directors of M/s

Sarvagya Cars Private Limited (CIN: U34300MP2021PTC056219) and both jointly resigned on 05.09.2023. In connivance with Shri Anil Salhotra, the Financial Creditor has filed this fraudulent and malicious petition under Section 7 of the Code with the sole objective of ultimately becoming Resolution Applicant and ousting the other family members from ownership of the Corporate Debtor's properties. The quickness and perfection with which the loan transaction took place and the documents were prepared clearly indicate conspiracy. The provisions of Section 65 of the Code are specifically invoked, and the application deserves to be dismissed with exemplary costs.

- 5.7 **On access to the bank statement:** A bare perusal of Annexure O (page 43) would demonstrate that the Financial Creditor had access to a certified copy of the bank account statement of the Corporate Debtor — access which was confidential and limited only to Shri Anil Salhotra, the director operating the account. This itself demonstrates the complicity between the Financial Creditor and Shri Anil Salhotra.
- 5.8 **On financial viability of the Corporate Debtor:** The Corporate Debtor is a cash-rich and viable company. As per its balance sheet as on 31.03.2023, it holds assets worth more than Rs.12 crores. Initiation of CIRP would cause grave prejudice to the Corporate Debtor and its shareholders.
- 5.9 **On maintainability:** The present application has been filed with fraudulent and malicious motives to unlawfully grab the assets of the Corporate Debtor and harm the other shareholders, attracting Section 65 of the Code. The application deserves to be dismissed.

IV. REJOINDER BY APPLICANT:

6. In response to the specific submissions made by the Corporate Debtor in its reply, the Financial Creditor has filed a Rejoinder dated 03.12.2025 supported by an affidavit, taking the following point-by-point pleas:

6.1 **Background and family dispute:** On the Corporate Debtor's preliminary contention regarding family disputes and unauthorised borrowing, the Rejoinder states: 'The preliminary reply is about the disputes within family members of respondent company who are also shareholders in the respondent company. It is stated that petitioner is not concerned with the family disputes or relationship within shareholders of respondent company. Further it is stated in preliminary reply that directors has borrowed money without authority, it is stated that petitioner is not responsible for ultra-virus act of director of the respondent company (if any). Admittedly, reply confirms that respondent company has taken loan of Rs 1,10,00,000 and which is not repaid. Thus petition fulfils the requirement of S 7 of IBC.'

6.2 **CP No.19 of 2025 and the status-quo order:** The petition under Sections 241-242 (CP No.19 of 2025) was filed on the very same date as the reply to the present petition — i.e., 11.02.2026 — for events alleged to have occurred in 2022 and 2024. This confirms that the said petition is an afterthought, filed as a counterblast to the present petition and as an abuse of the process of law. Further, the status-quo order dated 27.11.2025 in CP No.19 of 2025 does not bar, stay or restrain this Tribunal from proceeding with the present Section 7 petition. The CIRP process itself, once initiated, ensures preservation of the Corporate Debtor's assets through the moratorium under Section 14 of the Code

6.3 **Ultra-vires borrowing:** Whether the acceptance of the loan was within the authority of the director or not is a matter which does not affect the loan transaction insofar as receipt of the loan is concerned.

The Financial Creditor is not responsible for any ultra-vires act of the Director of the Corporate Debtor, if any. Admittedly, the Corporate Debtor's own reply confirms that the loan of Rs.1,10,00,000/- was taken and is not repaid. The loan agreement is executed on Rs.1,000/- stamp paper; any shortfall in stamp duty, if any, is curable and does not render the transaction invalid or illegal, as per settled judicial precedent. Section 7 of the Code does not require the Tribunal to investigate internal corporate governance or the authority of the signatory director

- 6.4 **Allegation of fraud/conspiracy/Section 65:** The Financial Creditor specifically and categorically denies that the petition is filed with fraudulent or malicious intent or with the objective of becoming Resolution Applicant. The Financial Creditor only sought repayment of the loan, and it is only upon the Corporate Debtor's failure to repay the same despite a reminder dated 10.06.2025 and a demand notice dated 10.07.2025 that the present petition was filed. The Corporate Debtor's reply 'essentially deals with and makes a feeble attempt to justify the non-payment of loan through concocted information and fraudulent documents, taking shelter of disputes between directors/stakeholders'. The Financial Creditor has no intention of grabbing or taking over any assets of the Corporate Debtor. All facts, documents, and contentions in the reply, if not specifically admitted, stand denied and the Corporate Debtor bears the burden to prove the same before this Tribunal.
- 6.5 **Access to the bank statement:** The bank statement of the Corporate Debtor was called for by the Financial Creditor precisely to confirm that the loan amount had been credited to the account of the Corporate Debtor, since he had issued a cheque for disbursement.
- 6.6 **On the allegation that the Applicant is a friend and business associate of the director's son, the Rejoinder counters:** 'The contents are denied. Mr Shantanu Gupta and Mr Ankit Salhotra

were professional director for a very brief period of time in M/s Sarvagya Cars Private Limited. Two professional directors without holding any shares in the company do not become business associates. Certificate from Sarvagya Cars Private Limited is attached as Annexure A.' Two certificates from M/s Sarvagya Cars Private Limited dated 17.11.2025 are placed on record confirming that both Shantanu Gupta and Ankit Salhotra served as Directors of that company from 18.04.2023 to 05.09.2023, attending only one board meeting each, receiving no remuneration, and holding no shares.

- 6.7 **Financial viability/assets worth Rs.12 crores:** The Respondent has argued that CD is cash rich and viable company and initiation of CIRP would harm the CD. Admittedly, CD has prepared Balance sheet till 31.03.2023 only and data given by respondent were as on 31.03.2023 only. The CD must not be having any cash or realisable legal assets as the date of paying of income tax liability as it is clear from the balance sheet of CD that income tax liability is outstanding for last more than 6 years and CD was not making payment of such liability. The lease of the land is cancelled and assets were not owned by CD. Hence CD is neither cash rich nor having assets worth more than 12 crores as was argued.
- 6.8 **Maintainability/Section 65:** Since there exists a genuine loan outstanding within the financial limits prescribed under the Code, debt and default are both established and unrebutted, and the requirements of Section 7 stand fully satisfied, this petition deserves to be admitted. All contentions of the Corporate Debtor regarding fraudulent intent and Section 65 are denied. The burden of proving such allegations lies on the Corporate Debtor and it has placed no credible evidence on record to discharge that burden.
- 6.9 **On authority to borrow:** Whether the acceptance of the loan was within the authority of the director receiving the loan or not is a subject that does not affect the loan transaction insofar as receipt of

the loan is concerned. The Corporate Debtor has, in its own reply and in oral arguments, nowhere denied receipt of the loan. It has also accepted that the loan is not repaid. Section 7 does not debar persons known to a director's son from filing a petition. There are no provisions under the Code which debar such a person from exercising rights under Section 7.

6.10 On the allegation of asset grab: The purpose of filing the petition is to initiate CIRP and not to take over the assets of the Corporate Debtor. If such filing amounts to usurping assets, the entire premise on which the Code is enacted would be negated. The land on which the Corporate Debtor's hotel and club house stand is on lease which expired on 31.12.2014 and was never renewed — so the Corporate Debtor does not even own those assets. The respondent's own reply admits lease expiry in 2014. Further, the civil suit for partition of land (No.1198A/2024) was filed by Shri Ranjeet Trehan in his personal capacity — the Corporate Debtor is not a party to it — which itself confirms that the Corporate Debtor has no right over that land. Therefore, the entire premise of asset-grab is false and wrong.

6.11 On contradictory positions of the respondent: Shri Sharad Trehan is the Managing Director of the Corporate Debtor and the applicant in CP No.19 of 2025, while simultaneously being a respondent in the civil suit for partition of land filed by Shri Ranjeet Trehan. The respondent argues in the civil court that the land belongs to it in its personal capacity, while before this Tribunal it claims the petitioner is trying to take over assets of the Corporate Debtor — assets which the respondent itself denies belonging to the Corporate Debtor. This is a clear case of arguing against oneself. The petition under Sections 241-242 (CP No.19 of 2025) was filed on the very same date as the reply to this petition, confirming it is an afterthought. The respondent has committed perjury by filing contradictory affidavits before two courts.

V. ANALYSIS AND ORDER:

7. We have heard the Learned Counsel for the Applicant and the Learned Counsel appearing for the Respondent Corporate Debtor. We have carefully perused the pleadings, documents placed on record, written submissions filed by the parties and the judicial precedents relied upon by them.
8. The present Application has been filed under **Section 7 of the IBC, 2016** of Corporate Insolvency Resolution Process against the Corporate Debtor on the basis of a Loan Agreement dated 29.03.2025. According to the Applicant, a sum of ₹1,10,00,000/- was advanced to the Corporate Debtor carrying interest @12% per annum for 3 months and default has occurred in repayment thereof.
9. The Respondent Corporate Debtor has vehemently opposed the present Application contending that the transaction forming the basis of the present petition is intertwined with an ongoing dispute concerning the affairs, management and control of the Corporate Debtor and that the insolvency process is being invoked for a purpose not contemplated under the Code.

Facts Emerging from the Record:

10. From the material available on record, it appears that an amount of ₹1,10,00,000/- was transferred to the account of the Corporate Debtor on 29.03.2025. The Applicant has relied upon the Loan Agreement dated 29.03.2025, bank statements evidencing transfer of funds and a confirmation letter dated 04.04.2025 in support of its claim.
11. The record further indicates that the stated purpose of the transaction was to facilitate payment of the income tax liabilities of the Corporate Debtor. It is the case of the Applicant that the amount so advanced was utilised towards discharge of such statutory liabilities.

12. The Applicant has further placed on record reminder notices and demand notices issued after expiry of the stipulated repayment period and has contended that despite repeated demands, the Corporate Debtor failed to repay the outstanding amount, thereby giving rise to the present proceedings under Section 7 of the Code.
13. It is seen that the loan was not repaid by 30.06.2025 or by the extended date of 07.07.2025. **The date of default being 30.06.2025**, Technically the said petition falls under the preview of section 7 as the default has occurred. However, to examine whether it should be admitted or not has been dealt with in details herein below.

Background of Disputes Concerning the Affairs and Management of the Corporate Debtor:

14. A significant feature of the present case is that the dispute does not arise in isolation and cannot be examined divorced from the surrounding circumstances placed on record.
15. The Respondent has brought on record that serious disputes exist amongst the stakeholders of the Corporate Debtor concerning its affairs, management and control. Proceedings under Sections 241 and 242 of the Companies Act, 2013 alleging oppression and mismanagement are admittedly pending before the competent forum.
16. The Respondent has specifically contended that the transaction forming the basis of the present petition is itself one of the transactions questioned in the said proceedings and that issues relating to the authority, propriety and circumstances in which the transaction was entered into are already under challenge therein.
17. Without expressing any opinion on the merits of the rival allegations, it is evident that disputes concerning the affairs and management of the Corporate Debtor pre-date the present proceedings and continue to remain pending adjudication. The transaction relied upon in the present

proceedings therefore cannot be viewed in isolation from the broader factual matrix within which it arose.

Scope of Jurisdiction under Section 7 of the Code:

18. Coming to the scope of section 7 of code, In **Vidarbha Industries Power Limited v. Axis Bank Limited**, the Hon'ble Supreme Court considered the scope of Section 7(5)(a) of the Code and observed that the use of the expression "may" indicates that admission of an application is not to be treated as a mechanical consequence merely upon proof of debt and default.
19. The relevant observations of the Hon'ble Supreme Court in Vidarbha Industries Power Limited (supra) are reproduced below:

"59. There can be no doubt that a corporate debtor who is in the red should be resolved expeditiously, following the timelines in the IBC. No extraneous matter should come in the way. However, the viability and overall financial health of the corporate debtor are not extraneous matters."

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

"62. As pointed out by Mr Gupta, legislature has, in its wisdom, chosen to use the expression "may" in Section 7(5)(a) IBC. When an adjudicating authority (NCLT) is satisfied that a default has occurred and the application of a financial creditor is complete and there are no disciplinary proceedings against proposed resolution professional, it may by order admit the application. Legislative intent is construed in accordance with the language used in the statute."

"77. On the other hand, in the case of an application by a financial creditor who might even initiate proceedings in a representative capacity on behalf of all financial creditors, the adjudicating authority might examine the expedience of initiation of CIRP, taking into account all relevant facts and circumstances, including the overall financial health and viability of the corporate debtor. The adjudicating authority may in its discretion not admit the application of a financial creditor."

"81. The title "Insolvency and Bankruptcy Code" makes it amply clear that the statute deals with and/or tackles insolvency and bankruptcy. It is certainly not the object of the IBC to penalise solvent companies, temporarily defaulting in repayment of its financial debts, by initiation of CIRP. Section 7(5)(a) IBC, therefore, confers discretionary power on the adjudicating authority (NCLT) to admit an application of a financial creditor under Section 7 IBC for initiation of CIRP."

20. The aforesaid observations recognise that while debt and default are relevant considerations, admission of a petition under Section 7 is not intended to be a mechanical exercise and the Adjudicating Authority is entitled to consider the surrounding facts and circumstances of a given case.
21. The Insolvency and Bankruptcy Code is a legislation intended for resolution of genuine insolvency, preservation of enterprise value and maximisation of value of assets of the Corporate Debtor. It is not intended to operate as a substitute for debt recovery, execution proceedings or adjudication of contractual disputes.
22. Recently, in **Anjani Technoplast Ltd. v. Shubh Gautam dated 23.04.2026, Civil Appeal No. 8247 of 2022**, the Hon'ble Supreme Court has held that the IBC cannot serve as a substitute for the execution of money decrees or as a coercive recovery tool against otherwise solvent companies, which is essentially reiteration of the judicial precedents from Supreme Court on this very issue.

Para 18: The central question before us is not whether the respondent is owed money by the appellant. That may well be the case. The question is whether, in the facts and circumstances of this case, the initiation and continuation of the Corporate Insolvency Resolution Process under the IBC is justified and whether the respondent can seamlessly resort to the insolvency process as a substitute for the execution of a Civil Court decree. In other words, an alternative execution process is a recovery mechanism."

Para 23: "The distinction drawn above by this Court is important and bears emphasis. While the IBC incidentally results in the satisfaction of creditors' claims, that consequence is a by-product of the resolution process and not its primary object. The object is the revival of the corporate debtor as a going

concern. It follows that a creditor who approaches the NCLT not with any genuine concern for the resolution of the corporate debtor but purely to secure payment of his individual dues is acting contrary to the purpose and spirit of the Code. The existence of adequate and efficacious alternative remedies makes such misuse all the more apparent”

Para 24 “Lastly, Section 65 of the IBC provides that if any person initiates the insolvency resolution process fraudulently or with malicious intent for any purpose other than the resolution of insolvency, the Adjudicating Authority may impose a penalty. The presence of this provision in the statute itself underscores the legislative intent that the IBC is not to be misused as a tool for recovery or as a lever to coerce payment.”

Para 26 “The natural and ordinary remedy available to the respondent was to execute the decree under the provisions of the Code of Civil Procedure, 1908. The decree is a money decree, and the machinery for its execution is well established and effective. The respondent chose not to avail of this remedy. Instead, he filed a petition under Section 7 of the IBC on 13.12.2021, barely two months after the SLP was dismissed.”

Para 32: “In the present case, the facts speak for themselves. The respondent held a decree. He did not file execution proceedings. He chose instead to file a Section 7 petition against a solvent, functioning company. The quantum of the ‘debt’ itself, as contemplated under the code, is seriously disputed. The appellant has deposited Rs. 3,60,98,847/- with the Registrar General of the Delhi High Court and has consistently maintained its willingness to pay whatever is lawfully due. The proceedings pending before the Delhi High Court, including the application under Section 151 of the CPC and the proceedings under Section 340 of the CrPC, remain undetermined. In these circumstances, the initiation of CIRP is nothing more than the use of the IBC as a recovery mechanism. We will term it as an abuse of the process.”

23. The Hon’ble Supreme Court anchored its reasoning in three key precedents. First, **Swiss Ribbons (P) Ltd. v. Union of India**, which established that the IBC is “a beneficial legislation which puts the corporate debtor back on its feet, not being a mere recovery legislation for creditors”. Second, **Pioneer Urban Land and Infrastructure Ltd. v. Union of India**, which held that the IBC “is not a forum for individual creditors to realise their dues through the back door of insolvency”. Third, and most

significantly, the Three-Judge Bench decision in **GLAS Trust Co. LLC v. BYJU Raveendran**, which categorically stated that “*IBC must not be used as a tool for coercion and debt recovery by individual creditors*” and that “*improper use of the IBC mechanism by a creditor includes using insolvency as a substitute for debt enforcement*”.

24. The Hon’ble Supreme Court further drew upon **Tottempudi Salalith v. State Bank of India** to reinforce the distinction between the IBC as a “*mechanism for revival of a company fallen in debt*” and the incidental consequence of satisfying creditors’ claims, which is a “*by product of the resolution process and not its primary object*”.
25. On the basis of these precedents, the Hon’ble Supreme Court reiterated that the IBC is neither a tool for recovery nor a debt enforcement mechanism available at the discretion of individual creditors.
26. Considering the ratio laid down in the aforesaid judgments and applying the same to the facts of the present case, we find that a loan transaction was entered into between the Applicant and the Corporate Debtor through one of its Directors, namely Mr. Anil Salhotra. It is the case of the Applicant that a default occurred in repayment of the said loan amount and, consequently, the present petition under Section 7 of the Insolvency and Bankruptcy Code, 2016 has been filed seeking repayment of the loan amount. However, from the facts and circumstances placed on record, it appears that the surrounding circumstances indicate that the predominant object of the present proceedings appears to be enforcement of the Applicant's claim rather than resolution of the Corporate Debtor under the framework of the Code.
27. The Applicant has vehemently argued that pursuant to the amendment brought under the Insolvency and Bankruptcy Code, whereby the word “**may**” occurring in Section 7(5)(a) has been substituted by the word “**shall**”, with effect from 06.04.2026, the Adjudicating Authority is now left with no discretion and is bound to admit an application once debt and

default are established. It is therefore contended that after the said amendment, the scope of examination by the Adjudicating Authority is confined only to determination of debt and default. We have considered the said contention.

28. In our considered view, the amendment cannot be read in isolation. While debt and default continue to remain the foundational requirements for admission of an application under Section 7, the object of the Code has always been resolution of genuine insolvency and financial distress of the Corporate Debtor and not merely recovery or enforcement of individual claims. **The existence of debt and default, though necessary, cannot be viewed divorced from the scheme and purpose of the Code.**

29. It is in this context that **Section 65 of the Code** assumes significance. The said provision has existed since the inception of the Code and reflects the legislative intent that the insolvency process should not be invoked fraudulently, maliciously or for any purpose other than resolution of insolvency. Section 65 acts as a safeguard against misuse of the insolvency framework and ensures that the process contemplated under the Code is employed only for the purpose for which it was enacted.

65. (1) If, any person initiates the insolvency resolution process or liquidation proceedings fraudulently or with malicious intent for any purpose other than for the resolution of insolvency, or liquidation, as the case may be, the Adjudicating Authority may impose upon such person a penalty which shall not be less than one lakh rupees, but may extend to one crore rupees.

30. A plain reading of Section 65 shows that the provision uses the expression "**initiates**" insolvency resolution proceedings and does not make any distinction between the stages before admission and after admission. The provision therefore makes it clear that the purpose for which insolvency proceedings are invoked remains a relevant consideration under the Code. The Adjudicating Authority cannot be expected to ignore the surrounding circumstances and mechanically admit every application solely on proof of

debt and default if the facts of a particular case indicate that the insolvency process is being invoked for a purpose other than insolvency resolution.

31. Therefore, even after the amendment to Section 7(5)(a), this Adjudicating Authority cannot be denuded of its duty to examine whether the invocation of the Code is in furtherance of the object of insolvency resolution or whether the process is being employed for a purpose. The amendment substituting the word "**may**" with "**shall**" cannot be interpreted in a manner that renders Section 65 Otiose. Both provisions must be read harmoniously so as to give effect to the legislative intent underlying the Code.
32. Applying the aforesaid principles to the facts of the present case, this Adjudicating Authority finds that the controversy cannot be viewed merely through the prism of debt and default. While the existence of a financial debt and occurrence of default may furnish the basis for invoking Section 7 of the Code, the surrounding facts and circumstances are equally relevant in determining whether the insolvency process is being invoked for the purpose contemplated by the legislation which is to resolve a stressed corporate debtor.
33. It is in this backdrop that the facts of the present case are required to be examined. The very transaction forming the foundation of the present petition is itself under challenge in proceedings pending under Sections 241 and 242 of the Companies Act, 2013. Questions concerning the authority, validity and circumstances surrounding the transaction have already been raised before the competent forum.
34. It is also pertinent to note that the present controversy substantially centres around the Loan Agreement and the circumstances in which the transaction came to be entered into. The validity, authority and binding nature of the said transaction are issues which can appropriately be examined in the proceedings where they have been specifically raised or before any other forum competent to adjudicate such questions. The

Applicant is not remediless and may avail such remedies as are available in law. However, the insolvency process under the Code cannot be invoked as a substitute for adjudication of such disputes, particularly when the foundational transaction itself remains under challenge.

35. This Adjudicating Authority also cannot overlook certain surrounding circumstances emerging from the record. The amount advanced under the alleged Loan Agreement is just above the **minimum threshold** prescribed for maintaining an application under Section 7 of the Code. It is further noticed from the record that the Applicant has relied upon a reminder letter dated **10.06.2025**, issued before the expiry of the stipulated tenure of the loan. While no finding is being returned solely on the basis of these documents, the sequence in which they came to be issued constitutes a relevant surrounding circumstance while examining the facts of the present case. The Respondent has also questioned the adequacy of the stamp duty paid on the Loan Agreement. Individually, these circumstances may not be conclusive. However, when considered cumulatively, they assume considerable significance in appreciating the true nature of the transaction and in examining whether the present proceedings have been initiated for the purpose contemplated under the IBC, 2016.
36. Another circumstance which cannot be overlooked is that the alleged loan transaction was structured as a short-term arrangement of approximately three months for payment of statutory tax liabilities of the Corporate Debtor. **Neither the Loan Agreement nor any other material placed on record discloses the source from which repayment of ₹1.10 crore was expected to be made within such a short period after utilisation of the amount towards discharge of statutory dues.** No repayment schedule, projected inflow or other discernible repayment mechanism has been brought on record. While this factor may not by itself be determinative, it assumes significance when considered together with the surrounding circumstances and the admitted disputes concerning the affairs of the Corporate Debtor.

37. Though this circumstance may not by itself be determinative, it assumes significance when considered along with the chronology of events, namely execution of the Loan Agreement on 29.03.2025, issuance of the confirmation letter on 04.04.2025, issuance of reminder notices and demand notices shortly thereafter and initiation of the present proceedings immediately upon expiry of the short repayment period.
38. The material placed before this Adjudicating Authority also does not demonstrate that the Corporate Debtor is commercially insolvent or incapable of carrying on its business operations. Rather, the dispute appears to arise from a particular transaction which itself remains disputed and forms part of a larger controversy concerning the affairs and management of the Corporate Debtor.
39. In the facts of the present case, permitting initiation of CIRP on the basis of the disputed transaction would effectively allow the insolvency framework to be employed as a means of enforcing rights arising out of a transaction whose validity and surrounding circumstances are already under challenge elsewhere. Such a course would be contrary to the principles repeatedly emphasised by the Hon'ble Supreme Court that the Code is intended for revival and resolution of genuinely distressed entities and not as a substitute for debt enforcement or adjudication of contractual disputes.
40. This Adjudicating Authority is not returning any finding that the amount was not advanced to the Corporate Debtor. Nor are we adjudicating upon the legality or validity of the Loan Agreement or the allegations raised in the proceedings under Sections 241 and 242 of the Companies Act, 2013. Those issues shall be determined in the proceedings where they have been specifically raised.
41. However, considering the totality of circumstances, including the admitted pendency of oppression and mismanagement proceedings, the challenge to the very transaction forming the basis of the present petition, the short-

term nature of the arrangement, the absence of any discernible repayment framework, the surrounding factual matrix and the principles laid down by the Hon'ble Supreme Court in Anjani Technoplast Ltd. (supra), we are of the considered view that the present proceedings are inextricably intertwined with a larger dispute concerning the affairs and management of the Corporate Debtor.

42. Accordingly, even assuming that the Applicant has established a prima facie case regarding debt and default, this Adjudicating Authority is of the considered view that the present proceedings arise in the backdrop of a larger dispute concerning the affairs and management of the Corporate Debtor, the foundational transaction itself remains under challenge in pending proceedings, the Applicant is not without alternative remedies for enforcement of its contractual rights, and the material on record does not disclose a case warranting invocation of the insolvency resolution framework. Admission of the present petition would therefore not advance the objective of insolvency resolution contemplated under the Code.
43. Accordingly, **CP (IB) No. 57 of 2025** filed by Shri Shantanu Gupta under Section 7 of the IBC, 2016 against Sansar Health Resorts Private Limited is hereby **dismissed and disposed of**.

Sd/-

MAN MOHAN GUPTA
MEMBER (TECHNICAL)

Chandni – L.R.A.

Sd/-

BRAJENDRA MANI TRIPATHI
MEMBER (JUDICIAL)