

**IN THE NATIONAL COMPANY LAW TRIBUNAL**  
**AHMEDABAD**  
**COURT – 2**

ITEM No.302 & 303  
IA/1546(AHM)2025 with  
C.P.(IB)/180(AHM)2025

**Proceedings under Section 95 IBC**

**IN THE MATTER OF:**

State Bank of India  
V/s  
Dhananjay Sanjay Agrawal & Another

.....Applicant

.....Respondent

With

.....Applicant

Mr.Sunil Kumar Agarwal IRP in IIRP of Dhananjay Sanjay  
Agrawal PG  
V/s  
State Bank of India & Another

.....Respondent

**Order delivered on: 17/06/2026**

**Coram:**

**Mrs. Chitra Hankare, Hon'ble Member(J)**  
**Dr. Velamur G Venkata Chalapathy, Hon'ble Member(T)**

**ORDER**

This case is fixed for pronouncement of order

The order is pronounced in open court vide separate sheet.

-SD-

**DR. V. G. VENKATA CHALAPATHY**  
**MEMBER (TECHNICAL)**

Sd/-

**CHITRA HANKARE**  
**MEMBER (JUDICIAL)**

**BEFORE THE ADJUDICATING AUTHORITY  
THE NATIONAL COMPANY LAW TRIBUNAL  
AHMEDABAD (COURT - II)**

**IA No. 1546 of 2025  
with  
CP(IB) No. 180 of 2025**

*(Filed under Section 95(1) & Section 99 of the Insolvency & Bankruptcy Code, 2016)*

IN THE MATTER OF:

**State Bank of India**

SAM (Stressed Assets Management) Branch,  
4th Floor, SBI Building.,  
Lal Darwaza, Ahmedabad - 380001.

... Financial Creditor

Versus

**Mr. Dhananjay Sanjay Agrawal**

Survey No. 621, Jay Gopal Farm,  
Behind Karnavati Club, Mumatpura Gam,  
S.G. Highway, Makarba,  
Ahmedabad, 380058.

... Personal Guarantor

**Order pronounced on 17.06.2026**

CORAM:

**MRS. CHITRA HANKARE**

**HON'BLE MEMBER (JUDICIAL)**

**DR. V. G. VENKATA CHALAPATHY**

**HON'BLE MEMBER (TECHNICAL)**

Present:

For the Applicant : Ms. Aishwarya Reddy, Adv., Nisarg  
Bhardwaj, Adv. and Anuradha Basu,  
Adv. in CP(IB) 180 of 2025 Mr. Vishal  
Raval, Adv. and Hina Raval, Adv. in IA  
No.1546(AHM) of 2025

For the Respondent : Mr. Rashesh Sanjanwala, Sr. Adv. a.w.

Sd/-

Sd/-

Mr. Nilesh Udernani, Adv., Mr. Prithu Parimal Adv., Adv. Chetan Agarwal Adv. and Ms. Teena P. Bajaj, Adv. in CP(IB) 180 of 2025

**JUDGEMENT**

1. State Bank of India Limited (Financial Creditor) has filed this Application under section 95 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as IBC,2016) read with Rule 7(2) of the Insolvency and Bankruptcy (Application to Adjudicating Authority for Insolvency Resolution Process for Personal Guarantors to Corporate Debtors) Rules, 2019 to initiate Personal Insolvency Resolution Process against Mr. Dhananjay Sanjay Agrawal, the Personal Guarantor of the Corporate Debtor namely M/s. M/s Raninga Paper Mills Private Limited for default of an amount of Rs. Rs.28,12,30,051.61/-.
2. The applicant stated that at the request of the Corporate Debtor, the Financial Creditor had sanctioned various credit facilities from time to time. The amount due to the Corporate Debtor was Rs.28,12,30,051.61/- and date of default as mentioned in the application is 05.12.2024. The applicant bank has granted credit facilities to the Corporate Debtor to which the respondent stood as a personal guarantor. As a

sdl-

sdl-

security for the repayment of the said credit facilities with interest, costs, charges and other expenses payable in respect of credit facilities, personal guarantee was executed by the personal guarantor dated 24.05.2022 to the applicant financial creditor.

3. The applicant stated that the Corporate Debtor became irregular in repaying the outstanding amount of debt, the loan account of the Corporate Debtor came to be declared as a Non-Performing Asset on 27.09.2024. It is further submitted that the Applicant/Financial Creditor approached the Respondent Personal Guarantor vide legal notice dated 26.11.2024 invoking the Guarantee which was received by the Respondent on 29.11.2024. The Respondent Personal Guarantor reverted through a reply on 11.12.2024. Thereafter, the Applicant/Financial Creditor issued a section 13(2) SARFAESI Act, 2002 notice dated 04.12.2024 upon the Respondent Personal Guarantor which was reverted and also replied to by the Applicant/ Financial Creditor.
4. The applicant stated that vide order dated 29.07.2025, Corporate Insolvency Resolution Process was initiated

Sd/-

- SD -

against the Corporate Debtor i.e. M/s. Raninga Paper Mills Private Limited. The applicant issued Demand Notice dated 17.01.2025 under Rule 7 (1) of the Insolvency and Bankruptcy (Application to Adjudicating Authority for Insolvency Resolution Process for Personal Guarantors to Corporate Debtors) Rules, 2019 calling upon the Personal Guarantor to pay Rs.26,64,23,493.46/-. The applicant has stated that the application is within limitation period.

5. The Respondent filed its reply and submitted that the Petition is not maintainable as the same has been instituted without proper authorization. It was contended that the Letter of Authority relied upon by the Petitioner has been issued by a Deputy General Manager in favour of the authorized representative, however, no Board Resolution or other document evidencing the authority of the said officer to initiate proceedings or delegate such power has been placed on record. It was therefore argued that the Petition suffers from lack of valid authorization and is liable to be rejected.
6. The Respondent stated that he had not executed any guarantee for the modified facilities, bore no responsibility for the claimed dues of Rs. 26.22 crores, and further highlighted

—SD—  
L U

—SD—

misrepresentations by the Company and its directors. It is further submitted that the Respondent ceased to be associated with the affairs and management of the Corporate Debtor with effect from 27.01.2023. The Bank was duly informed of the Respondent's resignation and subsequent disassociation by letter dated 04.04.2023, 04.10.2023 and 06.11.2023. The Respondent, expressly terminated any continuing guarantee obligations and placed the Bank on notice that he would not be liable in any manner for any subsequent facilities or obligations of the Corporate Debtor. Despite having knowledge thereof, the Bank proceeded to sanction and modify facilities under a sanction letter dated 20.07.2023 without obtaining the Respondent's consent, approval or acknowledgment and after his withdrawal as guarantor, thereby discharging him under Section 133 of the Indian Contract Act, 1872.

7. It is further submitted that the application does not satisfy the jurisdictional requirements prescribed under Section 95 of the Insolvency and Bankruptcy Code, 2016, which contemplate the existence of a debt due and a corresponding default on the part of the personal guarantor.

-SD-

Sd/-

According to the Respondent, the Petitioner's own records indicate that the loan account was classified as a Non-Performing Asset (NPA) on 27.09.2024, subsequent to the Respondent's cessation from the affairs of the principal borrower on 27.01.2023 and after the issuance of withdrawal notices in April 2023 and November 2023. It is further submitted that the alleged default arose from additional credit facilities/sanctions granted in July 2023 and May 2024, i.e., after the Respondent had ceased to be associated with the borrower entity.

8. The Respondent submitted that, no enforceable liability as a surety survives in respect of the debt claimed by the Petitioner, and therefore the foundational facts necessary for initiation of proceedings under Section 95 of the Code are absent. It is further contended that the Respondent has consistently disputed liability in relation to the alleged post-variation debt and has sought rectification of the relevant records, as reflected in his replies dated 11.12.2024 and 16.12.2024.
9. The Respondent also submitted that, notwithstanding the aforesaid objections, the Petitioner has pursued recovery

-SD-

-SD-

proceedings by issuing a legal notice dated 26.11.2024 and a demand notice under Section 13(2) of the SARFAESI Act dated 04.12.2024, while simultaneously initiating the present proceedings under Section 95 of the Code. Further stated that, such action has been undertaken despite the Respondent's resignation and alleged revocation of the guarantee, and therefore the present Petition constitutes an attempt to enforce liability in respect of obligations arising from arrangements entered into after the Respondent's cessation and withdrawal.

10. Further submitted that under Sections 139 and 141, a surety is discharged wholly or pro tanto if the creditor, without the surety's consent, does any act inconsistent with the rights of the surety, or parts with or loses any security. The post-resignation sanctions and arrangements of 2023-2024 constitute a novation or substitution between the Bank and the Corporate Debtor as per Section 62 of the Contract Act. Further it is stated that the Bank has failed to produce any document bearing his signature or acknowledgment for these post resignation transactions. Under Section L28 of the Contract Act, a surety's liability is co-extensive with that of

Sd/-

-SD-

the principal debtor, but only in respect of obligations as contracted at the time of guarantee; it cannot be stretched to encompass subsequent, varied or novated transactions undertaken after revocation and resignation without the surety's assent.

11. The Applicant had filed rejoinder and submitted that the application has been filed by a duly authorised officer of the Applicant Bank. The authority flows from the Gazette Notification governing delegation of powers within the Bank and, in any event, settled law recognises that proceedings instituted on behalf of a banking institution ought not to fail on hyper-technical objections regarding authorisation. With regard to the second objection, it is submitted that the personal guarantee dated 24.05.2022 is a continuing guarantee. The terms of the guarantee expressly provide that the liability of the guarantor shall continue notwithstanding any change in the constitution, management or status of the Corporate Debtor and further contain an express waiver of statutory defences available to a surety. The Respondent's subsequent resignation from the Corporate Debtor does not extinguish obligations undertaken under the guarantee. The

Sd/-

-SD-

guarantee remains enforceable in accordance with its terms and the settled principles governing continuing guarantees.

12. Vide order dated 26.11.2025 the resolution professional Mr. Sunil Kumar Agarwal, having registration No. IBBI/IPA-IBBI/IPA-002/IP-N00081/2017-18/10222 was appointed to submit a report.
13. The Resolution Professional has filed his report on 11.12.2025 recommending admission of the application under Section 95 IBC, 2016. The report of RP states that the RP had not received any evidence of repayment of the debt by the personal guarantor. Further, RP vide E-mail dated 28.11.2025 and speed post on 29.11.2025 intimated to Personal Guarantor about his appointment and further requested to provide the necessary documents. The Personal Guarantor replied vide email dated 03.12.2025 and provide required documents to the Resolution Professional. The Resolution Professional observed that Clause 3 of the Guarantee Agreement expressly grants the Bank the fullest liberty to vary existing credit limits or sanction fresh/additional limits without affecting the guarantee. The said clause further records the Personal Guarantor's waiver

of rights under Sections 131, 133, 134, 135, 139, 140 and 141 of the Indian Contract Act, 1872, including the protection under Section 133 relating to discharge of surety upon variation of contract terms. Additionally, the Principal Debtor Clause stipulates that the Guarantors shall be treated as principal debtors jointly with the borrower. Accordingly, the Resolution Professional concluded that the guarantor's liability is independent, continuing, and remains unaffected by subsequent modifications to the loan facilities exists and continues to bind the PG despite the modifications to the credit facilities in 2023.

14. The personal guarantor filed its reply by affidavit and stated the Resolution Professional has failed to discharge his statutory duty under Section 99 of the Code in as much as the Report has been prepared mechanically and without an independent examination of the substantial objections raised by the Respondent. The Resolution Professional has merely accepted the assertions of the Financial Creditor and has returned conclusive findings despite the existence of serious disputes regarding the enforceability of the guarantee and the Respondent's liability. It is further submitted that the

-SD-

-SD-

Report itself records the competing stands of the parties, thereby acknowledging the existence of triable issues; however, instead of confining himself to a prima facie assessment, the Resolution Professional has proceeded to conclusively determine disputed questions of fact and law. The Respondent also submitted that the Resolution Professional failed to call upon the Financial Creditor to produce complete records relating to subsequent sanctions, renewals and enhancements and accepted the Financial Creditor's version without granting the Respondent a fair opportunity to substantiate his objections. The Report, however, treats the guarantee as absolute and unconditional without examining whether the subsequent transactions fall within its scope.

15. The Financial Creditor filed rejoinder and submitted that the Resolution Professional while preparing the Report u/s. 99, IBC is not required to undertake adjudicatory functions thereby mandating in-depth inquiry and passing of conclusive findings on the material on record.
16. The respondent filed additional document and bring on record the Memo of the Original Application No. 56 of 2025

Sd/-

Sd/-

filed by the Petitioner Bank before the Hon'ble Debts Recovery Tribunal -I, Ahmedabad. The Respondent has also produced documents pertaining to the Commercial Civil Suit No. 90 of 2025 instituted by the Respondent PG against the Corporate Debtor and the Balance Sheet for FY 2025-2026 of Respondent No. 2. The said Commercial Civil Suit No. 90 of 2025 was dismissed under an Application filed by the Petitioner Bank under provisions of Order 3 VII Rule 11 of the CPC, vide Judgment dated 03.05.2025. The main premise of the Order was that the Hon'ble DRT would have jurisdiction to adjudicate the disputes and contentions raised in the Commercial Suit. It is stated that being aggrieved and dissatisfied with the said Judgment / Order dated 03.05.2025, the Respondent PG had approached the Hon'ble High Court of Gujarat by way of First Appeal No. 2084 of 2025, in which, the Hon'ble High Court of Gujarat vide Order dated 26.06.2025 was dismissed the Appeal. It is submitted that all the issues and disputes now sought to be urged by the Respondent Personal Guarantor, have already been made subject matter of adjudication before the Hon'ble Debts Recovery Tribunal in proceedings initiated by the Petitioner

Sd/-

Sd/-

Bank itself. The invocation of jurisdiction of this Hon'ble Tribunal despite the subsistence of serious and substantial disputes concerning the very existence and enforceability of the alleged guarantee liability amounts to a gross abuse of the process of law and the provisions of the Code cannot be permitted to be used as a tool for recovery or as a mechanism to overreach pending adjudicatory proceedings before the competent forum.

17. The Resolution Professional filed the reply and stated that the additional documents submitted by the Personal Guarantor are largely repetitive and/or already considered by the RP while preparing the Section 99 Report. The said additional documents do not introduce any new material fact that would warrant a change in the prima facie recommendation for admission of the Section 95 application. Also the additional documents do not demonstrate that there is no debt or no default, nor do they conclusively prove discharge of the Personal Guarantor at this prima facie stage.
18. Heard, learned advocates for the parties and perused the record alongwith written submissions.
19. Observations:

—SD—

—SD—

- a. The respondent PG as per the Guarantee Agreement dated 25.05.2022 had guaranteed the stated facilities granted by the applicant FC for an amount of Rs.29,48,11,435 and the document further the agreement, agreements which dated 12.02.2019, supplemental reveals dates are of 11.08.2020, 05.03.2021, 12.11.2021 and 29.12.2021.
- b. The statement agreement is an explicit agreement executed for agreeing or continuing to finance the business by granting or continuing or granted all or some or any of the "stated" (above mentioned) Agreement of Loan-cum-Hypothecation borrower(s) said facilities under the guarantors have agreed to guarantee the due payment by the borrower(s) of all the amounts payable from time to time.
- c. We have considered the objections raised by the Respondent in the Reply Affidavit. The principal contention of the Respondent is that he ceased to be a Director of the Corporate Debtor on 27.01.2023 pursuant to acceptance of his resignation by the Board of Directors and that he had no role whatsoever in the

-SD-

-SD-

affairs of the Corporate Debtor thereafter. The Respondent has further relied upon the communications dated 04.04.2023, 04.10.2023 and 06.11.2023 addressed to the Applicant Bank, whereby the Applicant was informed about his cessation from the management of the Corporate Debtor and categorically stating that he would not be responsible for any future facilities, renewals, enhancements or obligations of the Corporate Debtor. The said documents have not been specifically disputed by the Applicant.

- d. It is observed that the Deed of Guarantee executed by Respondent Nos. 1 and 2 contains an express waiver in clause no. 3 whereby Guarantors agreed that

*"The Bank shall have the fullest liberty without affecting this Guarantee to vary the amounts of the individual limits of/ under the said facilities or fresh or additional limits thereunder subject to the aggregate thereof not exceeding the principal sum and / or to postpone, enforce or forbear for any time to enforce any remedies or any of them against any securities or parting or losing with any security or promising to give time to or not to sue or making any composition with the Borrower(s) or of any other forbearance, act or omission or any other indulgence on the part of the Bank or by any other matters or things whatsoever which under the law relating to surety would but for this provision have the effect of so releasing the Guarantors. That as though*

Sd/-

Sd/-

*between the Guarantors and the Borrower(s), the guarantors are the sureties but as between the Bank and the Guarantors, it is expressly agreed that the guarantors would be the principal debtors jointly with the Borrower(s) and accordingly, the Guarantors shall not be entitled to and also hereby waive all the rights conferred on the Guarantors under Sections 131,133,134,135,139,140 and 141 of the Indian Contract Act, 1872."*

- e. However, the aforesaid waiver clause (3) is not absolute and is expressly qualified by the condition that any variation in the facilities or grant of fresh/additional limits shall be "subject to the aggregate thereof not exceeding the principal sum." The language employed in the guarantee clearly manifests that the consent of the remained Guarantors extended only to such modifications as within the ceiling of liability stipulated under the contract of guarantee.
- f. It is observed from the record that subsequent to the Respondent's resignation, the Applicant Bank issued sanction letters dated 20.07.2023 and 24.05.2024 in favour of the Corporate Debtor. The Respondent is admittedly not a signatory to either of the aforesaid sanction letters. It is evident that the facilities

Sd/-

Sd/-

subsequently extended and/or the liability sought to be enforced against Personal Guarantor exceeded the principal sum contemplated under the original Deed of Guarantee. Consequently, the protection afforded to the Bank under the waiver clause cannot be invoked beyond the contractual limit expressly agreed between the parties.

g. This functions as a fundamental variation of the terms of the initial contract of guarantee, wherein the extent of the liability to which Personal Guarantor consented to be liable has been exceeded. Such enlargement of liability travels beyond the scope of the consent embodied in the guarantee agreement and cannot be treated as a variation covered by the waiver clause. The contractual waiver, therefore, operates only to the extent of the principal sum guaranteed and not beyond it.

h. While the Bank is entitled to rely upon the waiver clause to resist the defence of discharge in respect of variations falling within the agreed principal sum, the said clause cannot be construed so as to bind the

Sd/-

-SD-

Guarantors to liabilities arising from facilities or enhancements exceeding the contractual cap. To that extent, the variation constitutes a material departure from the original contract of guarantee.

- i. Accordingly, the application deserves to be partly allowed. The liability of Personal Guarantor can be considered only to the extent covered by the principal sum stipulated under the Deed of Guarantee, whereas the claim insofar as it relates to the enhanced exposure exceeding the said principal sum cannot be enforced against them under the terms of the guarantee.

20. In view of the same, we pass the following order.

**ORDER**

- I. IA no. 1546 of 2024 is taken on record and CP(IB) no. 180 of 2025 is partly allowed;
- II. The insolvency process is initiated against the Personal Guarantor, Mr. Dhananjay Sanjay Agrawal. The liability of Personal Guarantor can be considered only to the extent covered by the principal sum stipulated under the Deed of Guarantee. The moratorium begun on the date of admission of the application shall cease to have effect at the end of the

-SD-

-SD-

period of 180 days from the date of this order. During the moratorium period, the following provisions shall be in effect:

- a. Any pending legal action or proceeding in respect of any debt be deemed to have been stayed; and
  - b. The creditors of the debtor shall not initiate any legal action or proceedings in respect of any debt; and
  - c. The debtor shall not transfer, alienate, encumber, or dispose of any of his assets or his legal rights or beneficial interest therein;
  - d. The provisions of this Section shall not apply to such transactions as may be notified by the Central Government in consultation with any financial sector regulator.
- III. The Resolution Professional is directed to cause a public notice published on behalf of the Adjudicating Authority within 7 days of uploading of this Order on the website of the NCLT, inviting claims from all Creditors, who shall register their claims as provided under Section 103 within 21 days of such issuance. The notice shall contain the necessary information as provided under Section 102 (2) of IBC, 2016. The publication of notice shall be made in newspapers, one in English and other in Vernacular which have wide circulation in the State where the Personal

Sd/-

- SD -

Guarantor resides. The Resolution Professional shall furnish two spare copies of the notice to the Registry. One shall be placed by the Registry on our website and the other shall be affixed in the premises of this Authority.

- IV. The Resolution Professional in exercise of the powers conferred under Section 104 shall prepare a list of creditors within 30 days from the date of the notice. The debtor shall prepare a repayment plan in consultation with the Resolution Professional as provided under section 105 which shall include the provisions for payment of fee to the Resolution Professional. The Resolution Professional shall submit the repayment plan along with his report on the plan to this Authority within a period of 21 days from the last date of submission of claims as provided under Section 106.
- V. In case the Resolution Professional recommends that a meeting of the creditors is not required to be summoned, he shall record the reasons thereof. If the resolution professional is of the opinion that the meeting of the creditors should be summoned, he shall specify the details as provided under Section 106(3). The date of meeting

Sd/-

-SD-

should not be less than 14 days or more than 28 days from the date of submission of the report under sub-section (1) of Section 106, for which at least 14 days' notice to the creditors (as per the list prepared) shall be issued by all relevant/feasible modes. Such notice must contain the details as provided under the provisions of Section 107.

- VI. The meeting of the creditors shall be conducted in accordance with sections 108, 109, 110 & 111. The Resolution Professional shall prepare a report of the meeting of the creditors on repayment plan with all details as provided under Section 112 and submit the same to this Authority, copies of which shall be provided to the debtor and the creditors. It is made clear that the resolution professional shall perform his function and duties in compliance with the code of Conduct provided under section 208 of the IBC, 2016.
- VII. The applicant- financial creditor is directed to deposit Rs.2,00,000/- to the bank account of RP within one week, from the date of this order towards his fees. This shall be subjected to the Rules and Regulations under the provisions of IBC, 2016.

Sd/-

-SD-

VIII. The RP is directed to strictly abide by the provisions of IBC 2016 and complete the process of insolvency in a time bound manner after constitution of the CoC.

Sd/-

**DR.V. G. VENKATA CHALAPATHY**  
**MEMBER (TECHNICAL)**

Sd/-

**CHITRA HANKARE**  
**MEMBER (JUDICIAL)**

*KJ-LRA*