

NATIONAL COMPANY LAW APPELLATE TRIBUNAL,
PRINCIPAL BENCH, NEW DELHI

Company Appeal (AT) (Insolvency) No. 298 of 2026

(Arising out of Order dated 10.02.2026 passed by the Adjudicating Authority (National Company Law Tribunal), Jaipur Bench, in CP No.(IB)-68/7/JPR/2024)

IN THE MATTER OF:

Milan Aggarwal (Suspended director
of Prayag Polytech Private Limited) ...Appellant

Versus

Canara Bank & Anr. ...Respondents

Present:

**For Appellant : Mr. Virender Ganda, Sr. Adv. with Vipul Ganda,
Arpita Sahu, Nitu Barik, Adv.**

**For Respondents : Mr. Abhijeet Sinha, Sr. Adv. with Anju Jain,
Hitesh Sachar, Rifat Touhid, Bhavya Khosla,
Adv. for R1 Dr. RC Lodha, IRP**

J U D G M E N T

ASHOK BHUSHAN, J.

This Appeal by Suspended Director of the Corporate Debtor (“**CD**”) – M/s Prayag Polytech Pvt. Ltd. has been filed challenging order dated 10.02.2026 passed by National Company Law Tribunal, Jaipur Bench admitting Section 7 application filed by Canara Bank. By the impugned order while admitting Section 7 application the Adjudicating Authority appointed Resolution Professional (“**RP**”) and has declared moratorium. The Appellant aggrieved by the order has come up in this Appeal.

2. Brief facts of the case necessary to be noticed for deciding the Appeal are:

- (i) The CD was incorporated in the year 1982 and is in business of manufacturing and exporting plastic coloring additives, known as Masterbatches. The CD has availed various credit facilities from Canara Bank since 15.10.2011. Facilities were renewed from time to time. Total amount of facilities granted by the Bank was to the extent of Rs.157 crores. In addition, ad-hoc credit facilities were also granted in the year 2016-17 to the CD. Various security documents and Hypothecation Agreements were executed. Charges were registered with regard to various assets of the CD.
- (ii) The account of the CD slipped into Non-Performing Asset (“**NPA**”) on 03.10.2019, the Bank filed an OA No.609 of 2023 before the Debts Recovery Tribunal (“**DRT**”), New Delhi for recovery of the amount from the CD, which OA is pending consideration. In the OA filed by the Bank, the CD has also filed counter claim.
- (iii) An application under Section 7 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as the “**IBC**”) was filed by the Canara Bank on 09.08.2024 claiming outstanding dues against the CD totaling to Rs.22,02,72,528/- as on 03.10.2019. As on 30.06.2024, total amount claimed was Rs.34,14,92,212/-. The credit facilities which were relied in Section 7 application were with respect

to two accounts, i.e. 2009256010152 and 2009773010935 (which was corrected subsequently as 2009773010930).

- (iv) Along with Section 7 application various documents and evidence of default were annexed. Notice was issued by Adjudicating Authority to the CD. The CD appeared and filed its reply dated 09.12.2024. The CD in its reply relied on various No Objection Certificates (“**NOCs**”) issued by the Bank dated June 29, 2017, December 30, 2017 and August 7, 2018. The debt claimed by the Bank in Section 7 application was disputed. It was pleaded that the Bank has discharged its debt towards the CD by issuing various NOCs. No debt is outstanding. It was pleaded that various Section 13 sub-section (2) notices were issued, which were subsequently withdrawn. In OA No.609 of 2023, the CD has filed its counter claim for an amount of Rs.31,18,17,044/-.
- (v) The Adjudicating Authority heard the parties and by the impugned order dated 10.02.2026 admitted Section 7 application. The Adjudicating Authority came to the conclusion that financial debt exists, default has occurred and the application was within the limitation. The Appellant Aggrieved by the said order filed this Appeal.

3. We have heard Shri Virender Ganda, learned Senior Counsel appearing for the Appellant; Shri Abhijeet Sinha, learned Senior Counsel

with Anju Jain, learned Counsel and Shri Hitesh Sachar have appeared for Canara Bank.

4. Learned Counsel for the Appellant challenging the order submits that present is a case where Bank itself has issued various No Due Certificates/ NOCs to the CD, which were referred to in the reply filed in Section 7 application. No Dues Certificates/ NOCs having been issued, there is no outstanding debt against the Appellant. In notice under Section 13(2) dated 02.11.2019, the amount shown was Rs.22,02,72,528. Several other notices were issued mentioning different amounts, which were all withdrawn by the Bank. Last notice under Section 13(2) was issued on 03.05.2024, which was also withdrawn. In Section 7 application incorrect account number was mentioned, which was sought to be corrected by an affidavit filed by the Bank. In the NeSL Certificate, default was only for Rs.96,99,057.55 paisa. In the affidavit filed by the Appellant in compliance of order dated 12.02.2026, the Appellant has given details of credit facilities and date of NOCs issued, which clearly proved that there was no outstanding debt existing against the Appellant. Learned Counsel for the Appellant has also referred to and relied on an order passed by NCLT on 13.02.2020 in Sections 241 and 242 petition with respect to CD and another Company M/s Agroha Colourtech Pvt. Ltd. The Lenders were directed to bifurcate securities and assets of both the Companies to run. There is no compliance of the said order by the Canara Bank. All credit facilities stood fully repaid and discharged, which has been acknowledged by the Bank by issuing No Dues Certificates/

NOCs as well as Memorandum of Satisfaction of charge in respect of facilities. The Respondent has illegally retained a sum of Rs.30,91,60,044/-, which has neither been duly reflected nor reconciled in the books of CD and no explanation has been given. The amounts remitted by overseas buyers of the Company were not credited to the OCC account of the CD totaling to Rs.7,25,98,131/-. It is submitted that the Bank has failed to prove debt and default and the Adjudicating Authority committed error in admitting Section 7 application.

5. Learned Counsel appearing for the Respondent refuting the submissions of the Appellant submits that the Bank has fully proved the debt and default on the part of the CD before the Adjudicating Authority by filing relevant statement of accounts and other materials. The reliance of the Appellant on No Dues Certificates dated 29.06.2017, 30.12.2017, 22.02.2018 and 07.08.2018, cannot lead to the conclusion that there was no outstanding debt against the Appellant. The said letters, at best be treated with respect to satisfaction of certain charges. It is, however, submitted that in the Ministry of Corporate Affairs (“**MCA**”) website, charges against the Bank are still reflected and various charges in favour of the Bank are continuing in the MCA website. Hence, the submission of the Appellant that satisfaction of all charges has been done is incorrect. It is submitted that NeSL certificate relied by the Appellant of Rs.96,99,057.55 pertains to only one account, i.e. 2822261000063, whereas there was default by the CD in two other accounts. NeSL certificate which is alleged, has been brought on record. Thus, the

submission of the Appellant that NeSL Certificate, which is relied by learned Counsel for the Appellant relates to an account, which is not relied in Section 7 application by the Bank. It is submitted that the CD has acknowledged the debt in its Financial Statements for the year 2017-18, 2018-19, 2019-20 and 2020-21, which acknowledgements clearly acknowledge debt. Hence, it is not open for the Appellant to contend that there is no debt outstanding against the CD. By letter dated 13.06.2022, the CD has acknowledged its debt and its outstanding amount in two loan accounts, which is clear acknowledgement of debt. In view of the acknowledgement in the balance sheets and acknowledgement letter dated 13.06.2022 it is not open for the CD to contend that there is no outstanding liability against the CD. It is submitted that in pursuance of the order dated 12.02.2026 of this Tribunal, the entire Statement of Accounts of all the three accounts have been brought on record (in 20 volumes), which Statement of Accounts amply proves default in the loan accounts. It is submitted that with regard to allegation of the Appellant that the amount of Rs.31,18,17,044/- has been illegally retained, the said statement is incorrect. The CD has already filed its counter claim in proceedings under Section 19 before the DRT relying on the said allegations, which shall be examined in DRT proceedings. The Bank has explained all remittances in his account. In Section 7 application, the Adjudicating Authority has to look into the debt and default and Financial Creditor having proved debt and default by bringing ample material on record, no error has been committed by the Adjudicating Authority in admitting Section 7 application.

6. We have considered the submissions of learned Counsel for the parties and have perused the records.

7. Challenge to the admission of Section 7 application has been made by the Appellant on various grounds as noted above. We need to proceed to examine the said grounds of challenge in seriatim.

(1) Canara Bank having issued No Dues Certificates/ NOCs dated 29.06.2017, 30.12.2017, 22.02.2018 and 07.08.2018, there exist no outstanding amount to be paid.

8. We need to first look into the No Dues Certificates relied by the Appellant. The copies of the aforesaid No Dues Certificates/ NOCs have been brought on the record by the Appellant in Volum-5 of the Appeal. 1ST letter which is relied on, is dated 29.06.2017, which is as follows:

“29th June, 2017

The Registrar of Companies
Rajasthan,
Jaipur

**Reg: PRAYAG POLYTECH PRIVATE LIMITED
C U28994RJ1982PTC012328**

Sir,

We have no objection if the satisfaction for the following charge is filed as there are no dues against this charge as on date:

Charge created on 15.02.2017 for Adhoc OCC/ODBD limit of Rs.300.00 lakhs and registered vide id-100082624.

Thanking you,
Yours faithfully
Sd/-
CANARA BANK”

9. Similarly, letter dated 30.12.2017 was also relied:

“30th December, 2017

The Registrar of Companies
Rajasthan,
Jaipur

**Reg: PRAYAG POLYTECH PRIVATE LIMITED
C U28994RJ1982PTC012328**

Sir,

We have no objection if the satisfaction for the following charge is filed as there are no dues against this charge as on date:

Charge created on 29.06.2017 for Adhoc OCC/ODBD limit of Rs.3.00 crores and Adhoc Packing Credit limit of Rs.3.00 crores aggregating to Rs.6.00 crores granted to the Company and registered vide Id-100109378.

Thanking you,

Yours faithfully
Sd/-
CANARA BANK”

10. Another letter issued by the Canara Bank dated 22.02.2018 has been relied by the Appellant, by which the Appellant has stated that Bank has no objection, if the satisfaction for the charges are filed as there are no dues against these charges as on date. The said letter mentions about 20 Charge ID, date of creation and amount. The letter dated 07.08.2018 with respect to charge created on 14.08.2014 and 20.12.2017, states as follows:

“30th December, 2017

The Registrar of Companies
Rajasthan,
Jaipur

Reg: PRAYAG POLYTECH PRIVATE LIMITED
CIN: U28994RJ1982PTC012328

Sir,

We have no objection if the satisfaction for the following charges are filed as there are no dues against these charges as on date:-

- 1) Charge created on 14.08.2014 for various credit facilities aggregating to Rs. 160.30 crores and registered on 12.09.2014 (Id-10519288).
- 2) Charge created on 30.12.2017 for Adhoc OCC/ODBD limit of Rs. 3.00 crores and Adhoc PC limit of Rs. 3.00 crores and registered on 17.01.2018 (Id-100147217).

Thanking you

Your faithfully

Sd/-”

11. When we look into the above letters, the above letters were written to the Registrar of Companies to record satisfaction for the charges created with the ROC. The said letters cannot be read to mean that the Bank has communicated that it has no outstanding dues against the CD. When we look into Section 7 application and particulars of financial debt and evidence on record, apart from hypothecation and charges on various residential properties, hypothecated stock in trade and other details of charges available with the MCA were all mentioned. Learned Counsel for the Respondent Bank replying to the said submission has relied on details available with the MCA as on 09.08.2024, where in Index of Charges, several charges in favour of Canara Bank are shown to not have been discharged. Date of satisfaction regarding various charges in favour of Canara Bank are not mentioned, whereas satisfaction of charges with respect to several charges have been mentioned. The above details are in

the Appeal at page 1007 Vol.-4 of the Appeal. When we look into the Index of Charges at Item No.10, 11, 16, 17, 27 and 29, which are in favour of Canara Bank, it does not mention date of satisfaction of charge. It is useful to extract the above entries from Index of Charges, which are as follows:

| Sr. No | SB N | Charge Id | Charge Holder Name | Date of creation | Date of Modification | Date of Satisfaction | Amount | Address | Whether charge released by other entity | Asset Holder Name |
|--------|-------------------|---------------|--------------------|--------------------|----------------------|------------------------|-----------------|--|---|-------------------|
| 10 | G08 402 612 | 10004 1406 | Canara Bank | 11/0 7/20 16 | - | - | 6,00,0 00 | H-54, Connaught Circus, New Delhi, Delhi, India, 110001 | No | - |
| 11 | G08 403 529 | 10004 1409 | Canara Bank | 06/0 7/20 16 | - | - | 16,00, 000 | H-54, Connaught Circus, New Delhi, Delhi, India, 110001 | No | - |
| 16 | C32 359 101 | 10529 260 | Canara Bank | 21/1 0/20 14 | - | - | 6,05,0 0,000 | H-54, Connaught Circus, New Delhi, Delhi, India, 110001 | No | - |
| 17 | C32 359 739 | 10529 262 | Canara Bank | 21/1 0/20 14 | - | - | 4,43,0 0,000 | H-54, Connaught Circus, New Delhi, Delhi, India, 110001 | No | - |
| 27 | C32 360 638 | 10438 333 | Canara Bank | 25/0 6/20 13 | - | - | 3,41,4 3,440 | H-54, Connaught Circus, New Delhi, Delhi, India, 110001 | No | - |
| 29 | C64 785 645 | 10356 025 | Canara Bank | 25/0 4/20 12 | - | 19/ 09/ 201 5 | 3,00,0 0,000 | H-54, Connaught Circus, New Delhi, Delhi, India, 110001 | No | - |

12. Thus, the above clearly indicates that all charges created in favour of Canara Bank by the CD have not been satisfied and inspite of various charges having been satisfied, still several charges as indicated above are still outstanding. The index contains details of various charges, which have been satisfied. Thus, No Due Certificate/ NOC regarding satisfaction of charge as relied by the Appellant, cannot mean firstly that all charges in favour of Canara Bank have been satisfied and secondly there is no outstanding debt against the CD.

(2) In the NeSL Certificate, amount outstanding shown as Rs.96,99,057.55 paisa.

13. NeSL Certificate, which is relied by the Appellant is brought on record of the paper book at Page 1013. When we look into the said Certificate, the said Certificate mentions Account No. 2822261000063 and the total outstanding shown was Rs.96,99,057.55 paisa as on 23.08.2023. Learned Counsel for the Bank replying to the said submission has contended that said NeSL Certificate was with respect to only one account of the CD, whereas there was outstanding debt as per NeSL record in other two accounts of the CD, i.e. 2009773010930 and 2009256010152. In reply filed on behalf of Respondent Bank, NeSL record of the above two accounts have been brought on record at Pages 78 and 92 of the reply. NeSL record at Page 78 is with respect to Account No. 2009773010930, which was last authenticated, mentions default amount of Rs.18,63,346.72. Further at Page-91 of the reply, default with respect to Account No. 2009256010152 has been brought on record,

which was authenticated, wherein as per last authentication dated 23.08.2023 default of Rs. 27,74,72,734.18 has been mentioned. NeSL certificate, which is authenticated, clearly proves the default in other two accounts. Hence, the submission of the Appellant that the default is only Rs.96,99,057.55 paisa, is incorrect. The said NeSL certificate relied by the Appellant relates to only one account. It is relevant to notice that in Section 7 application, the account with respect to which NeSL Certificate has been relied by the Appellant was not even mentioned. We, thus, are satisfied that NeSL Certificate brought on record by the Bank clearly proves default on the part of the CD of more than Rs.1 crore and the submission of the Appellant that default was only Rs.96,99,057.55 paisa has to be rejected.

(3) The submission of learned Counsel for the Appellant that Canara Bank has retained a sum of Rs.30,91,60,044/-, which details has been elaborated in affidavit filed by the Appellant dated 28.02.2026

14. Learned Counsel for the Canara Bank has denied the said statement and has submitted that in the relevant accounts, all amount received and remitted have been properly explained.

(4) The notice under Section 13 sub-section (2) issued from time to time was withdrawn by the Bank.

15. The Bank has claimed that liability of the borrower does not absolve at withdrawal of Demand Notice under Section 13(2) of the SARFAESI Act. It is already submitted by the Appellant that proceeding before the DRT

has already been initiated for recovery of the amount. Withdrawal of notice under Section 13(2), thus, cannot have any effect on right of the Bank to initiate proceedings under Section 7 for its debt and default.

16. Learned Counsel for the Bank has also in support of its argument that debt and default has been amply proved has relied on financial statements of the CD, which according to the Bank reflects borrowings. Financial Statements with respect to 2018-19, 1019-20 and 2020-21 have been brought on the record. Notes on borrowing clearly contain details of secured borrowing. It is useful to notice textual information 44 with respect to Financial Year 2018-19 at Page 977 of the Paper book, where following has been stated:

**“Textual information (44)
Terms of repayment of term loans and other loans**

"Due to the internal dispute between the management, the repayments to banks/ SIDBI/ NBFCs (which were due from April 19 onwards) as stated above could not be made and all the lenders have classified the loans as Non Performing Assets during subsequent financial years under RBI regulations. The Company's current liabilities exceeded its current assets and net worth of the Company was also eroded as at March 31, 2019. Canara Bank, Andhra Bank and State Bank of India have also issued notice under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002. Andhra Bank and State Bank of India have also filed petitions with Hon'ble Debt Recovery Tribunal for recovery of their dues, detail of the same are as follows:- " Case Type/ Case No/ Year Status Original Application/ 16/2020 filed on 14/08/2019 by Andhra Bank Limited 'Proposal for restructuring under consideration Original Application/ 490/2020 filed on 18/08/2020 by State Bank of India 'OTS done

subsequently and the application will be withdrawn by the bank after all payments as per schedule is made by the Company. However, as on date of signing of the financial statements, after settlement of the management disputes with the intervention of Hon'ble NCLT, Jaipur, the current management has applied for restructuring / reclassification of its debts. Restructuring with Siemens Financial Services Private Limited (NBFC) has already been agreed and onetime settlement (OTS) has been reached with State Bank of India. However restructuring proposals with Canara Bank, Andhra Bank and SIDBI are still pending for lender's approval. The management is confident and hopeful that restructuring proposals of the Company shall be approved.”

17. The above statement in the Financial Statement clearly records that the CD due to internal dispute between the Management failed to make repayments to Banks, which were due from April 2019 onwards and Lender have classified the loan as Non-Performing Assets. The statement further mentions that current Management has applied for restructuring/ reclassification of its debt.

18. Learned Counsel for the Respondent has also further submitted that letter dated 13.06.2022 written by the Appellant to the Bank clearly acknowledge the debts of the Bank of more than Rs.1 crore. Copy of the letter dated 13.06.2022 is on the record of the paper book at page 1006.

19. Acknowledgement in the balance sheet as well as acknowledgement letter given on behalf of the CD, clearly indicate that CD has acknowledged the debt in the Financial Statements upto 2020-21 and the acknowledgement letter dated 13.06.2022. The Adjudicating Authority in the impugned order has also noticed the Financial Statements upto

31.03.2021 reflecting dues. The acknowledgment letter dated 13.06.2022 and restructuring request of 16.09.2022 have also been noticed by the Adjudicating Authority. In Paragraph 12.5 of the impugned order, following pleading on behalf of the Bank has been noticed:

“12.5 On a prima facie appreciation, in view of the pleaded acknowledgements (financial statements up to 31.03.2022 and letter dated 13.06.2022, and restructuring request of 16.09.2022 as asserted), we are satisfied at this stage that the petition cannot be rejected as time-barred at the threshold. The Corporate Debtor's allegations of fabrication and selective annexures can be examined by the Resolution Professional while collating claims and by the competent forum if the Corporate Debtor seeks appropriate relief; but they do not justify dismissal at admission stage when prima facie acknowledgements are pleaded and placed.”

20. After having considered the submissions of learned Counsel for the parties and looking to the materials on record, we are satisfied that decision of Adjudicating Authority to admit Section 7 application and findings on debt and default, cannot be faulted.

21. There are no grounds made out in this Appeal to interfere with the order of admission passed in Section 7 application. As far as quantum of debt is concerned, the Adjudicating Authority has already observed that it is for the RP to collate the claims, and it is at that stage that amounts due on the CD can be looked into.

22. The Appellant before the Adjudicating Authority has also repeated the same arguments regarding, NOCs and Satisfaction of charge, NeSL record, SARFAESI notices, which were all dealt with in Paragraph 11.2 of

the impugned order by the Adjudicating Authority. We only observe that it shall be open for the Appellant to place before the RP all relevant record and documents for collation of actual amount of debt due on the CD of the Bank. It shall be open for the RP after considering all relevant materials to collate the claims as per relevant materials brought by the CD before him.

23. We do not find any good ground to interfere with the impugned order. Subject to observations as made above, the Appeal is dismissed. Parties shall bear their own costs.

**[Justice Ashok Bhushan]
Chairperson**

**[Barun Mitra]
Member (Technical)**

NEW DELHI

23rd April, 2026

Ashwani