

**IN THE NATIONAL COMPANY LAW TRIBUNAL
KOCHI BENCH**

IA(IBC)/138/KOB/2026

IN

CP(IBC)/33/KOB/2025

*(Under Section 60(5) of IBC, 2016, read
with Rule 11 of the NCLT Rules, 2016)*

Date of Institution:13.04.2026

Order Delivered on:08.06.2026

In the matter of:

***M/s. ROOFCO TRADING COMPANY PRIVATE
LIMITED***

Memo of Parties:

Mr. DILEEP KP-Resolution Professional

RP in the matter of M/s. Roofco Trading Company
Private Limited

IBBI Reg No. IBBI/IPA -001/IP-P01310/2018
2019/12220

Veluthedath House, Ponnurunni.,

Vytilla P.O, Kochi-682019

E-mail ID: kpdileep57@gmail.com

.... Applicant

Vs.

YES Bank Limited,

First Floor, Puthuran Plaza,

Northern Side, KPCC Junction,

M. G. Road, Kochi, Kerala- 682011

Email: vinayak.padmakshan1@yesbank.in

... Respondent

Coram:

HON'BLE MEMBER (JUDICIAL) : SHRI. VINAY GOEL

HON'BLE MEMBER (TECHNICAL) : SHRI. RAVICHANDRAN RAMASAMY

Appearance:

For the Applicant : Mr. Krishnan Unni, PCS
: Mr. Dileep K P, Resolution Professional
For the Respondent : Mr. Renjith R, Advocate

ORDER

Per Coram

1. The Resolution Professional of M/s. Roofco Trading Company Private Limited (hereinafter referred to as “Corporate Debtor”) has filed the present application under Section 60(5) of the Insolvency and Bankruptcy Code, 2016, read with Rule 11 of the NCLT Rules, 2016, seeking reclassification of the claim amount of Rs. 4,92,59,683/- filed by Yes Bank Ltd, Respondent, from secured financial debt to unsecured financial debt.
2. The Respondent submitted a claim of Rs. 13,92,95,998/- as a Financial Creditor, comprising (i) Rs. 4,92,59,683/- towards a loan extended to the Corporate Debtor, and (ii) Rs. 9,00,36,315/- towards loans extended to the promoters, for which the Corporate Debtor had provided a corporate guarantee. Based on the documents initially made available, the Applicant classified the amount of Rs. 4,92,59,683/- as secured financial debt and Rs. 9,00,36,315/- as unsecured financial debt.
3. Subsequently, State Bank of India, being a Financial Creditor and a member of the Committee of Creditors (CoC), objected to the classification of the aforesaid debt as secured financial debt on the ground that the alleged security pertains to mortgages created over the properties of the promoters and not over the assets of the Corporate Debtor. The matter was thereafter placed before the CoC, which obtained a legal opinion in this regard. Since the Resolution Professional does not possess adjudicatory powers to conclusively determine disputes relating to the

classification of debt, the present application has been filed before this Adjudicating Authority seeking the following reliefs:

- a) Allow the present application and declare that the amount of Rs.4,92,59,683/- claimed by the Respondent shall be treated as unsecured financial debt;*
- b) Direct reclassification of the said amount in the CIRP records of the Corporate Debtor;*
- c) Pass such other order(s) as this Hon'ble Tribunal may deem fit."*

4. Respondent appeared and submitted that the application is liable to be dismissed *in limine*, and that the claim made therein is misconceived and legally untenable. The Corporate Debtor had availed financial assistance from the Respondent under duly executed sanction letters and loan documents. The charges in favour of the Respondent were duly registered with CERSAI, and the loan was secured by mortgages over movable and immovable properties belonging to the promoters/directors, who stood as guarantors.
5. The Resolution Professional has rightly admitted a part of the claim as secured financial debt, since the land was given to the Corporate Debtor for its business operations. The 'covenant to pay', i.e., the primary legal obligation to repay the principal together with applicable interest, rests exclusively with the Corporate Debtor. Under the established principles of corporate finance and the Insolvency and Bankruptcy Code, 2016, a creditor's status as a secured financial creditor is determined by the existence of a validly created and enforceable security interest securing repayment of the debt. Therefore, the application deserves dismissal.

FINDINGS:

6. This Adjudicating Authority has heard both sides and perused the material available on record. The Applicant has submitted that, based on the documents and submissions initially furnished by the claimant, the total claim amounting to

Rs. 13,92,95,998/- was bifurcated under two heads, namely: (i) Rs. 4,92,59,683/- towards loans extended to the Corporate Debtor, and (ii) Rs. 9,00,36,315/- towards loans advanced to the promoters on the strength of the corporate guarantee furnished by the Corporate Debtor. Based on the documents then available, an amount of Rs. 4,92,59,683/- was admitted as secured financial debt, while the balance amount was treated as unsecured financial debt.

7. However, the State Bank of India objected to the aforesaid classification, contending that the alleged security claimed by the Respondents pertains to the properties of the promoters and is not secured by any asset of the Corporate Debtor. Therefore, according to the State Bank of India, the said amount cannot be classified as secured financial debt. It has further been submitted that the Committee of Creditors had obtained a legal opinion from an advocate in this regard and that the Applicant has no authority to reclassify the debt. Accordingly, it has been prayed that appropriate orders be passed.
8. During the course of the hearing, the learned counsel for the Respondent was asked to show this Adjudicating Authority the nature of the security interest claimed by the Respondent in support of its classification as secured debt. In response thereto, reliance was placed on Annexures B3 and B4 annexed to the reply. We have perused the documents titled "Memorandum of Deposit of Title Deeds". These documents were not executed by the Corporate Debtor, but by another entity, namely Phoenix Cars India Pvt. Ltd., and certain individuals in their personal capacities.
9. Under the Insolvency and Bankruptcy Code, 2016, the nature of debt assumes considerable importance. Secured financial debt refers to a financial debt that is backed by a valid security interest over the assets of the Corporate Debtor, created through a mortgage, charge, hypothecation, pledge, or any other form of

security interest executed by an agreement between the Corporate Debtor and the charge holder. In contrast, unsecured financial debt is not supported by any such security interest.

10. It would be appropriate to note that during the Corporate Insolvency Resolution Process (CIRP), the distinction between secured and unsecured financial debt has limited relevance insofar as the participation and voting rights of financial creditors in the Committee of Creditors (CoC) are concerned. This is because voting share is determined solely on the basis of the quantum of admitted debt and is not dependent upon the existence or absence of a security interest.
11. However, the distinction between secured and unsecured financial creditors assumes significant importance at the stage of insolvency and further in the event of liquidation, particularly in relation to the distribution of assets and recovery of dues. In liquidation, secured creditors enjoy certain statutory privileges and advantages by virtue of the security interest created in their favour. They may elect either to realise their security interest outside the liquidation process or to relinquish such security interest and participate in the distribution of assets under the waterfall mechanism prescribed under the Code.
12. The rights available to secured creditors place them in a comparatively advantageous position, which may ultimately affect the rights and recoveries of other creditors. Therefore, the objection raised by the State Bank of India regarding the nature of the Applicant's debt is not without significance. If the Resolution Professional has erroneously or inadvertently categorised the Applicant's financial debt as secured financial debt, such classification may adversely affect the rights and entitlements of other secured creditors at some point in time. Therefore, for a debt to qualify as a secured financial debt, there must exist a valid security interest created over the assets of the Corporate

Debtor. In the present case, Yes Bank claims security over the personal assets of the promoters of the Corporate Debtor. Although the debt may be secured by such assets for the benefit of Yes Bank, the security interest has not been created over the assets of the Corporate Debtor itself.

13. In this regard, reliance is placed on the judgment of the Hon'ble NCLAT in ***Bizloan Pvt. Ltd. v. Amit Chandrashekar Poddar (Liquidator), (2025) ibclaw.in 463 NCLAT***, wherein it was observed as follows:

*“32. We note that a financial creditor under the Code is a person to whom a financial debt is owed, which includes a debt along with interest, if any, that has been disbursed against the consideration for the time value of money and **the Secured Financial Creditor is a financial creditor whose debt is secured by a charge on the assets of the corporate debtor.** Being “secured” give creditors a higher priority in the event of insolvency or liquidation of the Corporate Debtor compared to unsecured creditors.*

33. We also take into consideration that a charge is essentially a security interest created by a company on its assets (movable or immovable, tangible or intangible) in favour of a lender to secure a debt. It can be a mortgage, hypothecation, pledge, etc.”

14. Under the insolvency process, only a security interest created over the assets of the Corporate Debtor can confer the status of a secured financial debt. Where no such security interest exists in favour of the creditor over the assets of the Corporate Debtor, the debt cannot be treated as a secured financial debt, notwithstanding the existence of security over the personal assets of the promoters. Consequently, in the present case, the debt owed to Yes Bank cannot be classified as a secured financial debt merely on the basis of security provided by the promoters.
15. Once it is evident that the Corporate Debtor never created a security interest in favour of the Respondent, the Respondent cannot claim itself to be a secured creditor *qua* the Corporate Debtor during the CIRP process. The assets of the

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Corporate Debtor are already secured in favour of other financial institutions, and therefore, such financial institutions, including State Bank of India, cannot be compelled to share their security interest and the benefits arising therefrom with the Respondent.

16. Further, this order would not be a hurdle to preclude Yes Bank from enforcing its rights against the mortgagors who created security in its favour. However, during the CIRP process, the amount claimed by the Respondent would come within the ambit of unsecured financial debt.
17. Accordingly, the amount of Rs.4,92,59,683/- is directed to be reclassified as unsecured financial debt. If, upon such reclassification, there is any change in the constitution of the CoC, the consequential changes would follow accordingly. The Resolution Professional is directed to reconstitute the CoC in terms of the aforesaid reclassification. Accordingly, **IA(IBC)/138/KOB/2026** in CP(IBC)/33/KOB/2025 is **allowed** and **disposed of**.
18. The Registry is directed to send e-mail copies of this order forthwith to all the parties and their counsel for information and for taking necessary steps.
19. Let the certified copy of this order be issued upon compliance with the requisite formalities.
20. File be consigned to records.

Sd/-
RAVICHANDRAN RAMASAMY
(MEMBER TECHNICAL)

Sd/-
VINAY GOEL
(MEMBER JUDICIAL)

Signed on this the 08th day of June, 2026.

JL/Steno