



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

**CP(IBC)/07/KOB/2026**  
*(Under Section 7 of the IBC, 2016)*

***Date of Institution:06.04.2026***

***Order Delivered on: 06.07.2026***

***In the matter of: -***

**M/s. NCS Autocars Private Limited**

***Memo of parties:***

**1. M/s. SC Shah Corporation**

represented by its partner, Mr Suresh Kumar  
B Jain, At No.57, Ormes Road,  
Kilpauk, Chennai -600 010.

**2. M/s. SC Shah Exports,**

represented by its Proprietor, Mr Narendar  
Shah, at No.315, Mint Street,  
Ekagaraharam, Chennai-600 003.

**3. Mr Suresh Kumar B Jain,**

At No.57, Ormes Road,  
Kilpauk, Chennai -600 010.

**4. M/s Kamlesh Kumar A Jain and Sons,**

represented by its Karta, Mr Kamlesh Kumar  
A Jain, at Sai Shreshtha Apartments,  
No.52, Perambur Barracks Road,  
Lakshmi Mahal, Vepery, Chennai- 600 007.

**5. Mr S. Prakash Chand,**

No. 3/5B, Manonmani Ammal Street,  
Kilpauk, Chennai-600 010.



**6. Mrs Tushi Bafna,**  
No.29, Zinda Street, Kondithope,  
Chennai 600 001,

**7. Ms. Prernah S Jain**  
No.6, Ranganathan Avenue Road,  
T-2, Jain Ankush Prakas, Kilpauk,  
Chennai-600 010.

**8. Mrs. Khyati Tated,**  
No.50, General Muthai  
Mudali Street, Chennai- 600 001.

**...Petitioners/Financial Creditors**

**-Vs.-**

**M/s. NCS Autocars Private Limited,**  
**Represented by its Directors/  
Managing Directors**  
Ennakattil Building, Building No. 35/448,  
TMC 35/450, Kattoorkkara Muri,  
Pathanamthitta, Thiruvalla -689 101.

**... Corporate Debtor**

***Coram:***

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

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

***Appearances:***

For the Petitioners : Mr. Srenik S. Jain., Advocate

Ms. Aparna Devi, Advocate

Corporate Debtor : *Ex parte* vide order dated 22.04.2026.



**ORDER**

***Per Coram***

1. The present Petition is filed by M/s. SC Shah Corporation & 7 Others (hereinafter referred to as the “Financial Creditors”) under Section 7 of the Insolvency and Bankruptcy Code, 2016, seeking initiation of the Corporate Insolvency Resolution Process against M/s. NCS Autocars Private Limited (hereinafter referred to as the “Corporate Debtor”). The Corporate Debtor had availed an aggregate financial assistance of Rs. 4,00,00,000/- from the Financial Creditors in two tranches, duly supported by Promissory Notes, and had agreed to repay the same with interest within the stipulated period; however, despite part repayments, substantial amounts remain outstanding.
2. It is submitted that the Corporate Debtor has committed default in repayment of the said financial debt, and despite issuance of legal notices and repeated demands, has failed and neglected to discharge its liability, thereby entitling the Financial Creditors to seek appropriate relief under the provisions of the Code.
3. As per Part II of the Petition, the Corporate Debtor is a Private Limited Company incorporated under the provisions of the Companies Act, 2013, with Corporate Identification Number: U50200KL2019PTC057747 and having its registered office at Ennakkattil Building, Building No.35/448, TMC 35/450, Kattoorkkara Muri, Pathanamthitta, Thiruvalla, Kerala – 689 101.
4. As per Part III of the petition, the Financial Creditors has proposed the name of Mr. K J Vinod, at Flat No.9, Floor No. 3, Block A, Trident Serenity,



Nanjundapuram Road, Ramanathapuram, Coimbatore, Tamil Nadu – 641 036 as the Interim Resolution Professional.

5. Part IV of the Petition signifies the amount of debt to the tune of Rs. 3,82,08,988/- (Rupees Three Crores Eighty-Two Lakhs Eight thousand nine hundred eighty-eight only) (i.e., Rs.2,55,00,000/- towards Principal amount and Rs.1,27,08,988/- towards interest at respective rates on the Principal Outstanding amount) as on the date of filing the Petition.

**6. BRIEF FACTS OF THE CASE:**

i. The Corporate Debtor, for its business purposes, approached the Financial Creditors and availed an aggregate loan of Rs. 4,00,00,000/- (Rupees Four Crores Only) in two tranches, namely Loan-1 dated 29.09.2023 and Loan-2 dated 11.12.2023, for which the Corporate Debtor executed respective Promissory Notes in favour of the Financial Creditors agreeing to repay the said amounts along with interest at agreed monthly rates within a period of five months. The details of Loan-1 and Loan-2 are set out in the tables below.

**LIST OF LOAN AVAILED LOAN-1**

| S.NO.                 | FINANCIAL CREDITORS     | LOAN AMOUNT     | DATE OF LOAN | RATE OF INTEREST (PER MONTH) |
|-----------------------|-------------------------|-----------------|--------------|------------------------------|
| 1.                    | M/s. SC SHAH EXPORTS    | 10000000        | 29.09.2023   | 2.925%                       |
|                       |                         | 2500000         |              | 1.70%                        |
| 2.                    | Mr. Suresh Kumar B Jain | 2500000         | 29.09.2023   | 2.40%                        |
| 4.                    | Mrs. Khyati Tated       | 2500000         | 29.09.2023   | 1.70%                        |
| <b>TOTAL (LOAN-1)</b> |                         | <b>20000000</b> |              |                              |



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**LIST OF LOAN AVAILED LOAN-2**

| S.NO.                 | FINANCIAL CREDITORS               | LOAN AMOUNT     | DATE OF LOAN | RATE OF INTEREST (PER MONTH) |
|-----------------------|-----------------------------------|-----------------|--------------|------------------------------|
| 1.                    | M/s. SC SHAH CORPORATION          | 10000000        | 11.12.2023   | 2.9625%                      |
| 2.                    | Mr. Suresh Kumar B Jain           | 2500000         | 11.12.2023   | 2.25%                        |
| 3.                    | M/s KAMLESH KUMAR A JAIN AND SONS | 2500000         | 11.12.2023   | 1.70%                        |
| 4.                    | Mr. S. Prakash Chand              | 2500000         | 11.12.2023   | 1.70%                        |
| 5.                    | Ms. Prernah S Jain                | 2500000         | 11.12.2023   | 1.70%                        |
| <b>TOTAL (LOAN-2)</b> |                                   | <b>20000000</b> |              |                              |

- ii. The loan amounts were disbursed after deducting the initial five months' interest, which is evident from the bank statements of the respective Financial Creditors, and the Promissory Notes executed in their favour are annexed with the Petition. The Corporate Debtor has made part-payments aggregating to Rs. 1,45,00,000/-, apportioned among the Financial Creditors as reflected in the records; however, despite such payments, substantial amounts remain outstanding. The details of the outstanding amounts under Loan-1 and Loan-2 are as follows:

**OUTSTANDING AMOUNT FOR LOAN-1**

| S.NO.                             | FINANCIAL CREDITORS     | PRINCIPAL-OUTSTANDING (RS.) | INTEREST-OUTSTANDING (RS.) |
|-----------------------------------|-------------------------|-----------------------------|----------------------------|
| 1.                                | M/s. SC SHAH EXPORTS    | 3500000                     | 2296613                    |
|                                   |                         | 975000                      | 333696                     |
| 2.                                | Mr. Suresh Kumar B Jain | 750000                      | 403800                     |
| 3.                                | Mrs. Tushi Bafna        | 875000                      | 333696                     |
| 4.                                | Mrs. Khyati Tated       | 875000                      | 333696                     |
| <b>TOTAL OUTSTANDING (LOAN-1)</b> |                         | <b>Rs.68,75,000/-</b>       | <b>Rs.37,01,500/-</b>      |



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| <b>OUTSTANDING AMOUNT FOR LOAN-2</b> |                                   |                                    |                                   |
|--------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| <b>S.NO.</b>                         | <b>FINANCIAL CREDITORS</b>        | <b>PRINCIPAL-OUTSTANDING (RS.)</b> | <b>INTEREST-OUTSTANDING (RS.)</b> |
| 1.                                   | M/s. SC SHAH CORPORATION          | 9500000                            | 5638131                           |
| 2.                                   | Mr. Suresh Kumar B Jain           | 2375000                            | 808846                            |
| 3.                                   | M/s KAMLESH KUMAR A JAIN AND SONS | 2250000                            | 766275                            |
| 4.                                   | Mr. S. Prakash Chand              | 2375000                            | 808846                            |
| 5.                                   | Ms. Prernah S Jain                | 2125000                            | 723704                            |
| <b>TOTAL OUTSTANDING (LOAN-2)</b>    |                                   | <b>Rs.1,86,25,000/-</b>            | <b>Rs.90,07,488/-</b>             |

- iii. After giving credit to all repayments made, as on date, a sum of Rs. 2,55,00,000/- (Rupees Two Crores Fifty-Five Lakhs Only) remains due towards principal and Rs. 1,27,08,988/- (Rupees One Crore Twenty-Seven Lakhs Eight Thousand Nine Hundred and Eighty-Eight Only) towards interest, thereby totalling Rs. 3,82,08,988/-, along with further interest at the respective agreed rates from the date of this Petition till realization.
- iv. It is further submitted that upon default in repayment, Financial Creditors 1 and 2 issued a Legal Notice dated 21.05.2024, which was refused by the Corporate Debtor, and Financial Creditors 3 to 8 issued a Legal Notice dated 23.12.2025, which was returned as "Unclaimed," and the said notices, along with postal records, are annexed with the Petition. Despite repeated demands and opportunities, the Corporate Debtor has wilfully neglected and failed to repay the outstanding dues, clearly establishing default. The date of default for Loan-1 is 29.01.2024 and for Loan-2 is 11.01.2024, as evidenced from the bank statements and repayment records annexed to the Petition. Thus, it is



evident that a financial debt exists and the Corporate Debtor has committed default in repayment of the same.

**ANALYSIS AND FINDINGS: -**

7. We have heard Ld. Counsel for the Petitioners and have gone through the pleadings, documents, additional documents, and case laws cited on behalf of the Petitioners.
8. The Respondent/Corporate Debtor, despite service of notice, failed to appear before this Adjudicating Authority to contest the matter. As such, the Corporate Debtor was proceeded *ex parte* vide order dated 22.04.2026.
9. The present petition under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC or the Code) has been filed by eight petitioners, consisting of a partnership concern (Petitioner No. 1), a proprietorship concern (Petitioner No. 2), an HUF through its Karta (Petitioner No. 4), and five individual persons (Petitioner Nos. 3 and 5 to 8).
10. The Petitioners have joined hands to file this single Section 7 petition against the Corporate Debtor on the allegation that the Corporate Debtor has committed default in repayment of their financial debt. The scheme of the IBC permits joint applications by financial creditors, and the individual petitioners are not required to independently satisfy the threshold prescribed under Section 4 of the Code, so long as the consolidated debt exceeds the prescribed threshold. As such, we find no legal impediment in entertaining the present joint petition filed by eight petitioners against the Corporate Debtor, as the total amount claimed is more than Rs. 1 Crore.



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11. The Petitioners have stated that the Corporate Debtor borrowed money from the individual Petitioners upon execution of demand promissory notes, and the amount was agreed to be repaid within six months. The Corporate Debtor failed to repay the dues, and accordingly, the present Section 7 petition has been filed. The details of the transactions, execution of demand promissory notes, rate of interest, amount disbursed, and amount repaid have been given in the following tables: -

**LIST OF LOAN AVAILED LOAN-1**

| S.NO.                 | FINANCIAL CREDITORS     | LOAN AMOUNT     | DATE OF LOAN | RATE OF INTEREST (PER MONTH) |
|-----------------------|-------------------------|-----------------|--------------|------------------------------|
| 1.                    | M/s. SC SHAH EXPORTS    | 10000000        | 29.09.2023   | 2.925%                       |
|                       |                         | 2500000         |              | 1.70%                        |
| 2.                    | Mr. Suresh Kumar B Jain | 2500000         | 29.09.2023   | 2.40%                        |
| 3.                    | Mrs. Tushi Bafna        | 2500000         | 29.09.2023   | 1.70%                        |
| 4.                    | Mrs. Khyati Tated       | 2500000         | 29.09.2023   | 1.70%                        |
| <b>TOTAL (LOAN-1)</b> |                         | <b>20000000</b> |              |                              |

**OUTSTANDING AMOUNT FOR LOAN-1**

| S.NO.                             | FINANCIAL CREDITORS     | PRINCIPAL-OUTSTANDING (RS.) | INTEREST-OUTSTANDING (RS.) |
|-----------------------------------|-------------------------|-----------------------------|----------------------------|
| 1.                                | M/s. SC SHAH EXPORTS    | 3500000                     | 2296613                    |
|                                   |                         | 975000                      | 333696                     |
| 2.                                | Mr. Suresh Kumar B Jain | 750000                      | 403800                     |
| 3.                                | Mrs. Tushi Bafna        | 875000                      | 333696                     |
| 4.                                | Mrs. Khyati Tated       | 875000                      | 333696                     |
| <b>TOTAL OUTSTANDING (LOAN-1)</b> |                         | <b>Rs.68,75,000/-</b>       | <b>Rs.37,01,500/-</b>      |

**LIST OF LOAN AVAILED LOAN-2**

| S.NO.                 | FINANCIAL CREDITORS               | LOAN AMOUNT     | DATE OF LOAN | RATE OF INTEREST (PER MONTH) |
|-----------------------|-----------------------------------|-----------------|--------------|------------------------------|
| 1.                    | M/s. SC SHAH CORPORATION          | 10000000        | 11.12.2023   | 2.9625%                      |
| 2.                    | Mr. Suresh Kumar B Jain           | 2500000         | 11.12.2023   | 2.25%                        |
| 3.                    | M/s KAMLESH KUMAR A JAIN AND SONS | 2500000         | 11.12.2023   | 1.70%                        |
| 4.                    | Mr. S. Prakash Chand              | 2500000         | 11.12.2023   | 1.70%                        |
| 5.                    | Ms. Premah S Jain                 | 2500000         | 11.12.2023   | 1.70%                        |
| <b>TOTAL (LOAN-2)</b> |                                   | <b>20000000</b> |              |                              |

**OUTSTANDING AMOUNT FOR LOAN-2**

| S.NO.                             | FINANCIAL CREDITORS               | PRINCIPAL-OUTSTANDING (RS.) | INTEREST-OUTSTANDING (RS.) |
|-----------------------------------|-----------------------------------|-----------------------------|----------------------------|
| 1.                                | M/s. SC SHAH CORPORATION          | 9500000                     | 5638131                    |
| 2.                                | Mr. Suresh Kumar B Jain           | 2375000                     | 808846                     |
| 3.                                | M/s KAMLESH KUMAR A JAIN AND SONS | 2250000                     | 766275                     |
| 4.                                | Mr. S. Prakash Chand              | 2375000                     | 808846                     |
| 5.                                | Ms. Premah S Jain                 | 2125000                     | 723704                     |
| <b>TOTAL OUTSTANDING (LOAN-2)</b> |                                   | <b>Rs.1,86,25,000/-</b>     | <b>Rs.90,07,488/-</b>      |



12. It is the case of the Petitioners that a total sum of Rs. 3,82,08,988/- is due and payable by the Corporate Debtor, which includes the principal amount of Rs. 2,55,00,000/- and interest of Rs. 1,27,08,988/-. Despite repeated demands, the Corporate Debtor has failed to make payment, constraining the Petitioners to approach this Adjudicating Authority under Section 7 of the Code.
13. The Respondent having been proceeded *ex parte*, the Petitioners have come before this Adjudicating Authority under the Code. Except for the demand promissory notes, there is no written agreement between the parties. Along with the Section 7 petition, the Petitioners have not placed on record any financial statements or balance sheets of the Corporate Debtor. They have primarily relied upon demand promissory notes, bank statements, and ledger accounts of the individual Petitioners. Accordingly, this Adjudicating Authority sought further information and documents from the Petitioners; subsequently, they furnished some additional material on record.
14. We have carefully gone through the material placed on record. As far as the technical requirements regarding existence of debt, default, and threshold amount under the Code are concerned, the Petitioners appear to have satisfied the same. However, there is no straitjacket formula to arrive at a conclusion under the Code. Collateral circumstances may sometimes assume significance for fair adjudication. Each case turns on its own facts and circumstances, and while individual ingredients of the statutory requirements may be satisfied, the cumulative effect of the entire material may present a different picture. At this stage, we would like to refer to the recent judgment of the Hon'ble Supreme Court of India in ***Anjani Technoplast Ltd. v. Shubh Gautam, Civil Appeal No. 8247 of 2022, decided on***



**23.04.2026 (2026 ibclaw.in 209 SC)**, wherein it has been held that the IBC is a mechanism for insolvency resolution and cannot be permitted to be used as a recovery mechanism. The relevant extract is as under:

*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.*

*33. For the reasons stated above, we are of the view that the NCLAT erred in setting aside the NCLT's order dated 20.06.2022 and directing the admission of the Section 7 application. The NCLT was correct in holding that the IBC proceedings, in the facts of this case, amounted to an abuse of the insolvency process and were in the nature of a recovery mechanism. The insolvency process is a remedy with far-reaching consequences and must be reserved for cases of genuine insolvency or financial distress, not for the enforcement of money decrees.*

15. If the material on record is examined in light of the aforesaid judgment, the facts present an entirely different picture, which is not as simple as projected in this Section 7 petition.

16. The following relevant facts have come to the notice of this Adjudicating Authority:

- i. In response to the queries raised by this Adjudicating Authority, the Financial Creditors have placed on record post-dated cheques issued by the Corporate Debtor in favour of the individual Petitioners with an assurance of encashment upon presentation. The details of such cheques are as under:



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| Sl. No. | Beneficiary              | Total Cheques | Cheque No. & Date   | Amount                       |
|---------|--------------------------|---------------|---|------------------------------|
| 1       | SC SHAH CORPORATION      | 19            | <u>294933-03.01.2024</u> , <u>294921-27.12.2023</u> , 294959-17.01.2024, <u>294945-10.01.2024</u> , 294994-07.02.2024, 294982-31.01.2024, 294970-24.01.2024, 295043-06.03.2024, 295031-28.02.2024, 295019-21.02.2024, 295008-14.02.2024, 295092-03.04.2024, 295080-27.03.2024, 295068-20.03.2024, 295057-13.03.2024, 295266-01.05.2024, 295254-24.04.2024, 295242-17.04.2024, 295231-10.04.2024   | ₹5,00,000/- each             |
| 2       | SC SHAH EXPORTS          | 15            | <u>264980-22.12.2023</u> , 265016-12.01.2024, 265003-05.01.2024, 203855-02.02.2024, 265039-26.01.2024, 265028-19.01.2024, 265007-05.01.2024, 203877-16.02.2024, 203866-09.02.2024, 203848-26.01.2024, 265032-19.01.2024, 265020-12.01.2024, 203881-16.02.2024, 203870-09.02.2024, 203859-02.02.2024   | ₹5,00,000/- &<br>₹1,25,000/- |
| 3       | SURESH KUMAR B. JAIN     | 27            | <u>264981-22.12.2023</u> , 294931-03.01.2024, <u>294919-27.12.2023</u> , 294943-10.01.2024, <u>265004-05.01.2024</u> , 265029-19.01.2024, 294957-17.01.2024, 265017-12.01.2024, 294980-31.01.2024, 265040-26.01.2024, 294968-24.01.2024, 295006-14.02.2024, 203867-09.02.2024, 294992-07.02.2024, 203856-02.02.2024, 295041-06.03.2024, 295029-28.02.2024, 295017-21.02.2024, 203878-16.02.2024, 295090-03.04.2024, 295272-27.03.2024, 295066-20.03.2024, 295055-13.03.2024, 295264-01.05.2024, 295252-24.04.2024, 295240-17.04.2024, 295229-10.04.2024 | ₹1,25,000/- each             |
| 4       | KAMALESH KUMAR AJ & SONS | 18            | 294944-10.01.2024, <u>294932-03.01.2024</u> , 294969-24.01.2024, 294958-17.01.2024, 294993-07.02.2024, 294981-31.01.2024, 295042-06.03.2024, 295030-28.02.2024, 295018-21.02.2024, 295007-14.02.2024, 295091-03.04.2024, 295079-27.03.2024, 295067-20.03.2024, 295056-13.03.2024, 295265-01.05.2024, 295253-24.04.2024, 295241-17.04.2024, 295230-10.04.2024  | ₹1,25,000/- each             |
| 5       | S. PRAKASH CHAND         | 19            | 294930-03.01.2024, <u>294918-27.12.2023</u> , 294956-17.01.2024, <u>294942-10.01.2024</u> , 294991-07.02.2024, 294979-31.01.2024, 294967-24.01.2024, 295040-06.03.2024, 295028-28.02.2024, 295016-21.02.2024, 295005-14.02.2024, 295089-03.04.2024, 295077-27.03.2024, 295065-20.03.2024, 295054-13.03.2024, 295263-01.05.2024, 295251-24.04.2024, 295239-17.04.2024, 295228-10.04.2024   | ₹1,25,000/- each             |
| 6       | TUSHI BAFNA              | 8             | 265005-05.01.2024, <u>264982-22.12.2023</u> , 203846-26.01.2024, 265030-19.01.2024, 265018-12.01.2024, 203879-16.02.2024, 203868-09.02.2024, 203857-02.02.2024  | ₹1,25,000/- each             |
| 7       | PRERNAH S. JAIN          | 17            | 294955-17.01.2024, 294941-10.01.2024, 294990-07.02.2024, 294978-31.01.2024, 294966-24.01.2024, 295039-06.03.2024, 295027-28.02.2024, 295015-21.02.2024, 295004-14.02.2024, 295088-03.04.2024, 295076-27.03.2024, 295064-20.03.2024, 295053-13.03.2024, 295262-01.05.2024, 295250-24.04.2024, 295238-17.04.2024, 295227-10.04.2024   | ₹1,25,000/- each             |



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|   |              |   |   |                     |
|---|--------------|---|---|---------------------|
| 8 | KHYATI TATED | 7 | 265019-12.01.2024, 265006-05.01.2024, 203847-26.01.2024, 265031-19.01.2024, 203880-16.02.2024, 203869-09.02.2024, 203858-02.02.2024 | ₹1,25,000/-<br>each |
|---|--------------|---|---|---------------------|

**\*Cheques shown in bold letters are a few cheques which have been presented for encashment, whereas the majority of cheques remained unpresented.**

- ii. It is a fact that out of the aforesaid cheques, the Petitioners presented only a few, and they have not issued notice under Section 138 of the Negotiable Instruments Act, 1881, nor have they filed any complaint for dishonour of cheques. While it may be correct that non-presentation of cheques or failure to initiate proceedings under the Negotiable Instruments Act is not a condition precedent for filing a petition under Section 7 of the IBC, the same can be taken into consideration for collateral purposes, indicating that the Petitioners have not availed themselves of an efficacious remedy available in law against the Corporate Debtor.
- iii. There is no written agreement between the parties, and the Petitioners are relying solely upon demand promissory notes. The said promissory notes are alleged to have been executed by a person affixing the stamp of the Corporate Debtor. However, there is no reference to any resolution of the Board of Directors authorising such person to execute demand promissory notes or to acknowledge debt on behalf of the Company. One can easily say that it is an internal matter of the Corporate Debtor and the Corporate Debtor cannot be permitted to take advantage of such a defence or such an irregularity. Ordinarily, it can be true but for us it is an important fact as it is not the case of the Petitioner that the petitioners were dealing with the Corporate Debtor for last so many years and there were engaged in mutual day-to-day business but it can be noted that a prudent person while giving huge financial loans to a Corporate Debtor, must ask for authority to sign on behalf of the Company. Particularly,



when the petitioners are lending huge amount first time to a corporate entity.

- iv. It is also evident from the records produced by the Petitioners that the Corporate Debtor had issued post-dated cheques covering the amounts payable to the respective Financial Creditors. Many such cheques were presented and encashed, while several others were not presented at all. Significantly, the bank statements and ledger accounts relied upon by the Petitioners indicate that the Corporate Debtor continued to make certain payments even on the same day after cheques were dishonoured. This conduct prima facie suggests that the parties were treating the transactions as running financial arrangements, with payments being made and accepted from time to time. Despite possessing post-dated cheques and having remedies available under other laws, the Petitioners chose not to present many of the cheques and instead invoked the provisions of the IBC.
- v. Another significant aspect relates to the manner of disbursement of funds. From the pleadings and documents placed on record, it appears that the amounts mentioned in the demand promissory notes were not disbursed in full to the Corporate Debtor. Rather, certain handsome amounts were deducted at the outset on account of advance interest, and only the balance amount was actually transferred. The ledger extracts and other records produced by the Petitioners further indicate that there existed prior arrangements and recurring transactions of a similar nature between the parties. This prima facie suggests a continuing course of dealings rather than isolated lending transactions. The relevant extract of the ledger is reproduced below for ready reference:



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In re: M/s. NCS Autocars Private Limited.

**S C SHAH CORPORATION**  
No.57 ORMES ROAD  
KILPAUK  
CHENNAI - 600 010  
**NCS AUTOCARS PVT LTD**  
Ledger Account

1-Apr-23 to 31-Mar-25

| Date      | Particulars                    | Vch Type | Vch No. | Debit          | Page 1<br>Credit |
|-----------|--------------------------------|----------|---------|----------------|------------------|
| 1-Apr-23  | Cr Opening Balance             |          |         | 76,00,000.00   |                  |
| 10-Apr-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 9,50,000.00      |
| 15-Apr-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 9,50,000.00      |
| 25-Apr-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 9,50,000.00      |
| 28-Apr-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 9,50,000.00      |
| 5-May-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 9,50,000.00      |
| 12-May-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 9,50,000.00      |
| 15-May-23 | Cr AXIS BANK (922020065452951) | Payment  |         | 50,00,000.00   |                  |
|           | Cr AXIS BANK (922020065452951) | Payment  |         | 37,00,000.00   |                  |
|           | Cr Interest                    | Journal  |         | 13,00,000.00   |                  |
| 16-May-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 19,00,000.00     |
| 22-May-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 29-May-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 5-Jun-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 12-Jun-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 19-Jun-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 26-Jun-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 3-Jul-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 11-Jul-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 18-Jul-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 24-Jul-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 26-Jul-23 | Cr AXIS BANK (922020065452951) | Payment  |         | 88,00,000.00   |                  |
|           | Cr Interest                    | Journal  |         | 12,00,000.00   |                  |
| 31-Jul-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 4-Aug-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 7-Aug-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 9-Aug-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 14-Aug-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 16-Aug-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 21-Aug-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 23-Aug-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 4-Sep-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 7-Sep-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 8-Sep-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
|           | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 11-Sep-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 13-Sep-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 19-Sep-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 20-Sep-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 25-Sep-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 27-Sep-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 29-Sep-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 4-Oct-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 11-Oct-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 18-Oct-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 25-Oct-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 1-Nov-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 8-Nov-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
| 15-Nov-23 | Dr AXIS BANK (922020065452951) | Receipt  |         |                | 5,00,000.00      |
|           | Carried Over                   |          |         | 2,76,00,000.00 | 2,56,00,000.00   |

continued ...



IN THE NATIONAL COMPANY LAW TRIBUNAL  
KOCHI BENCH

CP(IBC)/07/KOB/2026  
In re: M/s. NCS Autocars Private Limited.

| S C SHAH CORPORATION  |                                |          |         |                |                |                | Page 2 |
|---|--------------------------------|----------|---------|----------------|----------------|----------------|--------|
| NCS AUTOCARS PVT LTD Ledger Account : 1-Apr-23 to 31-Mar-25 |                                |          |         |                |                |                | Credit |
| Date  | Particulars                    | Vch Type | Vch No. | Debit          |                |                |        |
|   | Brought Forward                |          |         | 2,76,00,000.00 |                | 2,56,00,000.00 |        |
| 22-Nov-23   | Dr AXIS BANK (922020065452951) | Receipt  |         |                |                | 5,00,000.00    |        |
| 29-Nov-23   | Dr AXIS BANK (922020065452951) | Receipt  |         |                |                | 5,00,000.00    |        |
| 7-Dec-23  | Dr AXIS BANK (922020065452951) | Receipt  |         |                |                | 5,00,000.00    |        |
| 11-Dec-23   | Dr AXIS BANK (922020065452951) | Receipt  |         |                |                | 5,00,000.00    |        |
|   | Cr AXIS BANK (922020065452951) | Payment  |         | 85,18,750.00   |                |                |        |
|   | Cr Interest                    | Journal  |         | 14,81,250.00   |                |                |        |
| 20-Dec-23   | Dr AXIS BANK (922020065452951) | Receipt  |         |                |                | 5,00,000.00    |        |
|   | Dr Closing Balance             |          |         | 3,76,00,000.00 | 2,81,00,000.00 |                |        |
|   |                                |          |         |                |                | 95,00,000.00   |        |
|   |                                |          |         | 3,76,00,000.00 | 3,76,00,000.00 |                |        |

- vi. A perusal of the above ledger extract indicates that deductions were made from the alleged loan amount at the very inception of the transaction and only the part amount was disbursed to the Corporate Debtor. Prima facie, such an arrangement does not conform to the manner in which lending transactions are ordinarily undertaken in the regulated banking and financial sector, where the actual amount disbursed and the consideration charged thereon are clearly disclosed and accounted for. Further, despite the ledger entries revealing prior transactions and adjustments between the parties, the Petitioners have not disclosed the earlier transactions. The absence of disclosure regarding the previous transactions, the basis of the deductions made, and the manner in which the amounts have been adjusted makes it difficult for this Adjudicating Authority to ascertain the true nature and extent of the financial liability claimed in the present proceedings.
- vii. In response to queries, the Petitioners have disclosed that they have filed multiple petitions under Sections 7 and 9 of the IBC across various benches in similar transactions based on demand promissory notes against other corporate entities. Though complete records of such cases have not been placed on record, the Petitioners have annexed certain orders of the Chennai Bench and Amaravati Bench, wherein similar



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patterns of transactions and execution of demand promissory notes have been noted. The details of such other benches are as follows:

| Case NO               | PETITIONER   | RESPONDENT  | Sec. | BASIS OF DEBT                                       | NAME OF PROPOSED RP  |
|-----------------------|--|---|------|---|--|
| CP/IB/57/7/AMR/2024   | M/s. Global Enterprise and M/s. S C Shah Corporation | M/s. Suvarnabhoomi Infra Developers Pvt Ltd       | 7    | promissory notes                                    | K J Vinod  |
| CP/IB/1/AMR/2025      | Global Enterprise and others                         | M/s. Devi Engineering and Constructions Pvt. Ltd. | 7    | promissory notes                                    | KJ Vinod   |
| CP/IB/84/CHE/2024     | RAVI ENTERPRISES and others                          | F.ROBIN POWER SOLUTIONS PRIVATE LIMITED           | 7    | Information Not available                           | Information Not available                                  |
| CP/IB/138/HYD/2025    | GLOBAL ENTERPRISE                                    | PUR ENERGY PRIVATE LIMITED                        | 7    | promissory notes, approval and confirmation letter. | KJ Vinod   |
| CP/IB/13/CHE/2023     | Sri Gurudev Enterprises and 4 Others                 | Arjun Chemicals Pvt Ltd                           | 7    | Promissory note and also issued postdated cheques   | S. Kannan  |
| CP/IB/22/7/AMR/2023   | M/s ASHOK KUMAR JAIN HUF and others                  | VR COMMODITIES PRIVATE LIMITED                    | 7    | Information Not available                           | Information Not available                                  |
| RCP(IB)/13/9/AMR/2024 | Haldia Petrochemicals Ltd                            | VR Commodities Pvt Ltd                            | 9    | Purchase order                                      | Not proposed. Immaneni Chaitanya Kiran is appointed as IRP |

viii. Though the complete records of the cases filed by the Petitioners before different benches of NCLT are not available before this Adjudicating Authority, a prima facie examination of the available records reveals certain recurring features. It is noticed that in the present matter as well as in at least three other proceedings referred to above, Mr. K.J. Vinod has



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been proposed as the Interim Resolution Professional. While the mere proposal of the same Insolvency Professional in multiple matters may not, by itself, give rise to any adverse inference, the recurrence of substantially similar transactions founded upon demand promissory notes, involving connected sets of Petitioners and the proposal of the same professional, constitutes a relevant circumstance that cannot be completely ignored while examining the overall nature of the transactions and the manner in which the insolvency process is sought to be invoked.

ix. The specimen promissory notes in those cases appear to be similar to the present case. A few of the demand promissory notes produced in the other applications are reproduced below:

Rs. 73,00,000/-  
 Suvarabhoomi Infra Developers Pvt. Ltd.  
 # B-2-995/3, 3rd Floor,  
 Road No: 12, Banjara Hills,  
 Above Ratnadeep Super Market,  
 Hyderabad, Telangana - 500 034.  
 Place CHENNAI  
 Date 01/04/2023

**ON DEMAND** WE JOINTLY AND SEVERALLY **promise to pay to**  
**Mr. M/s S C SHAH CORPORATION** **or order**  
**the sum of Rupees** SEVENTY THREE LAKHS SIXTY TWO THOUSAND ONLY  
**only together with**  
**interest at the rate of** 16 **percent per annum for**  
**value received in** CASH  
CHEQUE RTGS

Cheque / UTR No. \_\_\_\_\_  
 Dated \_\_\_\_\_  
 On \_\_\_\_\_

For SUVARABHOOMI INFRA DEVELOPERS PVT LTD  
 B. Sridhar  
 Managing Director  
 B. Sridhar  
 Executive Director



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- x. In those cases, also, there was no written agreement. The Petitioners have not placed on record any banking licence or licence under any Money Lenders Act. While the absence of such licence may not, by itself, be a legal impediment to maintain an application under Section 7 of the IBC, it raises a relevant consideration as to whether repeated lending activities of an unregulated nature are being channelled through the insolvency process, thereby converting the IBC into a tool of coercive recovery rather than resolution.
- xi. The Petitioners have advanced monies to the Corporate Debtor on two different dates under separate demand promissory notes. Some of the promissory notes are reproduced as follows:



IN THE NATIONAL COMPANY LAW TRIBUNAL  
KOCHI BENCH

CP(IBC)/07/KOB/2026  
In re: M/s. NCS Autocars Private Limited.

**Rs.** 100,00,000/-

**ON DEMAND**  
WE JOINTLY AND SEVERALLY

Place: Chennai  
Date: 11/12/23

**Mr.** S.C. Shah Corporation **promise to pay to**  
**the sum of Rupees** One Crore Only **or order**

**only together with**  
**interest at the rate of** 2.9625% **percent per annum for**  
**value received in** CASH  
CHEQUE / RTGS

Cheque / UTR No. \_\_\_\_\_  
Dated 11/12/23  
On \_\_\_\_\_

**NCS AUTO CARS PRIVATE LIMITED**  
CIN: U60200ML2019PTC057747

\_\_\_\_\_  
Director

**Rs.** 100,00,000/-

**ON DEMAND**  
WE JOINTLY AND SEVERALLY

Place: Chennai  
Date: 29/9/23

**Mr.** S.C. Shah exports **promise to pay to**  
**the sum of Rupees** One Crore Only **or order**

**only together with**  
**interest at the rate of** 2.925% Pm **percent per annum for**  
**value received in** CASH  
CHEQUE / RTGS

Cheque / UTR No. \_\_\_\_\_  
Dated \_\_\_\_\_  
On \_\_\_\_\_

**NCS AUTO CARS PRIVATE LIMITED**  
CIN: U60200ML2019PTC057747

\_\_\_\_\_  
Director



IN THE NATIONAL COMPANY LAW TRIBUNAL  
KOCHI BENCH

CP(IBC)/07/KOB/2026  
In re: M/s. NCS Autocars Private Limited.

Rs. 2500000/-

Place : Chennai  
Date : 29/9/23

**ON DEMAND** WE JOINTLY AND SEVERALLY **promise to pay to**  
**Mr. Suresh Kumar B Jain** ..... **or order**  
**the sum of Rupees** Twenty five lakhs only .....  
**only together with**  
**interest at the rate of** 2.4% PM **percent per annum for**  
**value received in** CASH  
CHEQUE / RTGS  
Cheque / UTR No.  
Dated  
On

xii. The details of all separate demand promissory note transactions, including the agreed rate of interest, can be gathered from the following table: -

| Petitioner                   | Date of Promissory notes | Interest agreed to pay |
|------------------------------|--------------------------|------------------------|
| SC Shah Corporation          | 11.12.2023               | 2.9625%                |
| SC Shah Exports              | 29.09.2023               | 2.925%                 |
| SC Shah Exports              | 29.09.2023               | 1.7%                   |
| Suresh Kumar B Jain          | 29.09.2023               | 2.4%                   |
| Suresh Kumar B Jain          | 11.12.2023               | 2.25%                  |
| Kamalesh Kumar A Jain & Sons | 11.12.2023               | 1.7%                   |
| S Prakash Chand              | 11.12.2023               | 1.7%                   |
| Thushi Bafna                 | 29.09.2023               | 1.7%                   |



|                |            |       |
|----------------|------------|-------|
| Prerana S Jain | 11.12.2023 | 1.70% |
| Khyati tated   | 29.09.2023 | 1.7%  |

- xiii. It is further noticed that in the printed format of the demand promissory notes, the rate of interest is stated to be payable “per annum”. However, in almost all the promissory notes, except the one executed in favour of M/s. SC Shah Corporation, the handwritten endorsement records the rate of interest as “PM” (per month) without striking off or modifying the printed expression “per annum”. But surprisingly enough, no explanation has been furnished for such variation in the rate of interest. Further, in the case of M/s. SC Shah Corporation, the promissory note (reproduced above) itself records the rate of interest as per annum, whereas the claim and calculations placed before this Adjudicating Authority appear to have been made on a per month basis. These discrepancies assume significance, particularly when the rates claimed are exceptionally high. The unregulated financiers have been practically using coercive methods to recover their unjustified interest, and they are practically damaging the economy of the country. In this case, there exists credible evidence on record through documents produced by the Petitioners that, at the time of the alleged loan, the Petitioners used to recover advance interest through hefty cuts. One may say that once debt and default are established, at the stage of admission, no roving enquiry is required. But it can be noted that the IBC, though not a recovery mechanism, after its admission becomes proceedings in rem and would impact many stakeholders in its own way and has very deep and grievous implications on other stakeholders also.



- xiv. Another circumstance which cannot be ignored is that the Petitioners have themselves admitted that substantial interest for the initial period was deducted upfront at the time of disbursement of the loan amounts. Thus, while the promissory notes reflect a larger amount as having been advanced, the actual amount received by the Corporate Debtor stood reduced on account of deduction of interest in advance. Such a mode of transaction, coupled with the high interest rates reflected in the demand promissory notes, prima facie indicates that the transaction was structured predominantly to earn returns on lending rather than as a commercial financing arrangement ordinarily seen between a company and a financial creditor. Though this Adjudicating Authority is not called upon to adjudicate the legality of the lending transaction itself, such surrounding circumstances are relevant while considering whether the insolvency process is being invoked for resolution of insolvency or merely for recovery of money.
- xv. It is also pertinent to note that no material has been placed on record to demonstrate that the Corporate Debtor is commercially insolvent or unable to carry on its business operations. Except for asserting non-payment of the amounts allegedly due under the demand promissory notes, no financial statements, balance sheets, records of liabilities, proceedings by other creditors, or other circumstances indicating financial distress of the Corporate Debtor have been brought before this Adjudicating Authority. Even the Petitioner has failed to present most of the cheques and failed to give any explanation or reasons for non-presentation. It gives the impression that the petition has been filed for some ulterior motive. The entire emphasis of the Petitioners is on recovery of the amounts claimed by



them under the promissory notes together with interest thereon. This lends support to the view that the present proceedings are essentially recovery-oriented in nature.

17. It would not be judicious and appropriate for this Adjudicating Authority to mechanically admit an application under Section 7 of the Code merely upon the establishment of debt and default. Rather, this Adjudicating Authority is required to examine the overall facts and circumstances of the case and exercise its judicial discretion in a manner consistent with the object and purpose of the Code. The Hon'ble Supreme Court in many cases has categorically held that the circumstances and grounds available to the Corporate Debtor must be considered on their own merits before the initiation of CIRP. In the present case, although the Corporate Debtor has remained ex parte, this Adjudicating Authority is nevertheless duty-bound to carefully scrutinise the pleadings, documents, and material available on record before directing the commencement of CIRP. The insolvency process is not intended to be triggered as a matter of course merely because a default has occurred, particularly when the commencement of CIRP entails serious consequences affecting not only the Corporate Debtor but also its creditors, employees, shareholders, and other stakeholders. Therefore, the present application warrants a careful, holistic, and judicious examination.

18. The Insolvency and Bankruptcy Code, 2016 has been enacted to resolve genuine cases of insolvency and financial distress and to protect the interests of all stakeholders. It is not intended to be used as a mechanism for recovery of money arising out of every lending transaction. In the present case, the material placed on record shows that the Petitioners had advanced money to the Corporate Debtor; however, no material has been produced to show that



such transactions were part of any regular or recognised commercial financing activity. Though this Adjudicating Authority is not required to decide the legality of such transactions in these proceedings, the surrounding circumstances cannot be ignored. The insolvency process under Section 7 of the Code cannot be invoked merely as a substitute for recovery of money. Allowing initiation of CIRP in such circumstances would be contrary to the object and purpose of the Code, which is meant for resolution of genuine insolvency and not for enforcement of private monetary claims.

19. From the records of this Company Petition filed under Section 7 of the Code, it can easily be gathered that it is a case of a unique money-lending practice where a lender, taking undue advantage of a borrower, lends money for a limited period and deducts interest at the time of disbursement or even before disbursement for the entire period, while compelling the borrower to pay part of the principal at regular intervals. It is a system wherein the interest shown or reflected in the documents appears to be less, but the interest effectively and practically charged is so exorbitant that it can be symbolised by the term “squeezing of blood”. In this case, it is gathered that the Petitioners, in two tranches, obtained for demand promissory notes for a total amount of Rupees Four Crores and deducted Rs.48,00,000/- (Rupees Forty-Eight Lakhs Only) at the time of disbursement by way of advance interest. Thereafter, the amount was to be repaid within five months, i.e., twenty weeks, and the Petitioners took post-dated cheques of Rs.5,00,000/- for every weekly instalment against the amount of Rupees One Crore (while practically disbursing only Rs.85,18,750/-), and against Rs.25,00,000/- took weekly cheques of Rs.1,25,000/- (while practically disbursing only Rs.22,87,500/-). Thus, every week the Petitioners received part of the



principal amount, whereas they had already charged interest from the Respondents for the entire five-month period.

20. The reduction of the rate of interest is a practice commonly adopted under the normal banking system. However, in transactions of the present nature, if the interest is calculated after taking into account the fact that the principal amount was being repaid on a regular basis throughout the tenure of the loan, the effective rate of interest would work out to be exorbitantly high. The same can be better understood from the following example.

|                  |            |                    |
|------------------|------------|--------------------|
| Loan Amount      |            | 4,00,00,000        |
| Interest         |            | 48,00,000          |
| Net Disbursement |            | 3,52,00,000        |
| No. of EMIs      |            | 20 weeks/ 5 months |
| EMI amount       |            | 20,00,000          |
| -35200000        | 01-01-2026 |                    |
| 2000000          | 08-01-2026 | 1                  |
| 2000000          | 15-01-2026 | 2                  |
| 2000000          | 22-01-2026 | 3                  |
| 2000000          | 31-01-2026 | 4                  |
| 2000000          | 08-02-2026 | 5                  |
| 2000000          | 15-02-2026 | 6                  |
| 2000000          | 22-02-2026 | 7                  |
| 2000000          | 28-02-2026 | 8                  |
| 2000000          | 08-03-2026 | 9                  |
| 2000000          | 15-03-2026 | 10                 |
| 2000000          | 22-03-2026 | 11                 |
| 2000000          | 31-03-2026 | 12                 |
| 2000000          | 08-04-2026 | 13                 |
| 2000000          | 15-04-2026 | 14                 |
| 2000000          | 22-04-2026 | 15                 |
| 2000000          | 30-04-2026 | 16                 |
| 2000000          | 08-05-2026 | 17                 |
| 2000000          | 15-05-2026 | 18                 |
| 2000000          | 22-05-2026 | 19                 |
| 2000000          | 31-05-2026 | 20                 |

**84.41% Rate of Interest**



21. It is made clear that the above is only an example prepared on the basis of the broad structure of the transactions reflected in the present case and is not intended to determine the exact effective rate of interest payable in each individual transaction. The example has been provided only to demonstrate that where substantial interest is deducted in advance, and the principal amount is simultaneously recovered in regular instalments, the actual economic burden on the borrower may be significantly higher than the rate of interest ostensibly reflected in the documents.
22. The system adopted by the Petitioners of making advance deductions from the loan amount towards interest is a typical moneylender's practice. Such a “shylockian system” of lending cannot be permitted to misuse or take advantage of the insolvency resolution process under the Code.
23. In the present case, the cumulative effect of the circumstances noticed hereinabove, namely,
- (i) absence of any loan agreement except demand promissory notes,
  - (ii) absence of material showing authorization of the person executing such documents on behalf of the Corporate Debtor,
  - (iii) issuance of large numbers of post-dated cheques and failure of the Petitioners to pursue available remedies arising therefrom,
  - (iv) repeated engagement of the Petitioners in similar lending transactions founded upon demand promissory notes,
  - (v) deduction of interest in advance,
  - (vi) unusually high and varying rates of interest,



- (vii) the apparent carrying on of lending activities without any banking licence, money lending licence, registration, or authorisation from the government or from any competent statutory authorities including the Reserve Bank of India,
- (viii) institution of numerous proceedings against various Corporate Debtors before different Benches of the NCLT based on similar transactions,
- (ix) the recurring proposal of the same individual as the Interim Resolution Professional in several such matters, and
- (x) absence of any material indicating genuine insolvency or financial distress of the Corporate Debtor,

collectively persuade this Adjudicating Authority to hold that the present proceedings bear the characteristics of a debt recovery action rather than a bona fide invocation of the insolvency resolution mechanism contemplated under the Code. The Petitioners cited several judgments to meet the criteria on individual aspects, and it is the view of this Adjudicating Authority that such individual aspects may not have any adverse bearing on the merits of a Section 7 Petition, however, the presence of all such aspects in a single case has changed the entire scenario and, taken together, gives a different impression to the effect that the Petitioners are intending to misuse the insolvency process to fulfil their unscrupulous design.

24. Having regard to the totality of the facts and circumstances of the case, this Adjudicating Authority is of the considered view that admission of the present application would not advance the object of the Insolvency and Bankruptcy Code, 2016. The Petitioners may have such remedies as are available to them in law for enforcement and recovery of their alleged dues;



however, the extraordinary remedy under Section 7 of the Code cannot be invoked in the facts of the present case. Accordingly, the present Company Petition fails and is liable to be dismissed.

25. In view of the foregoing discussion and findings, **CP(IBC)/07/KOB/2026** filed under Section 7 of the Insolvency and Bankruptcy Code, 2016 by the Petitioners against M/s. NCS Autocars Private Limited is hereby **dismissed**.
26. It is made clear that dismissal of the present petition shall not preclude the Petitioners from pursuing such other remedies as may be available to them in accordance with law before the appropriate forum.
27. The Registry is directed to send e-mail copies of this order forthwith to all the parties and their Ld. Counsel for information and for taking necessary steps. The Registry is further directed to send this order to IBBI for research and analysis purposes.
28. A Certified Copy of this Order may be issued, if applied for, upon compliance with all requisite formalities.

**Sd/-**

**RAVICHANDRAN RAMASAMY**  
**(MEMBER TECHNICAL)**

**Sd/-**

**VINAY GOEL**  
**(MEMBER JUDICIAL)**

Signed on this the 6<sup>th</sup> day of July, 2026.

A\*  
Steno\_A