NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH, COURT – II
CHENNAI

ATTENDANCE CUM ORDER SHEET OF THE HEARING OF NATIONAL COMPANY LAW TRIBUNAL, CHENNAI BENCH, HELD ON 25.08.2026 AT 10.30 A.M. THROUGH VIDEO CONFERENCING:

CORAM: SHRI. JYOTI KUMAR TRIPATHI, HON'BLE MEMBER (JUDICIAL)
SHRI. RAVICHANDRAN RAMASAMY, HON'BLE MEMBER (TECHNICAL)

APPLICATION NUMBER	**: IA(I.B.C)/1906(CHE)2025**
PETITION NUMBER	**: CP(IB)/252(CHE)2022**
NAME OF THE APPLICANT	**: Ms SPP Insolvency Professional LLP IPE Liquidator of Ms Sri Lakshmi Saraswathi Spintex Ltd**
NAME OF THE RESPONDENT(S)	**: Punjab National Bank**
UNDER SECTION	**: Sec 35 of IBC, 2016 & Reg 21 A of IBBI Reg 2016 R/w Rule 11,13, & 14 of NCLT,2016**

ORDER

Vide separate order pronounced in open court, **IA(I.B.C)/1906(CHE)2025** is Allowed.

Sd/-	**Sd/-**
RAVICHANDRAN RAMASAMY	**JYOTI KUMAR TRIPATHI**
Member (Technical)	**Member (Judicial)**

jp

IN THE NATIONAL COMPANY LAW TRIBUNAL, DIVISION BENCH – II, CHENNAI

IA (IBC) 1906/ (CHE)/ 2025

In

CP (IBC) 252/ (CHE)/ 2022

(Under Section 35 of Insolvency and Bankruptcy Code, 2016 and Regulation 21A of the (IBBI) Liquidation Process Regulations, read with Rule 11,13 & 14 of the National Company Law Tribunal Rules, 2016)

In the matter of ***M/s. Sri Lakshmi Saraswathi Spintex Limited***

M/s. SPP INSOLVENCY PROFESSIONAL LLP (IPE),
Liquidator of M/s. Sri Lakshmi Saraswathi Spintex Limited,
2nd floor, CODISSIA GD Naidu Towers, Huzur Road,
Coimbatore, Tamil Nadu – 641 018.

… Applicant

-vs-

PUNJAB NATIONAL BANK,
Zonal Sastra centre, 4" floor, PNB Towers, No:46-49,
Royapettah High Road, Mylapore, Chennai, Tamilnadu – 600 004.

…Respondent

Order pronounced on 25th August 2026

CORAM

SHRI. JYOTI KUMAR TRIPATHI, MEMBER (JUDICIAL)

SHRI. RAVICHANDRAN RAMASAMY, MEMBER (TECHNICAL)

Present:

For Petitioners:	*A G Sathyanarayana, Advocate*
For Respondents:	*Varun Srinivasan, Advocate*

ORDER

(Hearing through hybrid mode)

This Application has been filed by **M/s. SPP Insolvency Professional LLP (IPE),** Section 35 of Insolvency and Bankruptcy Code, 2016 and Regulation 21A of the (IBBI) Liquidation Process Regulations, read with Rule 11 of the National Company Law Tribunal Rules, 2016 seeking directions to the Respondent **Punjab National Bank liquidator** to pay its proportionate share of liquidation cost as alleged by the Applicant herein, with following reliefs:

> *"__V. RELIEFS SOUGHT FOR:__*
>
> *a) To direct the Respondent to forthwith contribute and pay its proportionate share of the liquidation costs amounting to Rs.3,75,526 /- (Less Rs. 50,158/- already received) in accordance with law; and*
>
> *b) Pass such orders or further orders, if any as this Ld. AA may deem to be fit and proper in the interest of justice."*

__2. SUBMISSIONS OF THE APPLICANT__

2.1. It is submitted that the Corporate Debtor was admitted into CIRP by order dated 15.06.2023 in CP(IBC)252/(CHE)2022 and was subsequently ordered to be liquidated on 19.01.2024 in IA(IBC)/2232/ CHE/2023 in CP(IBC)252/(CHE)2022 and the Applicant was appointed as the Liquidator.

2.2. It is submitted that the Respondent, Punjab National Bank ("PNB"), being a secured financial creditor, had opted not to relinquish its security interest over the Mercedes Benz car of the Corporate Debtor. Consequently, in terms of Regulation 21A(2)(a) of the IBBI (Liquidation

Process) Regulations, 2016, the Respondent was liable to contribute its proportionate share towards the CIRP and liquidation expenses.

2.3. It is submitted that the Applicant by letter dated 19.03.2024 and subsequent reminders, called upon the Respondent to contribute its share of the CIRP and liquidation expenses. The Respondent sought clarification regarding the basis of computation, which was duly explained by the Applicant and was clarified that, in respect of non-relinquished assets, the secured creditor was required to bear the expenses on a pro-rata basis. Despite the same, the Respondent made only a partial contribution of Rs.50,158/- as against Rs.3,75,526/-, leaving the balance unpaid.

2.4. It is submitted that despite repeated reminders, the Respondent failed to pay the balance contribution within the stipulated period. In view of such non-compliance, the consequence contemplated under Regulation 21A(3) was attracted and the Mercedes Benz car, being the asset over which the Respondent had retained its security interest, was included in the liquidation estate. A Revised Asset Memorandum was accordingly prepared and filed before this Adjudicating Authority.

2.5. It is submitted that the Applicant thereafter sought the original RC book of the Mercedes Benz car from the Respondent to facilitate its sale. The Respondent, while referring to the hypothecation agreement, stated that it was only in constructive possession of the vehicle.

2.6. It is submitted that IA(IBC)/1884/(CHE)2024 was filed seeking directions for handing over of the vehicle. The said application was heard on 11.11.2025, when this Adjudicating Authority observed that the vehicle had already become part of the liquidation estate on account of non-payment of the Respondent's share of liquidation costs. The Applicant was granted liberty to seek recovery of the unpaid liquidation costs by way of an appropriate application, and the said application was accordingly disposed of.

2.7. It is submitted that pursuant to the aforesaid liberty, the matter was placed before the 13th meeting of the Stakeholders Consultation Committee held on 17.11.2025. Upon deliberation, the SCC, in exercise of its commercial wisdom, authorized the Applicant to institute the present application for recovery of the Respondent's unpaid share of liquidation expenses.

2.8. It is finally submitted that the application has been filed bona fide and in the interest of the liquidation process and the stakeholders of the Corporate Debtor.

<u>3. SUBMISSIONS OF THE RESPONDENT</u>

3.1. The Respondent through the reply filed denies the entire contentions of the Applicant.

3.2. It is stated that the Respondent herein vide Form D dated 05.02.2024 exercised its option of non-relinquishment of security interest under section 52 of the Code.

3.3. It is further stated that the Liquidator's demand for payment of estimated expenses on a pro-rata basis of the realizable value of the assets is not contemplated under Regulation 21A.

3.4. It is also stated that according to Regulation 2A(1) of the Liquidation Regulations, the contribution towards liquidation costs must be in proportion to the financial debts owed to the creditors, rather than the value of the security held.

3.5. It is stated that the Respondent's debt constitutes 1.59% of the total financial debts admitted by the Liquidator and based on that calculation, the Respondent had already contributed Rs. 50,158 and admits a remaining liability of only Rs. 69,742.75.

3.6. It is further stated that the Liquidator's attempt to treat the secured asset (a Mercedes Benz car) as relinquished due to alleged non-payment is erroneous, as the Respondent has complied with the legal requirement to pay costs based on the value of its debt.

4. WRITTEN SUBMISSIONS OF THE APPLICANT

4.1. The Applicant in its written submissions has reiterated all the contentions in the application.

4.2. It is submitted that the Respondent, having elected to realise its security interest under Section 52 of the Code, is bound by the corresponding obligations under Regulation 21A of the IBBI (Liquidation Process) Regulations, 2016. Under Regulation 21A(2), the secured creditor is required to contribute the amount it would have shared had the security interest been relinquished, and failure to comply attracts Regulation 21A(3), whereby the secured asset becomes part of the liquidation estate.

4.3. It is submitted that the Respondent's reliance on Regulation 2A to restrict its liability to its proportionate share of the financial debt is misconceived, as Regulation 21A is the specific provision governing secured creditors exercising their rights under Section 52 and further submits that the proviso to Regulation 21A(2)(a) expressly empowers the Liquidator to estimate the amount payable where the actual amount is not ascertainable, and therefore the Respondent cannot avoid its liability merely on the ground that the liquidation expenses had not attained finality.

4.4. It is further submitted that despite repeated reminders, the Respondent paid only Rs.50,158/- against Rs.3,75,526/- determined as payable under Regulation 21A. Consequently, on account of the Respondent's failure to pay the balance within the prescribed period, the Mercedes Benz car became part of the liquidation estate under Regulation 21A(3).

4.5. Reliance is placed on ***Ganga Foundations Private Limited (In Liquidation) v. IFCI Limited & Ors. and Suraksha Asset Reconstruction Ltd. v. Varsha Bagri***, wherein it was held that Regulation 21A is mandatory and that non-payment by a secured creditor exercising its security interest results in the secured asset becoming part of the liquidation estate. The Applicant further submits that the Respondent cannot avail the benefit of Section 52 while avoiding the statutory obligations attached thereto.

4.6. It is further submitted that this Adjudicating Authority, while disposing of IA(IBC)/1884/(CHE)2024 on 11.11.2025, had granted liberty to the Applicant to initiate appropriate proceedings for recovery of the unpaid liquidation costs. Accordingly, the Applicant seeks recovery of the balance amount of Rs.3,25,368/-, after adjustment of Rs.50,158/- already paid, along with any further costs found due and payable.

5. WRITTEN SUBMISSIONS OF THE RESPONDENT

5.1. The Respondent in its written submissions has reiterated all the averments made in the reply.

5.2. It is reiterated that Regulation 21A does not prescribe contribution on the basis of the value of the security interest and that the Respondent's liability towards liquidation costs arises under Regulation 2A, which requires contribution in proportion to the financial debts owed by the Corporate Debtor. Reliance was placed on ***Andhra Pradesh State Financial Corporation v. S. Rajendran and Glas Trust Company LLC v. BYJU Raveendran & Ors***. in support of the said contention.

5.3. It is stated that the Respondent's admitted debt constitutes 1.59% of the total financial debt and, accordingly, its liability towards liquidation costs was assessed at Rs.1,19,900.75/-. Since the Respondent had already paid Rs.50,158/-, it contended that only Rs.69,742.75/- remained payable and that the Applicant's claim for Rs.3,75,526/- was unsustainable.

5.4. It is further stated that it had, vide letter dated 29.07.2024, clarified its position and expressed its willingness to contribute in accordance with Regulation 21A(2), and had accordingly made the requisite payment and contended that no additional liability could be imposed based on the value of the secured asset.

5.5. It is further contended that the Liquidator's assessment of the Respondent's contribution at approximately 5.53% based on the value of the secured assets was vague and contrary to law. The Respondent maintained that liquidation costs are to be determined with reference to the financial debt and not the value of the security, and therefore, inclusion of the Mercedes Benz car in the liquidation estate for alleged non-payment was erroneous.

5.6. The Respondent have relied upon the Hon'ble NCLT in ***HDFC Bank Ltd. v. Raj Kumar Ralham, Liquidator of Su-Kam Power System India (IA (I.B.C)/4432(PB)2020 in CP (IB)/ 540(PB)/2017),*** where it was held that the liquidation cost payable by the secured creditors, who have not relinquished their security interest, is payable on the basis of the debt that was admitted or on the basis of percentage contribution in CIRP.

6. FINDINGS OF THE TRIBUNAL

6.1. We have heard the learned Counsel appearing for the Applicant and the Respondent and have perused the pleadings and documents placed on record.

6.2. The controversy in the present Application primarily relates to the quantum of liquidation costs payable by the Respondent, a secured financial creditor which had elected not to relinquish its security interest, and the consequential applicability of Regulation 21A of the IBBI (Liquidation Process) Regulations, 2016, which is reproduced hereinbelow:

> ***"Regulation 21A: [Relinquishment] of security interest.***
>
> ***21A.*** *(1) A secured creditor [within fourteen days,] shall inform the liquidator of its decision to relinquish its security interest to the liquidation*

estate or realise its security interest, as the case may be, in [such format as notified by the Board]:

> *Provided that, where a secured creditor does not intimate its decision within [fourteen days] from the liquidation commencement date, the assets covered under the security interest shall be [deemed to be relinquished] to the liquidation estate.*

(2) Where a secured creditor proceeds to realise its security interest, it shall pay –

(a) as much towards the amount payable under clause (a) and sub-clause (i) of clause (b) of sub-section (1) of section 53, as it would have shared in case it had relinquished the security interest, to the liquidator within [forty-five] days from the liquidation commencement date; and

(b) the excess of the realised value of the asset, which is subject to security interest, over the amount of his claims admitted, to the liquidator within [ninety] days from the liquidation commencement date:

> *Provided that where the amount payable under this sub-regulation is not certain by the date the amount is payable under this sub-regulation, the secured creditor shall pay the amount, as estimated by the liquidator:*
>
> *Provided further that any difference between the amount payable under this sub-regulation and the amount paid under the first proviso shall be made good by the secured creditor or the liquidator, as the case may be, as soon as the amount payable under this sub-regulation is certain and so informed by the liquidator.*

(3) Where a secured creditor fails to comply with sub-regulation (2), the asset, which is subject to security interest, shall become part of the liquidation estate.

Explanation.- It is hereby clarified that the requirements of this regulation shall apply to the liquidation processes commencing on or after the date of the commencement of the Insolvency and Bankruptcy Board of India (Liquidation Process) (Amendment) Regulations, 2019."

6.3. It is not in dispute that the Respondent, through Form D dated 05.02.2024, exercised its option not to relinquish its security interest over the Mercedes Benz car and sought to realise the same in terms of Section 52 of the Code. It is also not in dispute that the Respondent made a payment of Rs.50,158/- towards the liquidation expenses. The dispute is with regard to the basis on which its further contribution is to be determined. The Applicant has claimed Rs.3,75,526/-, whereas the Respondent contends that its liability is to be determined with reference to its proportionate share in the financial debt and that, after adjustment of Rs.50,158/- already paid, only Rs.69,742.75/- remains payable.

6.4. The Respondent has principally relied upon Regulation 2A of the Liquidation Regulations to contend that the contribution towards liquidation costs has to be made in proportion to the financial debts owed by the Corporate Debtor and cannot be calculated with reference to the value of the security held by it. The relevant portion is reproduced hereinbelow:

> *" **Regulation 2A: Contributions to liquidation costs.***
>
> ***2A.** The liquidator may call upon the members of the committee to contribute the excess of the liquidation costs over the liquid assets of the corporate debtor, as estimated by him, in such manner and subject to such terms and conditions as approved by the committee.*

(1) Where the committee of creditors did not approve a plan under sub-regulations (3) of regulation 39B of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, the liquidator shall call upon the financial creditors, being financial institutions, to contribute the excess of the liquidation costs over the liquid assets of the corporate debtor, as estimated by him, in proportion to the financial debts owed to them by the corporate debtor.

Illustration

Assume that the excess of liquidation costs over liquid assets is Rs.10, as estimated by the liquidator. Financial creditors will be called upon to contribute, as under:

Sl. No.	Financial creditors	Amount of debt due to financial creditors (Rs.)	Amount to be contributed towards liquidation cost (Rs.)
(1)	(2)	(3)	(4)
1	Financial institution A	40	04
2	Financial institution B	60	06
3	Non-financial institution A	50	00
4	Non-financial institution B	50	00
TOTAL		**200**	**10**

(2) The contributions made under the plan approved under sub-regulation (3) of regulation 39B of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 or contributions made under sub-regulation (1), as the case may be, shall be deposited in a designated escrow account to be opened and maintained in a scheduled bank, within seven days of the passing of the liquidation order.

(3) The amount contributed under sub-regulation (2) shall be repayable with interest at bank rate referred to in section 49 of the Reserve Bank of India Act, 1934 (2 of 1934) as part of liquidation cost.

Explanation.- It is hereby clarified that the requirements of this regulation shall apply to the liquidation processes commencing on or *after the date of the commencement of the Insolvency and Bankruptcy Board of India (Liquidation Process) (Amendment) Regulations, 2019."*

6.5. We are unable to accept the said contention in the manner urged. Regulation 2A deals with contribution towards liquidation costs by financial creditors in the circumstances contemplated therein. However, Regulation 21A specifically governs the position of a secured creditor who exercises its option under Section 52 to realise its security interest. The specific provision governing such secured creditor cannot be rendered otiose by invoking the general provision contained in Regulation 2A.

6.6. Regulation 21A(2) requires a secured creditor who proceeds to realise its security interest to pay to the Liquidator the amount which it would have shared had it relinquished the security interest to the liquidation estate, within the period prescribed therein. Significantly, the proviso to Regulation 21A(2)(a) empowers the Liquidator to estimate the amount payable where the actual amount is not ascertainable on the date on which such payment becomes due. Therefore, the Respondent cannot avoid its statutory obligation merely on the ground that the liquidation expenses were not finally crystallised at the relevant point of time.

6.7. In the present case, the record demonstrates that the Applicant repeatedly called upon the Respondent to make its contribution towards the CIRP and liquidation expenses, including by letters dated 19.03.2024, 09.04.2024, 23.04.2024, 11.07.2024 and 22.07.2024. Despite such communications, the Respondent did not remit the amount demanded under Regulation 21A and confined its payment to Rs.50,158/-. The Respondent's subsequent stand that its liability ought to be calculated only on the basis of its 1.59% share of the financial debt does not, in our considered view, satisfy the obligation specifically cast upon a secured creditor under Regulation 21A.

6.8. The consequence of failure to comply with Regulation 21A(2) is expressly provided in Regulation 21A(3), namely, that the asset subject to the security interest shall become part of the liquidation estate. The Applicant accordingly communicated the inclusion of the Mercedes Benz car in the liquidation estate and took steps for its realisation. The record also shows that, while dealing with IA/1884/2024 on 11.11.2025, this Adjudicating Authority had already observed that the secured asset had become part of the liquidation estate consequent upon non-payment of the financial creditor's share of liquidation costs and had granted liberty to the Liquidator to seek recovery of the unpaid costs by way of an appropriate application.

6.9. The view taken by this Tribunal is also supported by the decision in ***Ganga Foundations Private Limited (In Liquidation) v. IFCI Limited & Ors.***, wherein it was held that Regulation 21A is mandatory and that failure of a secured creditor to comply with the requirement under Regulation 21A(2) results in the secured asset becoming part of the liquidation estate under Regulation 21A(3). Likewise, in ***Suraksha Asset Reconstruction Ltd. v. Varsha Bagri***, the Hon'ble NCLAT upheld the action of the Liquidator in treating the security interest as relinquished consequent upon non-payment of liquidation costs in terms of Regulation 21A(2) and (3).

6.10. The reliance placed by the Respondent on the decision cited in relation to Regulation 2A does not advance its case, as the factual and statutory context concerning a secured creditor exercising its right under Section 52 has to be considered in conjunction with the specific mandate of Regulation 21A. The Respondent cannot, having consciously opted to realise its security outside the liquidation estate, seek to avail the benefit of Section 52 while avoiding the corresponding statutory obligations attached to such election.

6.11. We also find that the Applicant's claim cannot be rejected merely because the amount of liquidation expenses was estimated. The proviso to Regulation 21A(2)(a) itself contemplates estimation by the Liquidator where the actual amount is not ascertainable at the relevant stage. The Respondent was therefore required to comply with the statutory demand and could not unilaterally substitute its own method of computation based on its financial debt share.

6.12. In view of the foregoing discussion, we hold that the Respondent was liable to contribute towards the CIRP and liquidation expenses in accordance with Regulation 21A, having exercised its option to retain and realise its security interest under Section 52 of the Code. The Respondent's contention that its liability is confined to the amount calculated under Regulation 2A with reference to its 1.59% share of the financial debt is therefore rejected.

6.13 As regards the quantum, the Applicant has claimed Rs.3,75,526/-, against which the Respondent has admittedly paid Rs.50,158/-. Accordingly, the balance amount payable works out to Rs.3,25,368/-. The

Applicant has thus established its entitlement to recover the said balance towards the Respondent's proportionate share of CIRP and liquidation costs.

6.14. Therefore, we are of the considered view that the present Application deserves to be allowed, directing the Respondent to pay the balance liquidation costs of Rs.3,25,368/-, after giving credit for the amount of Rs.50,158/- already paid, in accordance with law. The Applicant shall be at liberty to seek any further amount that may become payable in accordance with the applicable provisions and subject to proper determination in the liquidation process.

6.15. Accordingly, **IA(IBC)1906/(CHE)2025** is **allowed**.

-Sd-	-Sd-
RAVICHANDRAN RAMASAMY	**JYOTI KUMAR TRIPATHI**
MEMBER (TECHNICAL)	MEMBER (JUDICIAL)