

NATIONAL COMPANY LAW APPELLATE TRIBUNAL

PRINCIPAL BENCH, NEW DELHI

Company Appeal (AT) (Ins.) No. 1582 of 2025

(Arising out of order dated 25.07.2025 passed by the National Company Law Tribunal, Jaipur Bench, Rajasthan in Company Petition (IB) No. 29/7/JPR/2022)

In the matter of:

Mekaster Finlease Limited

Jain Bhawan, 16/121-122,
Faiz Road, Karol Bagh,
Near Lal Masjid, New Delhi – 110005

...Appellant

Vs.

Prayag Polytech Private Limited

C-587, Phase-1, Industrial Area Bhiwadi,
Alwar Rajasthan - 301019

...Respondent

Present:

For Appellant: Mr. Kanishk Rana, Advocate.

**For Respondents: Ms. Abhishek Devgan and Mr. Vishal Hirawat,
Advocates for RP.**

J U D G M E N T

(18th September, 2026)

INDEVAR PANDEY, MEMBER (T)

The present Appeal has been preferred under Section 61 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as '**Code**') by Mekaster Finlease Limited (**Financial Creditor**), assailing the Judgment dated **25.07.2025** passed by the National Company Law Tribunal, Jaipur

Bench (**Adjudicating Authority**) in **CP (IB) No. 29/7/JPR/2022**, whereby the Adjudicating Authority dismissed the Appellant's application filed under Section 7 of the Code seeking initiation of the Corporate Insolvency Resolution Process (**CIRP**), proceedings against Prayag Polytech Private Limited (**Corporate Debtor/Respondent**).

2. The Appellant has sought the following reliefs in this appeal: -
- a. Set aside the Impugned Order dated 25.07.2025 passed by the Hon'ble National Company Law Tribunal, Jaipur Bench in Company Petition (IB) No.- 29/7/JPR/2022;
 - b. Direct the Ld. Adjudicating Authority to initiate CIRP against the Respondent herein; and
 - c. Pass any other/ further order(s) as this Hon'ble Appellate Tribunal may deem fit and proper in the interest of justice.

Brief Facts of the Case

3. The brief facts of the case relevant for deciding this appeal are as given below :-

- i) The **Appellant/Financial Creditor** is a Non-Banking Financial Institution registered with the Reserve Bank of India and is engaged in the business of providing loans and financial facilities and the **Respondent/Corporate Debtor** is a private company.
- ii) In May 2018, the Respondent approached the Appellant for financial assistance. Pursuant thereto, the Appellant advanced a sum of Rs.1,00,00,000/- to the Respondent on 24.05.2018, carrying interest

at the rate of 12% per annum with monthly rests. A Promissory Note was executed in respect of the said financial assistance.

- iii) Subsequently, the Respondent approached the Appellant for further financial assistance. Accordingly, on 01.08.2018, the Appellant advanced a further sum of Rs.55,00,000/- to the Respondent, carrying interest at the rate of 12% per annum with monthly rests. A further Promissory Note was executed in respect of the said amount.
- iv) The aforesaid financial assistance aggregating to Rs.1,55,00,000/- was stated to be repayable on demand. The Appellant thereafter issued demand/recall notices dated 10.12.2018, 22.04.2019 and 27.04.2019. The record further refers to a written confirmation of the outstanding amount as on 01.04.2019.
- v) As the amounts claimed by the Appellant remained outstanding, the Appellant instituted a petition under Section 7 of the Insolvency and Bankruptcy Code, 2016, on 11.04.2022, seeking initiation of Corporate Insolvency Resolution Process against the Respondent. The petition was registered as Company Petition (IB) No. 29/7/JPR/2022, wherein the Appellant claimed an amount of Rs.2,14,73,221/- as the amount in default.
- vi) The Adjudicating Authority, by order dated 25.07.2025, rejected the Section 7 application filed by the Appellant. Aggrieved by the aforesaid order, the Appellant has preferred the present appeal before this Appellate Tribunal, seeking, inter alia, setting aside of the impugned

order and initiation of Corporate Insolvency Resolution Process against the Respondent.

- vii) During pendency of the present appeal, the Section 7 application filed by Union Bank of India against the Respondent/CD, being CP(IB) No. 68/7/JPR/2024, was allowed on 10.02.2026 and CIRP commenced against the Corporate Debtor/Respondent. Mr. Rishabh Chand Lodha was appointed as IRP and was subsequently confirmed as the RP.

Submissions of Appellant

4. Learned Counsel for the Appellant submitted that the present Appeal continues to survive notwithstanding the subsequent commencement of CIRP against the Respondent. It was submitted that during the pendency of the Appeal, the Respondent was admitted into CIRP in CP(IB) No. 68/7/JPR/2024 on 10.02.2026, against which the Appeal came to be dismissed by this Tribunal on 23.04.2026. Pursuant thereto, the Appellant lodged its claim of Rs.2,97,43,803/- in Form-C before the Resolution Professional on 05.05.2026. However, the aforesaid claim was not admitted on the ground that the Adjudicating Authority, by the Impugned Order dated 25.07.2025, had held that the transaction in question did not constitute a financial debt.

5. He submits that the aforesaid finding is the very subject matter of the present Appeal and directly affects the Appellant's status and entitlement in the CIRP of the Respondent. According to the Appellant, unless the finding recorded in the Impugned Order is set aside, the rejection of its claim by the

Resolution Professional cannot be effectively adjudicated upon in independent proceedings, as the same would require reconsideration of the very issue already determined by the Adjudicating Authority. It was, therefore, contended that the subsequent commencement of CIRP does not render the Appeal infructuous, since this Tribunal can still grant effective relief by examining the nature of the transaction and determining whether the Appellant is a financial creditor.

6. On the merits of the transaction, Learned Counsel submitted that the Appellant, being a non-banking financial institution registered with the Reserve Bank of India, had advanced a sum of Rs.1 crore on 24.05.2018 and a further sum of Rs.55 lakh on 01.08.2018 to the Respondent. The amounts were advanced against interest at the rate of 12% per annum with monthly rests and were repayable on demand. The terms of the transactions were evidenced by two duly executed promissory notes. It was argued that the actual disbursement of the aforesaid amounts stood established from the Appellant's bank statements, while the Respondent's liability was further evidenced by its confirmation of accounts.

7. It is submitted by the Appellant that the transaction squarely falls within the ambit of **“financial debt” under Section 5(8) of the Code**, since the amounts were admittedly disbursed to the Respondent against consideration for the time value of money. According to the Appellant, the statutory definition does not prescribe execution of any particular or composite loan agreement as a condition precedent for establishing a financial debt. The promissory notes, bank records and confirmation of accounts, when

read together, sufficiently establish both the disbursal and the agreed interest-bearing nature of the transaction.

8. The Appellant submits that the Respondent never disputed receipt of Rs.1.55 crore or the execution of the promissory notes. The defence raised by the Respondent was that the funds received from the Appellant were utilised for repayment of its earlier liabilities towards Lovely Securities Private Limited and Avail Financial Services Limited. It is contended that such subsequent utilisation of the borrowed funds could not alter the legal character of the original transaction between the Appellant and the Respondent. According to the Appellant, repayment of pre-existing liabilities out of subsequently borrowed funds cannot, by itself, constitute “round tripping”, particularly when the underlying loans from the said lenders were independently existing and were subject to interest obligations.

9. The Appellant also assailed the reliance placed by the Adjudicating Authority upon an alleged email suggesting that the funds advanced by the Appellant were merely routed to the aforesaid lenders. It was submitted that the said email was specifically denied by the Appellant and, on its face, did not contain the usual header and footer particulars of a genuine email. In contrast, according to the Appellant, the record contains proper copies of the relevant email correspondence. It was further pointed out that the loans obtained by the Respondent from Lovely Securities Private Limited and Avail Financial Services Limited pre-dated the advances made by the Appellant, having been obtained in 2013 and 2014 respectively, and that the corresponding interest payments and liabilities were reflected in the Form

26AS records and confirmations of accounts. It was, therefore, contended that the material relied upon by the Adjudicating Authority did not justify the conclusion that the Appellant's transaction was a sham or a mere arrangement for routing funds.

10. On the question of default, Learned Counsel submitted that both advances were repayable on demand and that the Respondent had failed to pay even the agreed monthly interest. The Appellant was consequently constrained to issue demand/recall notices requiring repayment of the outstanding amounts. Despite the same, neither the principal nor the accrued interest was paid. It was thus contended that the ingredients of “default” under Section 3(12) of the Code stood satisfied, the debt having become due and payable and remaining unpaid.

11. Learned Counsel accordingly submitted that the record establishes the existence of a genuine interest-bearing borrowing, actual disbursal of ₹1.55 crore, acknowledgment of liability by the Respondent and subsequent default in repayment. It was, therefore, urged that the finding of the Adjudicating Authority that the transaction did not constitute a financial debt is unsustainable and that the Impugned Order dated 25.07.2025 be set aside. Consequently, the Appellant prayed that its claim lodged in Form-C be directed to be considered by the Resolution Professional in accordance with law.

Submissions of Respondent/Resolution Professional

12. Ld. Counsel for the Resolution Professional/ Respondent submitted that, subsequent to the Impugned Order dated 25.07.2025, the Corporate

Debtor was admitted into CIRP on 10.02.2026 pursuant to the Section 7 application preferred by Union Bank of India. It was contended that the principal relief sought by the Appellant, namely, commencement of CIRP against the Corporate Debtor, has consequently been overtaken by subsequent events. The Code does not contemplate commencement of two parallel CIRPs against the same Corporate Debtor, and even if the present Appeal were to be allowed, no second CIRP could be initiated. The Appeal, therefore, according to the Respondent/RP, has become incapable of granting the substantive relief originally sought and deserves to be disposed of as infructuous.

13. He submits that the commencement of CIRP on 10.02.2026 brought into operation the statutory framework governing the Corporate Debtor, including the moratorium under Section 14 of the Code. Relying upon the judgment of the Hon'ble Supreme Court in ***P. Mohanraj & Ors. v. Shah Brothers Ispat Pvt. Ltd., (2021) ibclaw.in 24 SC bearing "Civil Appeal No. 10355 of 2018"***, it was submitted that the moratorium is intended to prevent individual proceedings against the Corporate Debtor and to ensure that its affairs are dealt with collectively within the insolvency resolution process. The RP submits that permitting the Appellant to continue the present proceedings for securing an order of admission, after CIRP has already commenced, would be inconsistent with the scheme of the Code and would amount to permitting an individual creditor to pursue a parallel course outside the ongoing CIRP.

14. RP further submitted that, upon commencement of CIRP, the Appellant itself invoked the statutory mechanism for lodging its claim by submitting Form-C before the Resolution Professional for a sum of Rs.2,97,43,803/-. The Resolution Professional, in discharge of his statutory functions, sought the necessary supporting material and clarification regarding the status of the present Appeal. According to the Respondent/RP, despite being afforded sufficient opportunity, the Appellant failed to furnish the requisite material. Upon examination of the available record, including the findings contained in the Impugned Order dated 25.07.2025, the claim was not admitted by the Resolution Professional on 03.08.2026.

15. Ld. Counsel submits that the consequence of the aforesaid events is that the Appellant's present grievance, if any, concerns the non-admission or verification of its claim in the ongoing CIRP and not the commencement of CIRP against the Corporate Debtor. The Respondent/RP contended that the Code provides a separate statutory mechanism for determination and adjudication of claims during CIRP and that any challenge arising from such determination must be pursued in accordance with the remedies available under the Code. The present Appeal, which originated from the rejection of the Appellant's Section 7 application, cannot be converted into a proceeding for independent adjudication of its claim in the already commenced CIRP.

16. Ld. Counsel further submits that the underlying liability now sought to be recognised by the Appellant in the CIRP is substantially the same transaction which formed the basis of its earlier Section 7 proceedings. The Appellant, having already invoked the claim-verification mechanism by filing

Form-C, cannot simultaneously seek determination of the same entitlement through the present Appeal. While filing of the claim may not, by itself, amount to abandonment of the Appeal, it demonstrates that the Appellant has already subjected its alleged debt to the statutory process applicable to the ongoing CIRP.

17. RP contended that the findings recorded by the Adjudicating Authority regarding the existence of financial debt and the nature of the transactions cannot now be used as a means of securing an indirect admission of the Appellant's claim through the present Appeal. Any dispute concerning the Appellant's status as a financial creditor, the amount claimed, or the evidentiary material relied upon must be considered within the statutory framework governing the ongoing CIRP. The Respondent/RP, therefore, prayed that the present Appeal be dismissed/disposed of as having become infructuous, without undertaking a fresh adjudication of the merits of the Impugned Order dated 25.07.2025.

Analysis and Findings

18. We have considered the submissions advanced by the Learned Counsel for the parties and perused the material on record.

19. The principal question for consideration is whether the present Appeal, arising from rejection of the Appellant's Section 7 application, survives in view of the subsequent commencement of CIRP against the same Corporate Debtor?

20. We have seen that the Appellant has sought two specific reliefs in this appeal viz. (i) Setting aside the impugned order; and (ii) Direct the Ld. Adjudicating Authority to initiate CIRP against the Respondent.

21. The Appellant had initially sought initiation of CIRP against the Corporate Debtor by filing an application under Section 7 of the Code, which was dismissed by the Adjudicating Authority on 25.07.2025. Consequent to the same the Appellant has filed these proceedings before this Appellate Tribunal. During pendency of the present Appeal, on a Section 7 application filed by the Canara Bank, Ld. Adjudicating Authority (NCLT Jaipur Bench) admitted the Respondent (Prayag Polytech Private Limited) in CIRP Proceedings vide CP No. (IB)- 68/7/JPR/2024 on 10.02.2026. Mr. Rishabh Chand Lodha was appointed as Interim Resolution Professional (IRP) and subsequently confirmed as Resolution Professional.

22. Aggrieved by the aforesaid initiation of CIRP at behest of Canara Bank, Milan Aggarwal the suspended Director of M/s Prayag Polytech Private Limited filed an appeal CA (AT) (Ins) No. 298 of 2026 before this Appellate Tribunal. This appeal was dismissed by this Appellate Tribunal vide its order dated 23.04.2026. Consequently, CIRP Proceedings against Prayag Polytech Private Limited, who is the Corporate Debtor/Respondent herein, are going on in the CP No. (IB)- 68/7/JPR/2024. The Appellant has already filed his claim in the aforesaid CIRP proceedings for an amount of Rs.2,97,43,803/- in Form-C on 05.05.2026.

23. In the ongoing CIRP proceedings, RP sought original claim documents and other documents from the Appellant on several dates, but the Appellant

did not submit the same. Based on the available documents, RP rejected the Appellant's claim on 03.08.2026. The Appellant has sought continuation of the Appeal on the ground that the Adjudicating Authority's finding in the impugned order regarding the alleged absence of financial debt operates against its claim filed before the Resolution Professional.

24. We note that the reliefs sought by the Appellant in this appeal have already been granted in view of the order passed in CIRP Proceedings initiated by Canara Bank. The Appellant has sought setting aside of impugned order vide which the Section 7 application filed by the Appellant was rejected and initiation of CIRP against the Corporate Debtor. The CIRP proceedings have already been initiated against the Corporate Debtor and the Appellant is already participating in the said proceedings by filing his claim.

25. The very relief sought by the Appellant, namely, commencement of CIRP, has already been effectuated through a subsequent proceeding. The Section 14(1)(a) of the Code specifically bars institution of any proceeding against the Corporate Debtor after the commencement of moratorium. Thus, the initiation of a second and parallel CIRP against the same Corporate Debtor is not possible under the existing provisions of the code.

26. The Appellant seeks the decision of this Tribunal in this appeal on merits, taking the plea that the Adjudicating Authority has already decided the status of his claim, which was not considered as a financial debt, due to which, his Section 7 application was rejected.

27. We are unable to agree with the contention of the Appellant. It is a settled legal position that parallel CIRP Proceedings cannot be initiated

against the same corporate debtor. The present Appeal cannot, therefore, be converted into an independent proceeding for adjudication of the Appellant's claim merely because the underlying transaction is common to both proceedings.

28. The collective nature of the CIRP also militates against continuation of separate proceedings by an individual creditor for determination of an entitlement which is already required to be dealt with within the insolvency process. The statutory consequences flowing from commencement of CIRP, including the moratorium under Section 14, reinforce the requirement that claims against the Corporate Debtor be dealt with within the framework of the ongoing CIRP. The principle underlying such collective process has also been recognised by the Hon'ble Supreme Court in ***P. Mohanraj & Ors. v. Shah Brothers Ispat Pvt. Ltd., (2021) ibclaw.in 24 SC bearing "Civil Appeal No. 10355 of 2018."***

29. The CIRP Process is agnostic as to which entity has initiated the proceedings. Once a Corporate Debtor is admitted to CIRP, all creditors in same class are treated equally within the framework. The entity initiating CIRP does not get any extra benefit in distribution of claims under the Resolution Plan. The Appellant therefore, is not adversely affected by the initiation of CIRP Proceedings at the behest of Canara Bank.

30. The subsequent commencement of CIRP has consequently altered the circumstances in which the present Appeal was instituted. The Appellant's grievance regarding non-admission of its claim is a subsequent grievance arising within the ongoing CIRP and has to be pursued through the remedy

available under the Code. The Appellant has appropriate legal remedies available under the Code to challenge the rejection of its claim by the RP.

31. We are therefore of the view that no effective relief can now be provided in the present Appeal. The original prayer for initiation of CIRP has become incapable of grant. The Appellant's subsequent claim before the Resolution Professional in another CIRP proceeding cannot be adjudicated in an appeal arising from the earlier rejection of its Section 7 application. The Appellant may pursue such remedy as may be available under the Code in respect of its claim, in accordance with law. The present Appeal has been rendered infructuous by the subsequent commencement of CIRP against the Corporate Debtor.

32. In view of the aforesaid discussion, the Appeal is dismissed as infructuous. Pending IAs, if any, are closed. No order as to costs.

[Justice Sharad Kumar Sharma]
Member (Judicial)

[Arun Baroka]
Member (Technical)

[Indevar Pandey]
Member (Technical)

Place: New Delhi

Harleen