NATIONAL COMPANY LAW TRIBUNAL
COURT ROOM NO. 1,
MUMBAI BENCH

Item No. 112

IA(I.B.C)/3509(MB)2026 in C.P. (IB)/494(MB)2019

CORAM:

SH. PRABHAT KUMAR SH. SUSHIL MAHADEORAO KOCHEY
HON'BLE MEMBER (TECHNICAL) HON'BLE MEMBER (JUDICIAL)

Order Sheet of the Hearing dated 21.10.2026

NAME OF THE PARTIES: **IA(I.B.C)/3509(MB)2026**

A Navinchandra Steels Pvt Ltd Vs SREI Equipment Finance Ltd

IN THE MATTER OF

SREI Equipment Finance Ltd Vs Shree Ram Urban Infrastructure Ltd

Section 7 of the Insolvency and Bankruptcy Code, 2016 and Rule 11

ORDER

IA(I.B.C)/3509(MB)2026 in C.P. (IB)/494(MB)2019

1) Mr. S. Samuel, Ld. Counsel for the Petitioner and Mr. Ativ Patel, Ld. Counsel for the Respondent No. 1 are present.

2) The present Interlocutory Application is filed by the Applicant/A. Navinchandra Steels Pvt. Ltd., seeking payment of Rs.99,93,47,730.20 together with statutory interest under Section 16 of the MSMED Act from the Respondent Company, Shree Ram Urban Infrastructure Ltd.

3) It is submitted that the Applicant is a decree holder pursuant to the Judgment and Decree dated 16.03.2016 passed by the Hon'ble Bombay High Court in Summary Suit No. 626 of 2012. The Applicant submits that, being a registered MSME, it is entitled to statutory benefits under the MSMED Act, including payment of compound interest and priority in payment.

4) The Applicant further submits that the Respondent's principal asset was taken over and sold by the secured creditor, Indiabulls Housing Finance Ltd., in a transaction alleged to be fraudulent, which has been challenged by the Applicant in separate proceedings. It is also submitted that the Applicant's claim has been admitted only as that of an Operational Creditor without recognising its statutory rights as an MSME decree holder. The Applicant submits that, in terms of Chapter V of the MSMED Act, 2006, the Applicant has primacy and enjoys priority of payment through the estate of SRUIL, the Company under liquidation/and Insolvency Process even over Banks and Financial Institutions including Indiabulls Housing Finance Company Ltd. despite the said NBFC being a secured creditor.

5) In fact, even the amendment inserting Section 26E of the SARFAESI Act, 2002, which gives priority to Secured Creditors, was brought

into force by the Enforcement of Security Interest and Recovery of Debts Laws and Miscellaneous Provisions (Amendment) Act, 2016. (w.e.f. 24.01.2020 vide N. No. S.O. 4619(E) dated 26.12.2019) that is much after the Applicant Company obtained a decree in its favour, that is, on 16.03.2016.

6) The Applicant, through the present Interlocutory Application, seeks the following reliefs:

> a) That the Hon'ble Tribunal be pleased to direct and order the IRP in possession of the records and assets of the Company to pay a sum of Rs.9,75,88,621.00 along with interest of Rs.90,17,59,109.20 totally amounting to Rs.99,93,47,730.20 as allowed under Section 16 of the MSMED Act, 2006 along with further interest at 3 times the Bank Rate till the date of payment after recovering the said amount from the Secured Creditor of the Corporate Debtor namely Indiabulls Housing Finance Ltd., and the aforesaid amount be paid in priority to the Applicant;
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> b) That in the alternative to prayer clause (a) This Hon'ble Tribunal be pleased to direct and order the secured creditor, Indiabulls Housing Finance Ltd. in possession of the valuable property being 88 story building at Palais Royale, Worli, Mumbai to pay a sum of Rs. 9,75,88,621.00 along with interest of Rs.90,17,59,109.20 totally amounting to Rs.99,93,47,730.20 as allowed under Section 16 of the MSMED Act, 2006 along with further interest at 3 times the Bank Rate till the date of payment;

7) Hence this Application. Heard Ld. Counsel for the Parties.

8) It is noted that the Insolvency Resolution Process against the Company/Shree Ram Urban Infrastructure Ltd. is still ongoing. The

characterisation of a debt owed to a creditor in the Insolvency Resolution Proceedings is based on the definition of such debt contained in the Code, which requires classification of debt into the classes of (a) Financial Debt; (b) Operational Debt; and (c) Other Debts. These classes are further divided into secured and unsecured debt. The Code further provides for how these debts shall be settled in the Resolution and Liquidation processes, as the case may be. The Code nowhere contemplates classification of debt on the basis of size or the constitution of the creditor, or its classification under a particular class under any other statute, but it depends on its nature. In the Resolution process, the operational creditor is entitled to the liquidation value of the debt owed to it, and the secured creditors are entitled to the liquidation value of the security interest, or the resolution money attributable to the security interest, if distributed in accordance with section 53 of the Code. The MSME Act and the IBC operate in different spheres, and the settlement of the dues in an insolvency resolution has to take place in accordance with the provisions of the IBC, which is specific legislation clothed with a non-obstante clause to deal with such settlement. Accordingly, we do not find any merit in the applicant's prayer for priority of distribution over secured creditors merely on the ground that it is

an MSME entity. Further, the direction for payment to the applicant cannot be issued by this tribunal in the absence of any resolution plan in place as on date. Nonetheless, the payment to the applicant shall be dealt with in accordance with the provisions of such resolution plan, once approved u/s 31 of the Code. IBC does not extend any superior status to MSME entities, except as provided in section 240A of the Code.

9) Further, this tribunal cannot direct the secured creditor to pay the money to the applicant out of proceeds, if any, of security interest held by it; and if such money is to come to the Corporate Debtor, the same has to be dealt with in accordance with the provisions of the Code for its distribution.

10) In view of the above, we are of the considered view that there is no merit in the present application and it deserves to be dismissed. Hence, IA (IBC) 3509 of 2026 is dismissed and disposed of.

Sd/- **Sd/-**

PRABHAT KUMAR
MEMBER (TECHNICAL)

SUSHIL MAHADEORAO KOCHEY
MEMBER (JUDICIAL)

Vedant Kedare
(Stenographer)