NATIONAL COMPANY LAW APPELLATE TRIBUNAL,
PRINCIPAL BENCH, NEW DELHI

Company Appeal (AT) (Insolvency) Nos. 1928-1931 of 2025

[Arising out of Order dated 17.11.2025 passed by the Adjudicating Authority (National Company Law Tribunal), Mumbai- Bench-VI in CP (IB) No.154/MB/2025]

In the matter of:

Brig. Vikram Singh, ...Appellant
Suspended Director of Karanja Terminal & Logistics Pvt. Ltd.
Vs.

Karanja Terminal & Logistics Pvt. Ltd., ...Respondents
Through Vijay P. Lulla, IRP & Ors.

For Appellant: **Mr. Arun Kathpalia, Mr. Abhijeet Sinha and Mr. P. Nagesh, Sr. Advocates with Mr. Saurabh Kalia, Mr. Sameer Chaudhary, Mr. S. Sishir, Mr. Rishabh Dhanuka, Mr. Aman Kacheria, Ms. Anisha Didwania, Ms. Mahima and Mr. Zaki Ansari, Advocates.**

For Respondents: **Mr. Anuj Tiwari, Ms. Shalini Basu, Mr. Vaibhav Vats and Mr. Sameer Mishra, Advocates for R1/RP.**

Mr. Tushar Mehta, SG, Mr. Anoop Rawat, Ms. Arushi Chandra, Ms. Snigdha Saraff and Ms. Diksha Sharma, Advocates for Canara Bank.

Mr. Darius Khambata, Mr. S. Niranjan Reddy and Mr. Krishnendu Datta, Sr. Advocates with Ms. Ananya Kaul, Mr. Aman S. and Mr. Tushar Hathi Ramani, Advocates for R3.

J U D G M E N T

(23rd January, 2026)

Ashok Bhushan, J.

This Appeal by a Suspended Director of the Corporate Debtor has been filed challenging the order dated 17.11.2025 passed by the Adjudicating

Authority (National Company Law Tribunal) Mumbai Bench- VI admitting a Section 7 application being CP (IB) No.154/MB/2025 filed by the Canara Bank and rejecting IA No.4439 of 2025, IA No.5205 of 2025 and IA No.5206 of 2025 filed by the Appellant. Aggrieved by the aforesaid orders, these Appeals have been filed.

2. Brief facts of the case giving rise to these Appeals are:-

2.1. The Corporate Debtor- Karanja Terminal & Logistics Private Limited was sanctioned loan of Rs.150 Crores by Canara Bank on 03.12.2023. Three other Banks also sanctioned loan to the Corporate Debtor. A Common Loan Agreement was entered into on 28.02.2014 with the Corporate Debtor and lenders. Canara Bank being the lead bank. On request received from time to time disbursements were made by lenders including the Canara Bank. Total disbursement by all the lenders was about Rs.386.48 Crores. Other lenders who sanctioned the loan were the Syndicate Bank, Punjab & Sind Bank and Vijaya Bank. As per the Circular of the Reserve Bank of India dated 06.08.2020, One Time Settlement (OTS) restructuring was entered between the Corporate Debtor and the lender bank. OTR has been sanctioned on 11.06.2021. Under the OTR default was committed by the Corporate Debtor in making payment of principal and interest. The Canara Bank vide recall notice dated 05.08.2024 recalled the sanctioned facility. Canara Bank submitted details of default by the Corporate Debtor before the information utility NeSL who also authenticated the default on 06.07.2024. On 29.09.2024, the Canara Bank filed Section 7 application claiming amount in default of Rs.330,40,24,498.23/- as on 31.08.2024. During the pendency of

the proceeding under Section 7, Corporate Debtor addressed OTS offer dated 24.03.2025 of Rs.430 Crores payable over six months which was not accepted by the Canara Bank. On 23.05.2025, the Corporate Debtor made a proposal to all the three lenders bank of Rs.430 Crores with upfront deposit of Rs.25 Crores. Settlement proposal was contingent upon written acceptance and approval by Canara Bank and other two consortium lenders, Punjab & Sind Bank and Bank of Baroda within 45 days. Canara Bank issued a letter dated 13.06.2025 accepting Corporate Debtor's offer of Rs.430 Crores. The Canara Bank sent a letter dated 03.07.2025 to the Corporate Debtor intimating that an offer of Rs.465.50 Crores has been received by another bidder. Consequently, the Corporate Debtor was called upon to exercise its first right of refusal and further either to match the said offer and improve the offer given by new bidder. The Corporate Debtor exercised its right of refusal and improved its bid by offering Rs.472.10 Crore which was communicated by letter dated 05.07.2025 in accordance with the Terms and Conditions stipulated in OTS approval letter dated 13.06.2025. On 07.07.2025, the Corporate Debtor was declared as successful bidder for an offer of Rs.472.10 Crores. On 29.07.2025, Punjab & Sind Bank also issued an acceptance letter sanctioning the OTS proposal of the Corporate Debtor on similar lines as per the letter of the Canara Bank dated 13.06.2025. Corporate Debtor deposited Rs.18 Crore in no lien account totalling to Rs.43 Crores. On 25.08.2025, Mercantile Ports & Logistics Limited, the parent company of the Corporate Debtor wrote a letter to the MD of the Canara Bank, Punjab & Sind Bank and Bank of Baroda regarding One Time Settlement loan account of Corporate Debtor and informing that although Corporate Debtor has been declared a

successful bidder for Rs.472.10 Crores but sanction/approval from the Bank of Baroda remains pending. All consortium lenders were requested to expedite and conclude the OTS sanctioning process. In reply to the letter dated 25.08.2025, the Canara Bank wrote to Mercantile Ports & Logistics Limited with a copy to the Corporate Debtor that no approvals have been received from the Bank of Baroda and in absence of unanimous consent, OTS proposal has not become effective or binding. It was stated in the letter that as approval from all lenders have not been received, lenders have decided to annul the OTS proposal process and withdraw all previous communications. On 03.09.2025, Punjab & Sind Bank also sent a communication to the Corporate Debtor cancelling the OTS process withdrawing all previous communications. It is relevant to notice that on 16.08.2025, the lenders have received a proposal of Rs.520 Crores from Prudent ARC Limited. The Corporate Debtor filed a Writ Petition No.13847 of 2025 before the Delhi High Court assailing the letter dated 02.09.2025 issued by the Canara Bank and letter dated 03.09.2025 issued by Punjab & Sind Bank. After cancelling the OTS process, the lenders initiated proceedings for transfer of their debt under the directions of the Reserve Bank of India in which Prudent ARC with respect to which bid process document dated 03.09.2025 was issued. In the Writ Petition filed before the Delhi High Court by the Corporate Debtor, Delhi High Court passed an order on 22.09.2025 that e-auction (Swiss Challenge Method) scheduled to be held on 23.09.2025 may go on, however, Respondents are restrained from declaring the outcome of the e-auction or action upon it till pronouncement of the order. On 06.10.2025, Delhi High Court pronounced its order on the application filed by the Corporate Debtor praying for stay of

the proceeding. Delhi High Court by order dated 06.10.2025 dismissed the interim application filed by the Corporate Debtor praying for interim relief. High Court held that the petitioner had not been able to make out *prima facie* case for grant of interim reliefs. Accordingly, the application was dismissed.

2.2. Challenging the order dated 06.10.2025, Letters Patent Appeal No.627 of 2025 was filed by the Corporate Debtor before the Division Bench. Learned Counsel appearing for the Corporate Debtor on instructions made statement before the Division Bench of the Delhi High Court that Petitioner is ready to match higher offer which may be received in the second process. High Court directed Learned Counsel appearing for the consortium of lenders to obtain instructions as to whether such offer is acceptable to these Respondents. A meeting of the joinder lender forum was held on 16.10.2025 where the offer made by the Corporate Debtor before the Delhi High Court was noticed and joint lenders forum resolved to give opportunity to the Corporate Debtor to pay the entire amount within 45 days and 50% within seven days. Corporate Debtor however, did not accepted the offer made by lenders bank to make the payment within 45 days.

2.3. Section 7 application which was pending consideration before the Adjudicating Authority was heard on 16.09.2025. After hearing the Learned Counsel for the Canara Bank and Counsel for the Corporate Debtor, the Adjudicating Authority reserved its order on Section 7 application on 16.09.2025. The Corporate Debtor on 17.09.2025 filed an IA No.4439 of 2025 under Section 65 of the IBC for dismissing Section 7 as having been maliciously and fraudulently initiated. On 24.09.2025, IA No.4439 of 2025

was heard and reserved. On 27.10.2025, the lenders assigned their debt to Prudent ARC. Prudent ARC on 27.10.2025 sent a communication to the Corporate Debtor about assignment of debt. On 04.11.2025, Corporate Debtor wrote to the Prudent ARC about its offer of redemption and repayment of entire outstanding debt owed to the consortium of bank or their assignee by 31.03.2026. On 06.11.2025, Prudent ARC rejected the offer proposed by the Corporate Debtor. Corporate Debtor filed an IA No.5205 of 2025 on 06.11.2025 praying for staying the pronouncement of the main petition CP (IB) No.154 of 2025 and another IA 5205 of 2025 was filed seeking direction for redemption of the assigned debt. Both the IA Nos.5205 and 5206 of 2025 were heard on 11.11.2025 and reserved.

2.4. By impugned order passed by the Adjudicating Authority on 17.11.2025, Section 7 petition CP (IB) No.154 of 2025 has been admitted and IRP has been appointed. By separate order passed on the same day, IA No.4439 of 2025 has been rejected and by another separate order, both the IA Nos. 5205 and 5206 of 2025 have been rejected. Aggrieved by the above orders, these Appeals have been filed.

3. We have heard Shri Arun Kathpalia, Shri Abhijeet Sinha, Shri P. Nagesh, Learned Senior Counsel for the Appellant, Shri Darius Khambata, Shri S. Niranhan Reddy and Shri Krishnendu Datta, learned Senior Counsel for the Respondent No.3- Prudent ARC, Shri Tushar Mehta, Learned Solicitor General has appeared for the Canara Bank and Shri Anuj Tiwari, Learned Counsel for the Resolution Professional.

4. Learned Counsel for the Appellant challenging the impugned order submits that Section 7 proceedings cannot be used as a recovery tool. It is submitted that when Corporate Debtor has shown its willingness to liquidate its debt both to the lenders as well as to the assignee unwillingness of the lenders and assignee to accept the entire amount is indicative of not resolution of the Corporate Debtor but hostile takeover of the assets of the Corporate Debtor. It is submitted that when OTS proposal submitted by Corporate Debtor of Rs.430 Crore was put to Swiss Challenge Method by Canara Bank and Corporate Debtor was asked to match the bid of Rs.465.50 Crores received in the challenge process or enhance the bid and Appellant having given a bid of Rs.472.10 Crores which was accepted by Canara Bank by issuance of acceptance letter dated 13.06.2025. Canara Bank and Punjab & Sind Bank who also accepted the proposal constitute more than 81% of lenders. Both having accepted the OTS proposal, OTS proposal cannot be annulled on the ground that the Bank of Baroda third lender has not given its consent. Under the IBC, lenders can take proceeding for resolution of the corporate debtor which proceeding cannot be used for any kind of profit making. On 02.09.2025, the Canara Bank informed about not approval of the OTS and on the next date, they have issued bid document for assignment which itself indicate that the lenders were predetermined not to accept any reasonable and genuine offer from the Corporate Debtor to enable the Corporate Debtor to liquidate its debt and revive itself. Corporate Debtor after coming to know that a lenders are assigning the debt to the Prudent ARC for amount of Rs.520 Crores, they have also offered to make the entire payment. The condition put by lenders to deposit 50% amount within seven days was

impossible and impracticable since the amount was to be arranged by the Corporate Debtor from its parent company Mercantile Ports & Logistics Limited, a UK based company which amount within seven days could not have been arranged due to regulatory requirements. The Corporate Debtor has also separately written to the Prudent ARC on 04.11.2025 to liquidate the entire debt by 31.03.2026 which was also not given any consideration. Concluded OTS after Swiss Challenge in which lenders obtained the highest bid of Rs.465.50 Crores could not have been annulled when the Corporate Debtor had given a higher offer of Rs.472.10 Crores. Annulment of OTS proposal was illegally done by the Canara Bank. The second Swiss Challenge Method in which Prudent ARC was declared successful was a premeditated and engineered exercise driven by recovery greed and was hastily triggered. Thus, the Corporate Debtor has filed an application under Section 65 bringing into notice of the court malicious intent of the lenders which was writ large from illegal annulment of OTS process and assigning the debt of Prudent ARC and initiating process for assignment on very next date after annulling the OTS. In Section 65 application not only the intention on the date of filing of Section 7 application but relevant facts during the pendency of Section 7 application are relevant to come to conclusion of Section 65 proceeding. Subsequent events were required to be considered by the Adjudicating Authority whereas IA No. 5205 of 2025 and IA No. 5206 of 2025 were filed. Prudent ARC to whom the debt was assigned on 27.10.2025 ought to have been brought on the record by the Canara Bank. Canara Bank having assigned the debt could not have perused the proceeding under Section 7 any further. The submission advanced by Counsel for Respondent No.3 that the

Corporate Debtor should take resort Section 12A is only a frivolous and hallow submission. The refund of Rs.43 Crores on which much emphasis was given by Learned Counsel for Respondent No.3 was unilaterally offered by the Canara Bank vide e-mail dated 05.09.2025 and it was not sought or requested by the Corporate Debtor at any point of time.

5. Learned Counsel appearing for the Respondent No.3 refuting the submission of the Counsel for the Appellant submits that the present is a case where Corporate Debtor committed default leading to filing of Section 7 application by Canara Bank. It was during pendency of Section 7 application that OTS proposal for Rs.430 Crores was given by the Corporate Debtor for all the lenders which was accepted by the Canara Bank subject to approval by Bank of Baroda and Punjab & Sind Bank. OTS offer given by the Appellant was only offer which never turned into any completed contract. The OTS offer was not accepted by the Bank of Baroda, hence, OTS process was annulled which was communicated to the Corporate Debtor on 02.09.2025. No concluded contract having entered Corporate Debtor has no right to insist that OTS proposal should be accepted. Adjudicating Authority having found debt and default which is not even questioned, no error can be found in admitting Section 7 application by the Adjudicating Authority. The assignment of debt to Prudent ARC was made by the lenders following RBI Master Directions (Transfer of Loan Exposure) Directions 2021 which could have been assigned only to asset restructuring company. The Corporate Debtor had filed Writ Petition in Delhi High Court challenging the annulment of OTS process in which Writ Petition all contentions regarding OTS was

raised and Delhi High Court vide its order dated 06.10.2025 rejected the application for interim relief. Letters Patent Appeal was filed by the Corporate Debtor where again Counsel for the Corporate Debtor offered to deposit the entire amount. In JLM meeting held on 16.10.2025, lenders finalised the terms and conditions for accepting the offer from Corporate Debtor and Corporate Debtor was to pay the entire amount within 45 days and 50% within 7 days which offer was never accepted by the Corporate Debtor. Corporate Debtor thus, from time and again made various OTS offer which were never culminated into any binding decision. The submission of the Corporate Debtor that Section 7 petition was malicious and fraudulently initiated is without any substance. There being debt and default committed by the Corporate Debtor, initiation of proceeding under Section 7 in September 2024 was neither malicious nor malafide. In IA No.4439 of 2025 filed by the Corporate Debtor, allegations regarding OTS process was raised alleging it to be reason to hold initiation as malicious and fraudulent. Adjudicating Authority has rightly rejected IA No.4439 of 2025. When the matter was heard and judgment reserved on 16.09.2025, Corporate Debtor had made all submissions. After judgment having been reserved Corporate Debtor has no authority to file application praying for any further reliefs. The request made by the Corporate Debtor to the assignee for liquidating its debt has not been accepted. In event, the Corporate Debtor enters into any settlement with Prudent ARC, it is open for the Corporate Debtor and the Financial Creditor to take appropriate steps under Section 12A of the IBC. Adjudicating Authority has given adequate reason for passing the impugned order which does not warrant any interference.

6. Shri Tushar Mehta, Learned Solicitor General appearing for the Canara Bank has adopted the submissions made by the Counsel for the Respondent No.3. It is submitted by the Counsel that assignment of debt by Canara Bank to Prudent ARC was not malafide and it was done in accordance with the RBI Master Directions. All grounds with respect to OTS annulment has been canvassed by the Corporate Debtor before the Delhi High Court where application for interim relief was rejected on 06.10.2025. The annulment of the OTS process by Canara Bank is in accordance with terms and conditions as communicated by letter dated 13.06.2025 by the Canara Bank. Corporate Debtor has no vested right to claim OTS. Adjudicating Authority had only to examine debt and default and in view of the law laid down by the Hon'ble Supreme Court on debt and default having been established, Section 7 application has rightly been admitted.

7. Counsel for the Resolution Professional submits that the CoC has already been constituted on 04.12.2025.

8. We have considered the submissions of the Counsel for the parties and perused the record.

9. We proceed to examine the contentions under following heads:-

(I) <u>Debt and Default</u>

9.1. The NPA was declared on 11.06.2021 as per One Time Restructuring Agreement. The consortium issue recall notices demanding payment of outstanding dues. Canara Bank issued notice dated 05.03.2024 and notice under Section 13(2) on 25.09.2024. Canara Bank had filed application under

Section 7 on 29.09.2024. Corporate Debtor gave an OTS proposal of Rs.275 Crore on 27.11.2024 again it was enhanced to Rs.310 Crores vide letter dated 29.01.2025 which were not accepted since the amount was towards lower side compared to the Corporate Debtor exposure, another OTS proposal of Rs.430 Crore on 24.03.2025 was submitted to be payable within six months which proposal was again reiterated by letter dated 23.05.2025. in the reply to Section 7 application in paragraph 8.7, disbursal of amount of Rs.386.48 Crore was admitted by the Corporate Debtor. Recall notice issued by the Canara Bank and OTS proposal submitted from time to time clearly proves that debt and default is not even denied by the Corporate Debtor at any point of time. Adjudicating Authority after considering all aspects of the matter and materials on the record returned its finding in paragraph 44 that debt and default is beyond Rs.1 Crore. In Paragraph 44 of the order, following has been observed:-

> *"44. In view of the foregoing findings, analysis and discussions, we conclude that the Corporate Debtor has committed a default in repaying the financial debt to the Financial Creditor for a sum well beyond rupees one crores. Thus, the present petition satisfies the minimum threshold of default of INR 1 crore prescribed u/s 4 of the Code for initiating the CIRP of the Corporate Debtor. It is trite to say that the Adjudicating Authority need not ascertain the exact amount of default committed by the Corporate Debtor for the purpose of admitting the application u/s 7 of the Code, as the same is the duty of the IRP/RP while verifying and collating the claim of the Applicant during the course of the CIRP of the Corporate Debtor. We are further satisfied that the application filed under Section 7 of the Code is complete*

in all respects and based on the undertaking of the IRP, we believe that there are no disciplinary proceedings pending against the proposed Interim Resolution Professional. Hence, in light of the law laid down by the Hon'ble Supreme Court in Innoventive Industries Ltd. v. ICICI Bank (supra), the present application is bound to be admitted under Section 7(5)(a) of the Code. Accordingly, we pass the following orders:……"

9.2. We, thus, conclude that debt and default is fully proved by the Financial Creditor and in fact, the debt and default was never denied by the Corporate Debtor.

(II) <u>OTS proposal dated 23.05.2025 and steps taken thereunder:-</u>

9.3. The Corporate Debtor during pendency of the Company Petition on 23.05.2025 sent a letter addressed to the Assistant General Manager, Canara Bank. Paragraph 1 of the proposal stated:-

"1. We, Karanja Terminal & Logistics Private Limited ("KTPL" or "Company"), having our registered office at Office No. 705 & 706, 7th Floor, Shelton Cubix, Plot No. 87, Sector 15, Belapur CBD, Navi Mumbai 400614, hereby submit this proposal for a comprehensive One Time Settlement ("OTS") of all outstanding dues and obligations.

This proposal is made:

- *On a without prejudice and subject to contract basis*
- *In good faith to achieve an amicable resolution*
- *Subject to approval by all consortium lenders*
- *Without admission of liability or default by KTPL"*

9.4. The above proposal was contingent upon written acceptance and approval by the Canara Bank and all consortium lenders within 45 of receipt of this proposal as Anchor Bid. In paragraph 3 of the proposal following was stated:-

> *"3. This settlement proposal is contingent upon:*
>
> *a) Written acceptance and approval by Canara Bank and all consortium lenders within 45 days of receipt of this proposal as Anchor Bid.*
>
> *b) Execution of a comprehensive settlement agreement incorporating:*
>
> - *Full and final discharge of all claims, demands, and obligations*
> - *Mutual release provisions*
> - *Confidentiality undertakings*
> - *No-objection to business operations post-settlement*
>
> *d) Removal of all security interests, charges, and encumbrances upon payment completion"*

9.5. With respect to said proposal, letter dated 13.06.2025 was issued by the Canara Bank informing that Competent Authority has accepted OTS offer of Rs.430 Crores to the consortium subject to similar permission from all other member banks. It is useful to notice entire letter dated 13.06.2025 which is as follows:-

> *"संदर्भ / Ref: CB/15550/KTLPL/OTS-SAN/84/2025-26*
>
> *दिनांक / Date: 13.06.2025*
>
> *सेवा में / To,*
>
> ***M/s Karanja Terminal & Logistics Pvt. Ltd.***

Office No.705 & 706, 7th Floor, Shelton Cubix,
Plot No. 87, Sector-15, Belapur CBD,
Navi Mumbai, Maharashtra 400614 *"Without Prejudice"*

प्रिय महोदय / महोदया / Dear Sir/Madam,

विषय / Sub: ***One Time Settlement (OTS) For Loan Account Of M/s. Karanja Terminal & Logistics Pvt. Ltd.***

संदर्भ / Ref: ***Your OTS proposal letter Dtd 23rd May 2025 for Rs. 430.00 Crores for consortium.***

We are pleased to inform you that Competent Authority has accepted OTS offer of Rs. 430.00 Crore to the consortium ***(our share Rs 263.50 crore)*** *for full and final settlement of dues payable within 90 days subject to similar permission from all other member banks:*

OTS amount of Rs 430.00 Crore to be paid as under:

(Rs. in crore)

Period	*Consortium*	*Our share (61.28%)*	*Remarks*
Upfront	*25.00*	*15.32*	*Already deposited and kept in No Lien account*
Next Installment	*18.00*	*11.03*	*To be deposited immediately on convey of sanction*
Remaining Amount	*387.00*	*237.15*	*Within 90 days from the outcome of Swiss challenge process. Last date for payment of OTS amount shall be on or before 29.09.2025.*
Total	*430.00*	*263.50*	

CONDITION:

Application filed with NCLT shall be withdrawn only upon payment of entire OTS amount.

➤ *Borrower to give PDC for the balance amount coinciding with the due date of payment of OTS amount, appropriate action (under Section 138 of NI Act) will be taken in case of Cheque returns unpaid.*

➤ *To file consent decree and the decree shall be for the entire sult claim along with cost, interest and reliefs as prayed for, with a provision that if the borrower repays the debt in terms of compromise as agreed, the decree would stand satisfied, otherwise the decree for the total suit claim will be enforceable.*

➤ *Upon recovery of entire OTS amount Bank will release the documents/ title deeds of securities charged to Bank duly ensuring that the borrower is not having any direct/indirect/contingent liabilities with the Bank and treat the account as closed.*

➤ *Borrower to withdraw Appeal/ case/ Claim filed against the Bank, if any, before any court, etc.*

➤ *The concession extended as above stands automatically withdrawn in case the borrower fails to remit the compromise amount within the stipulated time and the Bank reserves the right to proceed legally for recovery of entire dues In case the borrower does not comply with the above.*

➤ *The proposal is subject to Swiss Challenge. However, Company will be provided with the Right of First Refusal to match the bid of H1 bidder.*

OTHER TERMS & CONDITIONS:

1. Bank reserves the right for withdrawal of the OTS sanctioned at any point of time even during the period permitted for payment of OTS without assigning any reasons for withdrawal of OTS.

2. In the event of Bank finding Firm's misrepresentation of facts, bank reserves the right to withdraw the OTS permitted and proceed legally for recovery of entire dues.

3. The OTS settlement will not have any bearing whatsoever on the ongoing criminal case/proceedings initiated by CBI / Police authorities, if any. The OTS shall be without prejudice to the rights of CBI/Police to prosecute till conclusion of the pending criminal proceedings.

4. Upon payment of entire OTS amount as per terms of sanction, the account will be appear in the records of CIC'S for minimum period of seven years with remarks SETTLED as per CIC (Regulation) Act-2005.

5. In the event of non-compliance with any of the terms of the sanction by the Firm, including payment of the OTS amount as per the stipulated schedule, the OTS sanction stands automatically withdrawn without assigning any reasons for the same and the Bank reserves the right to proceed as it deems fit including proceeding legally for recovery of the entire dues.

भवदीय / Yours faithfully,

Rakesh Chandra Shandilya
सहायक महाप्रबंधक / ASST. GENERAL MANAGER

Accepted
(M/s Karanja Terminal & Logistics Pvt. Ltd.)"

9.6. On 03.07.2025, the Bank informed the Corporate Debtor that e-auction has been held on 03.07.2025. H-1 Bidder has offered Rs.465.50 Crores. Corporate Debtor was asked to match or improve the bide. The Corporate Debtor gave a bid of Rs.472.10 Crores in terms of OTS approval letter dated 13.06.2025. On 07.07.2025, letter was sent by the Canara Bank to the Corporate Debtor wherein in paragraph 7, following was stated:-

> *"7. Please note that this letter is not an agreement or an undertaking, and the Lenders does not undertake any liability arising in this regard. Your offer is subject to final approval from all the consortium lenders. Further, by countersigning this Letter, you acknowledge and agree that this letter does not create any binding obligations on Lenders or its representatives."*

9.7. The Punjab and Sind Bank has also sent communication dated 29.07.2025 in line of letter issued by Canara Bank which also contained following condition "the above OTS permission is subject to similar permission from all the lenders in consortium". On 02.09.2025, Canara Bank has informed the parent company of the Corporate Debtor with copy to the Corporate Debtor that no approval having been received from Bank of Baroda, it has been decided to annul the OTS process. On 03.09.2025, Punjab & Sind Bank has also sent the similar communication. The Writ Petition was filed by the Corporate Debtor in the Delhi High Court challenging the communication dated 02.09.2025 and 03.09.2025 wherein on 22.09.2025, after hearing the matter, following order was passed by the Delhi High Court:-

> *"1. The present matter is listed for clarification.*

2. I have further heard Mr. Sandeep Sethi and Mr. Sudhir Nandrajog,

learned Senior Counsels appearing on behalf of the petitioner, as well as, Mr. Tushar Mehta, learned Solicitor General and Mr. Nalin Kohli, learned Senior Counsel appearing on behalf of respondent nos. 3 to 5.

3. List the matter for pronouncement of order on 06.10.2025.

4. In the meanwhile, let E-auction (Swiss Challenge Method), scheduled to be held on 23.09.2025, go on. However, respondents are restrained from declaring the outcome of E-auction, or acting upon it, till the pronouncement of order.

5. Needless to say that the direction given hereinabove will not create any special equities in favour of the parties."

9.8. The Delhi High Court on 06.10.2025 delivered its order on the interim application filed by the Corporate Debtor. Delhi High Court after considering the materials on the record made observations that concluded and binding contract has not come into existence. In paragraphs 79 to 83, following was observed:

"79. Thus, the next question, and the more important one, that needs to be addressed is that whether a concluded and binding contract had come into existence by mere approval of petitioner's bid by respondent no.3/Canara Bank and respondent no.4/Punjab & Sind Bank and that whether the condition of requirement of approval of all the lenders inserted in the approval letters issued by the said banks is a post-bid condition, which was not stated in the BPD, rendering it ultra vires the BPD.

80. In this regard, it is to be noted that respondent no.3/Canara Bank's letter dated 13.06.2025, in terms of which the petitioner exercised ROFR, contains a condition that "bank reserves the right for withdrawal of the OTS sanctioned at any point of time even during the period permitted for payment of OTS without assigning any reasons for withdrawal of OTS".

81. Further, the Clause 5.15° of BPD clearly brings out that the bid of the Anchor Bidder/H-1 bidder shall be subject to approval by competent authorities of the lenders. Lenders have been defined in the BPD to mean the Canara Bank, Punjab & Sind Bank and Bank of Baroda. Clearly, there is a stipulation in the BPD itself that the bid of Anchor Bidder i.e. the petitioner in the present case, shall be subject to approval of all the three lender-Banks including respondent no.5/Bank of Baroda, for a binding and concluded contract to come into existence.

82. It is the terms of Clause 5.15, which have been incorporated by the respondent no.4/Canara Bank and respondent no.5/Punjab & Sind Bank in their respective letters dated 07.07 2025 and 29.07 2025 Therefore this Court does not find any substance in the submission made on behalf of the petitioner that the rules of the game have been changed after the game had started. That apart, the petitioner unconditionally accepted the terms of the letter dated 07.07.2025 by making an endorsement on the said letter.

83. In this factual backdrop, this Court prima facie finds that no binding and concluded contract had come into existence without approval of the respondent no.5/Bank of Baroda, and that the respondent no.3/Canara Bank, as well as, respondent no.4/Punjab & Sind Bank, were well within their

right to annul and cancel the OTS proposal made by the petitioner."

9.9. Delhi High Court rejected the application for interim relief. It is to be noted that prior to the aforesaid order by the Delhi High Court on 06.10.2025, Adjudicating Authority has heard the application under Section 7 on 16.09.2025. Before the Adjudicating Authority, submissions on the basis of OTS proposal dated 23.05.2025 was also pressed. Adjudicating Authority also took the view that OTS having not been unanimously approved by the members of the consortium, it is not binding on the consortium. In paragraph 42 of the order, following has been observed:-

"42. We also observed that during the course of hearing, the Ld. Counsel for the Respondent has not denied the existence of the aforesaid letters. Since the OTS proposal given by the Respondent is not unanimously approved by the members of the Consortium, it is not binding on the consortium. Moreover, another member of the Lenders' Consortium viz. Punjab & Sind Bank has filed an application u/s 7 of the Code against the Corporate Debtor vide CP(IB) No. 552/MB/2025. Therefore, in view of the above findings, it is crystal clear that the OTS proposal given by the Respondent to the Lenders' Consortium in the year 2025 has failed. Accordingly, we cannot entertain any grievance of the Respondent qua the OTS Proposal."

9.10. After the dismissal of interim relief by the Delhi High Court, assignment dated 27.10.2025 was made in favour of the Prudent ARC which assignment was communicated by Prudent ARC to the Corporate Debtor.

9.11. OTS proposal which was initiated by the Corporate Debtor on 23.05.2025 continued to remain only a proposal it having not been approved by all the three consortium members of the bank ultimately the process of OTS was annulled on 02.09.2025 and 03.09.2025. Thus, on the said OTS proposal, no right can be claimed by the Appellant. It is well settled that a borrower has no right to insist that any OTS proposal require to be accepted by the lenders.

9.12. It is further noticed that the interim order of Delhi High Court passed on 22.09.2025 that e-auction scheduled on 23.09.2025 may go on, however, Respondents were restrained from declaring the outcome of e-auction. The said interim order came to end on 06.10.2025 when Delhi High Court dismissed the application thereby the assignment was made.

(III) <u>Proposal of Corporate Debtor to the lenders and assignee to liquidate the debt:-</u>

9.13. After the dismissal of the interim application by Delhi High Court of the Corporate Debtor, Letters Patent Appeal No.627 of 2025 was filed by the Corporate Debtor before the Division Bench where before the Division Bench, Counsel for the Corporate Debtor submitted that the Corporate Debtor is ready to match the higher offer which may have received in the 2nd process. Higher offer in the 2nd process was Rs.520 Crore. The Joint Lenders' Meeting took place on 16.10.2025 where the lenders considered the said offer and where the lenders unanimously decided following:-

> *"➤ After due deliberations, following were unanimously agreed by the lenders:*

- *The lenders believe that the process sanctity should be maintained and therefore the five days' time should be adhered to. In case, Hon'ble court is inclined to pass an order permitting to allow the Borrower an extended timeline, then lender's interest should be protected against potential litigation from the present Anchor Bidder (ARC).*
- *However, in the event that the Hon'ble Court considers the request of Appellant for 45 days time, the lenders shall consider the same. However, this shall subject to conditions that the appellant:*
  - *Shall submit an unconditional undertaking that the entire settlement amount shall be paid within the maximum period of 45 days from the date of the order.*
  - *Shall not seek any further modification or extension of timelines*
  - *Shall deposit 50% of the offer amount upfront amount (but not less than minimum 25% in any case) within 3 days but not later than 7 days and balance amount to be paid in equal instalments of 15 days each.*
  - *Shall also pay the interest calculated at the Lead Bank MCLR as on 01.04.2025 +1.50% p.a. i.e. 9.10+1.50= 10.60% p.a. on the entire settlement amount calculated from October 1st, 2025, which is the day following the day when the amount was supposed to be received by the banks as per the loan sales process. The present rate being charged is 11.05% p.a. (MCLR + 2.15);*
  - *In the event that the appellant defaults in making any payment or breaches the timeline for any payment, this entire arrangement will be nullified*

and the appellant shall not have any further rights to object to lenders process for sale of exposure in the manner decided by lenders and in the manner it is already concluded;

- *Shall submit to the lenders, within 6 days, the source of funding of KTLPL's offer - and the lenders shall have the right to seek any additional clarifications regarding the same from KTLPL; and*
- *If there are defaults and this arrangement is nullified, the amount paid so far shall be adjusted towards the outstanding due from the Borrower and the appropriations shall be done in terms of the underlying financing documents and the lenders' policies.*

As all matters on the agenda were discussed and there were no other matters to be discussed, the meeting ended with a vote of thanks."

9.14. Thus, the lenders accepted offer of the Corporate Debtor under certain terms and conditions. It is on the record that the said offer was not accepted by the Corporate Debtor. In paragraph 7.63 of the Appeal, Corporate Debtor has referred to the said condition as arbitrary and onerous. Paragraph 7.63 of the Appeal is as follows:-

"7.63. That it is further clarified that during the pendency of the LPA before the Hon'ble Division Bench of the Delhi High Court, the Corporate Debtor during the course of the proceedings improvised on the offer available with the banks, and proposed to pay an amount of Rs. 521 Crores along with applicable interest from the date of the order till full payment to the lenders. However, instead of considering the

proposal in its true spirit which in any case would have resulted in higher recovery for the public sector banks, the banks deliberately and malafidely sought to imposed arbitrary and onerous conditions, including an unreasonably short payment timeline of merely 45 days and upfront payment of 50% within 7 days, only with the intent to frustrate and render the Corporate Debtor's offer incapable of acceptance. A copy of the Joint Lenders Meeting dated 16.10.2025 is marked and annexed herewith as Annexure-A29."

9.15. Thus, the offer which was given even after 2nd Swiss Challenge Process for assignment of debt to Prudent ARC has not been accepted.

9.16. After the assignment dated 27.10.2025 in favour of the Prudent ARC, a letter dated 04.11.2025 has been written by Corporate Debtor to the Prudent ARC where it offered a payment schedule for the entire debt payment schedule as contained in letter dated 04.11.2025 is as follows:-

*"**1. Payment Schedule:***

a. 50 Crores-to be paid within 15 (Fifteen) days from the date of acceptance of our request for redemption of debt;

b. 50 Crores-to be paid on or before December 31, 2025;

c. 50 Crores-to be paid on or before January 31# 2026, and;

c. Balance Amount -to be paid on or before March 31, 2026."

9.17. Prudent ARC did not accept the payment schedule.

(III) <u>IA No.4439 of 2025</u>

9.18. IA No.4439 of 2025 has been filed by the Corporate Debtor on 17.09.2025 i.e. after judgment was reserved on Section 7 application alleging

that Section 7 proceeding has been initiated fraudulently and malafidely instituted which proceeding need to be dismissed. Copy of the IA has been brought on the record by the Appellant as Annexure A-32. When we look into the averments and application, the basis of the allegation of malicious nature of CIRP despite a concluded settlement. Question has been raised that after declaration of successful bidder in Swiss Challenge it was abuse of process of IBC for collateral purpose and arbitrary and malafide conduct of annulment of OTS. The said allegation clearly indicate that the application is founded on events which took place after offer was submitted by Corporate Debtor on 23.05.2025. Section 65 of the IBC provides as follows:-

> ***"65. Fraudulent or malicious initiation of proceedings.*** *-*
>
> *(1) If, any person initiates the insolvency resolution process or liquidation proceedings fraudulently or with malicious intent for any purpose other than for the resolution of insolvency, or liquidation, as the case may be, the Adjudicating Authority may impose upon such person a penalty which shall not be less than one lakh rupees, but may extend to one crore rupees.*
>
> *(2) If, any person initiates voluntary liquidation proceedings with the intent to defraud any person, the Adjudicating Authority may impose upon such person a penalty which shall not be less than one lakh rupees but may extend to one crore rupees.*
>
> *[(3) If any person initiates the pre-packaged insolvency resolution process—*

> *(a) fraudulently or with malicious intent for any purpose other than for the resolution of insolvency; or*
>
> *(b) with the intent to defraud any person, the Adjudicating Authority may impose upon such person a penalty which shall not be less than one lakh rupees, but may extend to one crore rupees.]"*

9.19. The present is a case where Section 7 application was filed on 29.09.2024 and the application was founded on debt and default committed by Corporate Debtor. The debt and default is not even questioned and submission of number of OTS proposals by the Corporate Debtor fully proves debt and default. Financial Creditor is fully entitled under the IBC to initiate process under Section 7 when debt and default is committed. Adjudicating Authority has heard the application and has rejected the same vide order dated 17.11.2025 holding that the initiation of application cannot be said to be malafide or fraudulent purpose. The argument that proceedings have been fraudulently or malafidely initiated has been rejected. The said submission was also raised by the Corporate Debtor before the Delhi High Court in its writ petition where application for interim relief was rejected and it was held that the process is bonafide. In Paragraphs 86 to 89 of the judgment, following has been held:-

> *"86. As regards Mr. Rohatgi's submission that the tearing hurry in which the annulment letter annulling and cancelling the OTS proposal was issued on 02.09.2025, followed by issuance of another advertisement within few hours on 03.09.2025, shows*

lack of bona fide on part of the respondent nos. 3 to 5, it is to be noted that this Court has prima facie found that the decision of the respondent no.3/Canara Bank and respondent no.4/Punjab & Sind Bank to annul and cancel the OTS process is a decision taken in accordance with the terms and conditions of BPD, as well as, the initial proposal made by the petitioner. Clearly, the respondent nos. 3 and 4 acted within the purview of their authority in terms of the BPD. Merely because the cancellation was done on 02.09.2025 and fresh bidding process was advertised on 03.09.2025, in the absence of any other material, does not lead to the conclusion that there this is a mala fide involved.

87. On the contrary, prima facie there appears to be merit in the submission of Mr. Mehta that there is no mala fide involved in the entire process related to petitioner's OTS handling, as the lenders are getting approximately Rs. 50 crores over and above petitioner's offer of Rs. 472.10 crore, since the new E-Auction would start from the base price of Rs. 520 crores, suggesting that interest of the respondent nos. 3 to 5, the public sector banks, is not being compromised in the new process.

88. Further, the respondent nos.3 to 5 are resorting to the exercise of transfer of loan exposure in terms of the RBI Master Directions of 2021 in which only permitted transferees can participate and compete. That apart, E-Auction would follow the Swiss Challenge Method to ensure that the best price is fetched, therefore, the new bid process is seemingly not intended to favour someone.

> *89. Thus, this Court is of the prima facie view that the impugned decision of the respondent nos. 3 and 4, followed by launch of fresh bidding process, is bona fide - sans any mala fide. Apparently, the decision has been taken in the interest of the respondent nos. 3 to 5, the public sector banks, who are custodian of the public money."*

9.20. We, thus, do not find any error in the order of the Adjudicating Authority rejecting an application filed by the Corporate Debtor under Section 65.

9.21. As far as the rejection of two other applications filed by the Corporate Debtor being IA No.5205 of 2025 and IA No.5206 of 2025 where prayer for staying the pronouncement was made and prayer to liquidate the debt was prayed. The said prayer has been noticed in the order dated 17.11.2025 in paragraphs 1 and 2, which is as follows:-

> *"**IA-5205/2025***
>
> *1. This application has been filed by the Corporate Debtor in C.P. 154/2025 seeking the following prayers:*
>
> *a. Direct the original Financial Creditor Le. the Respondent to amend the captioned Company Petition and bring on record i.e. substitute the assignee Le. Prudent ARC Limited as the Financial Creditor;*
>
> *b. Stay the passing of orders in the captioned Company Petition and the Interlocutory Application No. 4439 of 2025 till the substitution of the Financial Creditor in the captioned matter by amendment by the original Financial Creditor;*

c. Ad-interim reliefs in terms of prayer clause (a) and (b) above;

d. Any other relief as this Hon'ble Tribunal deems fit in the facts and circumstances of the case.

IA-5206/2025

2. IA 5206/2025 has been filed by the Corporate Debtor for seeking the following prayers:

a. Allow the present Application;

b. Stay any further pronouncement of orders in the captioned Petition till adjudication of the present Application;

c. Direct the Respondent as well as other Consortium Lenders, and/or their Assignee to provide an up to date outstanding amount, along with Statement of Loan Account of the Applicant Company;

d. Direct the Respondent as well as other Consortium Lenders, and/or their Assignee, to consider the offer made by the Applicant in the present Application"

9.22. The Adjudicating Authority has also noted all subsequent events and has rejected those applications. In paragraph 34 of the order rejecting the application, following has been observed:-

"34. In view of the discussion above and noting that:

a. Their exists a debt.

b. The debt is in default.

c. Applicant has made repeated attempts to settle the debt, however the financial creditors have

finally rejected/recalled the OTS offered by the Applicant.

d. Hon'ble Delhi High Court has denied any interim relief to the Applicant vide order dated 06.10.2025.

e. Assignment of debt has happened post the orders were reserved in CP/154/2025 on 16.09.2025.

f. The new assignee has since rejected the offer of the Applicant for redemption of debt (In fact the Applicant in the IAs has not offered to redeem the debt on upfront basis, rather it has sought the consent of the consortium of lenders or their assignee for repayment of total outstanding dues to all lenders in installment over a period of time till 31.03.2026).

g. Legal position being that once an order / judgment is reserved, no pleadings can be entertained by a court or Tribunal,

We are of the considered view that IA/5205/2025 & IA/5206/2025 are not maintainable."

9.23. Learned Counsel for the Appellant submitted the view of the Adjudicating Authority that no application could have been entertained after judgment was reserved is not correct. Reliance on judgment of this Tribunal in ***"Loramitra Rath vs. JM Financial Asset Reconstruction Company Ltd.- Company Appeal (AT)) (Insolvency) Nos.1359 & 1360 of 2023"*** cannot be a reason to not look into any subsequent events. Even we accept the submission of the Appellant that subsequent events even after reserving of the judgment which may have material bearing can be looked into. The

present is a case where insofar as offers made by the Corporate Debtor to settle with the lenders, that we have already noticed and the offer made by Prudent ARC has not been accepted. Thus, no such subsequent events took place which could have affected the very maintainability or admission of Section 7 application. We, thus, are of the view that the Adjudicating Authority did not commit any error.

9.24. Learned Counsel for the Appellant has submitted that even as on date Appellant is ready to settle all debt of the Prudent ARC and it has made an offer to deposit the entire amount by 31.03.2026, as noted above, the CoC has already been constituted in December 2024. Any proposal for settlement has to be now gone into and considered as per Section 12A as per law laid down by the Hon'ble Supreme Court in ***"Glas Trust Company LLC vs Byju Raveendran & Ors.- (2025) 3 SCC 625"***. It shall be thus, open for the parties to take steps under Section 12A which submission has also been advanced by Learned Counsel for the Respondent No.3 that course open is to proceed under Section 12A.

9.25. In view of the foregoing discussion, we dispose of these Appeals in following manner:-

(i) The order dated 17.11.2025 passed in CP (IB) No.154/2025 and IA No.4439 of 2025, IA No.5205 of 2025 and IA No.5206 of 2025 are upheld.

(ii) The Appellant is at liberty to submit a proposal under Section 12A to the Resolution Professional within 15 days from today. In event, any such proposal is submitted before the Resolution Professional, the

same shall be placed by the Resolution Professional before the CoC for consideration and further steps be taken in accordance with law.

Parties shall bear their own costs.

[Justice Ashok Bhushan]
Chairperson

[Barun Mitra]
Member (Technical)

New Delhi

Anjali