

IN THE NATIONAL COMPANY LAW TRIBUNAL
AHMEDABAD
COURT – 2

ITEM No.301 - C.P.(IB)/404(AHM)2025

With

ITEM No.302- IA/870(AHM)2026 in C.P.(IB)/404(AHM)2025

&

ITEM No.303- IA/871(AHM)2026 in C.P.(IB)/404(AHM)2025

Proceedings under Section 7 IBC

IN THE MATTER OF:

State Bank of India

.....Applicant

V/s

M/s.Varidhi Cotspin Pvt Ltd

.....Respondent

Order delivered on: 22/06/2026

Coram:

Mrs. Chitra Hankare, Hon'ble Member(J)

Dr. Velamur G Venkata Chalapathy, Hon'ble Member(T)

ORDER

This case is fixed for pronouncement of order

The order is pronounced in open court vide separate sheet.

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DR. V. G. VENKATA CHALAPATHY
MEMBER (TECHNICAL)

sd/-

CHITRA HANKARE
MEMBER (JUDICIAL)

**IN THE NATIONAL COMPANY LAW TRIBUNAL
AHMEDABAD (COURT - II)**

**IA No. 870(AHM)/2026 And IA No. 871/2026 With
CP (IB) No. 404 (AHM)/2025**

*(Filed under Section 7 of the Insolvency and Bankruptcy Code,
2016 r/w Rule 4 of Insolvency and Bankruptcy Application to
Adjudicating Authority Rules 2016)*

IN THE MATTER OF:

STATE BANK OF INDIA

Stressed Assets Management
Branch, 4th Floor, Old LHO Building,
Ganesh Vasudev Mavalankar
Road, Old City, Lal Darwaja,
Ahmedabad-380001

...Applicant/
Financial Creditor

Versus

VARIDHI COTSPIN PRIVATE LIMITED

Survey No. 1237, 1238, 1240/1,
Village Koth, Taluka Dholka,
District Ahmedabad-382240

Also At:

B-2-207, Palladium, Opp. 31
Five Office, Corporate Road, Makarba,
Ahmedabad-380051

...Respondent/
Corporate Debtor

Order pronounced on 22.06.2026

Coram:

**MRS. CHITRA HANKARE, MEMBER (JUDICIAL)
MR. V G VENKATA CHALAPATHY, MEMBER (TECHNICAL)**

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Present:

For the Applicant : Mr. Nitu Chaturvedi Adv. and Mr.
Aditya Raval, Adv.
For the Respondent : Mr. Sunil Bhavsar, Adv.

J U D G E M E N T

- 1 This Application has been filed under Section 7 of Insolvency and Bankruptcy Code, 2016, by State Bank of India seeking initiation of Corporate Insolvency Resolution Process against Varidhi Cotspin Private Limited for having committed a default of an amount of Rs 43,39,28,196.47/- The date of default is 01.07.2024.
- 2 The consortium lenders, including the applicant bank had granted various credit facilities by way of financial assistance against various assets creating security interest in favour of the bank out of which, the applicant bank had advanced a sum of Rs.49.50 Crores to the respondent Corporate Debtor under the consortium arrangement.

Sr. No.	Particulars of facility	Total Outstanding dues as on 08/09/2025
1	Cash Credit Amount	Rs. 15,02,00,577.15/-
2	GECL	Rs. 4,44,91,086.89/-
3	GECL	Rs. 4,97,62,448.33/-
4	Term Loan	Rs. 18,84,49,084.10/-

5	Bank Guarantee	Rs. 10,25,000.00/-
6	Total	Rs.49.50 Crore

As the Corporate debtor failed to make repayment resulting the Financial Creditor sent loan recall notice dated 30.11.2024 for sum of Rs.39,61,93,442.46 inclusive of interest and other charges up to 25.11.2024 further interest thereon at the rate of 10.40% per annum with monthly rests on Rs.14,03,18,447.69 being outstanding dues under the Cash Credit Account and penal interest thereon @5% (Simple) per annum, further interest thereon at the rate of 10.40% per annum.

3 The applicant has relied upon following documents to substantiate its claims:

- a. The copy of the Board Resolution of Corporate Debtor for availing various credit facilities from time to time.
- b. The copy of consortium Term Loan facility agreement dated 24/08/2017.
- c. The Copy of Notice u/s 13(2) of the Securitization and Reconstruction of Financial Assets and enforcement of security interest act, 2002 dated 25/10/2024
- d. Copy of Legal Notice dated 30/11/2024

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- e. The copy of Form D 'Record of Default'.
 - f. The Copy of the Statement of Accounts of Bank of India as on 15/09/2025 under the Bankers Book of Evidence, 1891 and Certificate under information Technology Act.
- 4 The Applicant has proposed the name of Mr. Prawincharan Prafulcharan Dwary having Registration No. IBBI/IPA-IBBI/IPA-002/IP- N00331/2017-18/10937 to act as the Interim Resolution Professional.
- 5 The Respondent has filed the reply and raised preliminary objections regarding the maintainability of the Section 7 application, contending that the Applicant Bank has suppressed material facts, including restructuring and settlement discussions, payments made by the Corporate Debtor, and other relevant developments. The Respondent alleges that the application has been filed with mala fide intent solely to exert pressure and recover the alleged dues through insolvency proceedings. The Respondent has challenged the authority of the signatory to institute the present proceedings, contending that no valid resolution, power of attorney, or specific authorization empowering the concerned officer to initiate CIRP proceedings against the

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Corporate Debtor has been placed on record. The Respondent further submitted that the application is barred by limitation and that the Applicant has failed to establish any valid acknowledgment or revival of debt within the limitation period. It is submitted that the Applicant has failed to furnish complete particulars of the alleged debt, including proper computation of outstanding dues, details and valuation of secured assets, hypothecated goods, and authenticated records evidencing default. According to the Respondent, the figures claimed are inflated, arbitrary, and unsupported by reconciled statements of account.

- 6 The Respondent disputes the admissibility and evidentiary value of the loan documents, statements of account, Information Utility records, and other documents relied upon by the Applicant, contending that the same do not satisfy the requirements of the Bankers' Books Evidence Act, the Evidence Act, and other statutory provisions. It is further submitted that the Applicant has already initiated proceedings under the SARFAESI Act and before other forums for recovery and enforcement of security interests. The Respondent contended that it is a running

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manufacturing concern possessing substantial assets and operational capacity, and that temporary financial stress cannot be equated with commercial insolvency. It is stated that admission of the petition would adversely affect the business, employees, stakeholders, and value of the enterprise, contrary to the objectives of the IBC. The Respondent therefore prays for dismissal of the application as being premature, misconceived, not maintainable, and an abuse of the insolvency process.

- 7 The Respondent relied on Hon'ble Supreme Court in ***Vidarbha Industries Power Ltd v Axis Bank*** to examine the overall financial health, viability, and surrounding circumstances before admitting a petition, and the Corporate Debtor is a running manufacturing concern with substantial assets, workforce, and operational capability, and admission would lead to irreversible destruction of value contrary to the fundamental objective of the Code which is resolution and value maximization rather than premature insolvency.
- 8 The Applicant filed rejoinder and stated that the Respondent has failed to produce any documentary evidence in support

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of its objections and has merely raised vague, repetitive, and unsubstantiated allegations with the sole intention of delaying the adjudication of the present Section 7 application. The Assistant General Manager who signed the petition is empowered under the authority letter and Gazette Notification. Further, being a member and lead bank of the lending consortium, the Applicant is independently entitled to initiate proceedings under Section 7 of the IBC without obtaining consent from other consortium lenders. Further stated that the debt and default are evidenced by certified statements of account, loan documents, acknowledgements of debt, and records maintained with the Information Utility.

9 It was further submitted that the insolvency application is within limitation, as the date of default is 01.07.2024 and the NPA date is 28.09.2024. The Applicant also relied upon acknowledgements of debt reflected in the Corporate Debtor's audited financial statements to demonstrate the subsistence of liability. Reliance placed by the Respondent on the judgment in *Vidarbha Industries Power Ltd v Axis Bank* was stated to be misplaced, and it was argued that

admission under Section 7 follows upon satisfaction regarding debt and default.

10 Applicant/Corporate Debtor filed IA No. 870 of 2026 and submitted that the Section 7 application filed by the Financial Creditor is not maintainable and is liable to be dismissed under Sections 60(5) and 65(1) of the IBC, as the petition is founded on disputed and unsubstantiated claims regarding the debt, default and outstanding amount. It was contended that the Financial Creditor has suppressed material facts, failed to place complete and reliable records relating to the computation of dues, recoveries, settlements and reconciliation of accounts, and has invoked the insolvency process not for resolution of insolvency but as a coercive recovery mechanism. It was further stated that the Financial Creditor has failed to establish the jurisdictional requirements of a legally enforceable financial debt and default and, therefore, the proceedings amount to an abuse of the insolvency framework. It was further submitted that the Corporate Debtor had made bonafide efforts to resolve its liabilities through One Time Settlement proposals and by identifying prospective purchasers for its assets so as to

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generate funds for repayment of dues. However, the Financial Creditor allegedly adopted an unreasonable approach by rejecting/obstructing such settlement efforts and refusing inspection of the assets by prospective buyers despite no moratorium being in force. Applicant stated that such conduct is contrary to the objective of value maximization under the Code and demonstrates a mala fide intention to continue insolvency proceedings for extraneous purposes rather than genuine resolution. On these grounds, it was prayed that the Section 7 petition be rejected as being malicious, abuse of process and hit by Section 65(1) of the IBC.

11 Applicant further filed IA No. 871 of 2026 and submitted that the Applicant has sought directions under Section 60(5) of the IBC for permitting genuine prospective purchasers to inspect the factory premises, land, building, plant and machinery of the Corporate Debtor. It is contended that several financially capable purchasers have expressed interest in acquiring the assets, but the Respondent Bank refused permission for inspection solely on the ground that the Section 7 petition is pending. The

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Applicant submits that no CIRP has been admitted and no moratorium under Section 14 is in operation; therefore, the Corporate Debtor continues to remain in lawful possession and control of the assets and there is no statutory bar against such inspection. The Applicant further submitted that physical inspection is an essential prerequisite for valuation, due diligence and commercial negotiations in respect of industrial assets and that refusal to permit inspection has frustrated ongoing negotiations, discouraged market participation and adversely affected settlement opportunities. Accordingly, the Applicant seeks directions restraining the Bank from obstructing inspections, requiring cooperation in facilitating discussions with prospective purchasers, and permitting inspection under such conditions or supervision as may be deemed appropriate by the Tribunal.

12 The Applicant has filed the Purshis to place subsequent developments on record, submitting that it had earlier submitted OTS proposals dated 01.04.2026 and 15.05.2026, of which the proposal dated 01.04.2026 was rejected by the Bank on 08.04.2026. It is further submitted

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that a Third Revised OTS Proposal dated 09.06.2026 has been submitted to SBI along with representations addressed to the Bank authorities. According to the Applicant, these documents demonstrate its continuing bona fide efforts towards settlement of the dispute and that the latest OTS proposal is under consideration by the Bank.

13 Both the parties have filed written submissions.

14 Heard the submissions of the counsels for both the parties and perused the documents placed on record.

15 Observations:

- a) It is admitted that the respondent has financial stress, and it is up to the lender to initiate any action, partially or fully to realise the debt due. This could be through the other legal provisions including SARFAESI, DRT or other means available legally for the financial creditor.
- b) Further the applicant had also offered a OTS scheme which was not met with by its due date and the respondent CD has merely made un substantiated allegations/pleadings to avoid a repayment to creditor. Mere arguments that they would find an investor and repay and delay the proceedings for settlement including a

OTS during the pendency of this petition, cannot be further allowed as the CIRP is a time bound process and the intention is not only to recover the debt to the applicant, but also at later stage examine whether the entity can be resolved. This is the paramount difference between the other provisions of law, and the applicant has exhausted all necessary options to enable a dialogue/settlement/recovery from the respondent CD, which has failed.

- c) The Interlocutory Applications filed by the Corporate Debtor i.e. IA No. 870 of 2026 is misconceived as the allegations of mala fide intent, coercive recovery, suppression of value, and abuse of process are unsupported by any cogent evidence and do not satisfy the requirements of Section 65 of the Code. Mere filing of OTS proposals, ongoing settlement discussions, or identification of prospective purchasers cannot defeat or postpone adjudication of a valid Section 7 application. And IA No. 871 is equally devoid of merit as the reliefs sought therein, including facilitation of asset inspection, settlement negotiations, and deferment of adjudication of the Section

7 petition, fall outside the limited scope of determination under Section 7 of the Code.

d) Mere filing further IAs seeking indulgence for a settlement by this tribunal is not a process covered under Sec 7 of IBC 2016, making allegations for the purpose of evading adjudication of the matter, are not permissible based on evidences provided and mere acceptance of debt and its default and inability to pay is sufficient cause to trigger CIRP under provisions of IBC 2016. What has been ascertain during the submissions is that a debt had become due on 01.07.2024 and is still under default. Since the debt exceeds the threshold and a default has been established, the petition is liable to be admitted.

16 In view of the above we pass the following orders.

ORDER

- I. CP (IB) No. 404 (AHM)/2025 is allowed and IA No. 870(AHM)/2026 and IA No. 871/2026 are rejected and disposed of.
- II. The CIRP is ordered to be initiated against the corporate debtor - Varidhi Cotspin Private Limited.

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- III. We hereby appoint Mr. Prawincharan Prafulcharan Dwary having Registration No. IBBI/IPA-IBBI/IPA-002/IP- N00331/2017-18/10937 email id- dwaryprawin@gmail.com to act as IRP.
- IV. The IRP is directed to take charge of the Corporate Debtor's management immediately. The IRP is also directed to cause public announcement as prescribed under Section 15 of the IBC, 2016 within three days from the date the copy of this order is received, and call for submissions of claim by the creditors in the manner as prescribed under Regulation 6 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016.
- V. We direct the Applicant/Financial Creditor to deposit a sum of Rs. 2.00 lacs (Rupees two lacs only) with the IRP to meet the expenses for performing functions assigned to him in accordance with regulation 6 of Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Person) Regulations, 2016. The needful shall be done within one week from the date of receipt of this order by the Financial Creditor. The amount,

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however, be subject to adjustment by the Committee of Creditors, as accounted for by IRP and shall be paid back to the Financial Creditor.

- VI. As a consequence of the application being admitted in terms of Section 7(5) of IBC, 2016, moratorium as envisaged under the provisions of Section 14 (1) shall follow in relation to the Corporate Debtor, prohibiting actions as per clauses (a) to (d) of Section 14 (1) of the Code. However, during the pendency of the moratorium period, terms of Section 14(2) to 14(4) of the Code shall remain in force.
- VII. The Registry is directed to communicate this order to the applicant, IRP and the corporate debtor. In addition, a copy of the order shall also be forwarded to IBBI for its records and to take steps for updating the Master Data of the corporate debtor in the MCA portal and shall forward the compliance report to the Registrar, NCLT.

Sd/-

DR. V. G. VENKATA CHALAPATHY
MEMBER (TECHNICAL)

Sd/-

CHITRA HANKARE
MEMBER (JUDICIAL)

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