

IN THE NATIONAL COMPANY LAW TRIBUNAL
JAIPUR BENCH

CORAM: MS. REETA KOHLI,
HON'BLE JUDICIAL MEMBER

MS. KAVITA BHATNAGAR
HON'BLE TECHNICAL MEMBER

CP No. (IB)- 73/07/JPR/2025

(Under Section 7 of the Insolvency and Bankruptcy Code, 2016, read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicatory Authority) Rules, 2016)

IN THE MATTER OF:

BANK OF MAHARASHTRA

... Financial Creditor

VERSUS

ASHIANA ISPAT LIMITED

...Corporate Debtor

MEMO OF PARTIES

BANK OF MAHARASHTRA

Registered Office:

Lok Mangal, 1501, Shivaji Nagar,
Pune - 411 005

And having its branch address at:
2nd Floor, Jana Mangal, 45/47,
Mumbai Samachar Marg, Mumbai - 400 001).

...Financial Creditor

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ASHIANA ISPAT LIMITED LTD.
A-1116 & 1117, Riico Industrial
Area Phase III. Bhiwadi, Alwar,
Rajasthan – 301019.

...Corporate Debtor

FOR THE PETITIONER:

Nitesh Agarwal, Adv.

Sachin Patil, Adv.

FOR THE RESPONDENT:

Hemant Kothari, Adv.

Shubham Vijay, Adv.

Order Pronounced On: 22.06.2026

ORDER

Per: Ms. Reeta Kohli, Judicial Member

1. The present Petition has been preferred under Section 7 of the Insolvency and Bankruptcy Code, 2016 ('IBC'/ 'Code') by *Bank of Maharashtra*. ('Financial Creditor'/ 'Petitioner') seeking initiation of Corporate Insolvency Resolution Process of *M/s Ashiana Ispat Limited* ('Corporate Debtor'/ 'Respondent') on account of default in payment of Rs. 5,75,53,710.25/- (Rupees Five Crores Seventy-Five Lakhs Fifty-Three Thousand Seven Hundred Ten and Twenty-Five Paise Only).
2. The Petitioner is a registered company incorporated under the provisions of the Companies Act, 1956 and is engaged in the business of providing banking and financial services. The present Petition is filed by its authorized representative namely *Mr. Sanjeev Verma*.

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CP No. (IB)-73/7/JPR/2025

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3. The Corporate Debtor is a limited company registered and incorporated under the provisions of the Companies Act, 1956 on 25.03.1992.
4. The Application has been filed on the basis of the following set of facts:
 - 4.1. Petitioner, i.e., *Bank of Maharashtra*, was incorporated on 16th September 1935 under the provisions of Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970 and is engaged in the business of providing banking and financial services to its customers. In the ordinary course of its business, the Petitioner sanctions and disburses various credit facilities, including term loans, working capital facilities and other financial assistance to borrowers.
 - 4.2. The Respondent approached the Petitioner-Bank seeking various credit facilities for the purpose of its business operations. Pursuant to the request made by the Respondent and upon consideration of the proposal submitted by it, the Petitioner sanctioned and granted credit facilities in favour of the Respondent.
 - 4.3. Amongst the facilities sanctioned, the Petitioner extended a Bill Discounting Facility to the Respondent through the Trade Receivables Discounting System (TReDS) platform for an aggregate amount of ₹6,00,00,000/- (Rupees Six Crores Only).

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- 4.4. The aforesaid facility was sanctioned in accordance with the terms and conditions contained in the Sanction Letter dated 17.10.2023, duly accepted by the Respondent. The sanction letter set out the nature of the facility, repayment obligations, rate of interest and other terms governing the transaction between the parties. Pursuant to the sanction of the aforesaid facility, the Petitioner made available the Bill Discounting Facility to the Respondent through the TReDS platform and the Respondent availed the said facility in accordance with the terms of sanction.
- 4.5. Pursuant to the sanction of the Bill Discounting Facility by the Petitioner, the Respondent entered into and executed the requisite agreements and documents with TReDS Limited for availing the said facility through the TReDS platform.
- 4.6. The Respondent executed a Master Agreement with TReDS Limited on 29.07.2022 for creation and operation of Factoring Units on the TReDS platform. The said arrangement enabled the Respondent to facilitate financing and refinancing of its trade receivables and payment obligations arising out of transactions with Micro, Small and Medium Enterprises (MSMEs) through the TReDS mechanism. Under the said arrangement, Factoring Units were created on the TReDS platform in

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respect of invoices and receivables generated in the course of business transactions. Upon acceptance of such Factoring Units by the Corporate Debtor, the same became eligible for financing by participating financiers, including the Petitioner.

- 4.7. Petitioner submitted that TReDS mechanism operates under the regulatory framework prescribed by the Reserve Bank of India. In this regard, the Reserve Bank of India, vide Guidelines dated 03.12.2014 issued under Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007, laid down the framework for setting up and operating the Trade Receivables Discounting System (TReDS) and the same are reproduced as follows:-

Section 10 Payment and Settlement Systems Act, 2007:

“Power to determine standards.—(1) The Reserve Bank may, from time to time, prescribe— (a) the format of payment instructions and the size and shape of such instructions; (b) the timings to be maintained by payment systems; (c) the manner of transfer of funds within the payment system, either through paper, electronic means or in any other manner, between banks or between banks and other system participants; (d) such other standards to be complied with the payment systems generally; (e) the criteria for membership of payment systems including continuation, termination and rejection of membership; (f) the conditions subject to which the system participants shall participate in such fund transfers and the rights and obligations of the system participants in such funds. (2) Without prejudice to the provisions of sub-section (1), the Reserve Bank may, from

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time to time, issue such guidelines, as it may consider necessary for the proper and efficient management of the payment systems generally or with reference to any particular payment system.”

Section 18 Payment and Settlement Systems Act, 2007:

“Power of Reserve Bank to give directions generally.—
Without prejudice to the provisions of the foregoing, the Reserve Bank may, if it is satisfied that for the purpose of enabling it to regulate the payment systems or in the interest of management or operation of any of the payment systems or in public interest, it is necessary so to do, lay down policies relating to the regulation of payment systems including electronic, non-electronic, domestic and international payment systems affecting domestic transactions and give such directions in writing as it may consider necessary to system providers or the system participants or any other person either generally or to any such agency and in particular, pertaining to the conduct of business relating to payment systems”

- 4.8. Pursuant to the aforesaid framework and the agreements executed between the parties, the Corporate Debtor availed financing facilities through the TReDS platform in accordance with the terms and conditions governing the said arrangement. Pursuant to the sanction of the Bill Discounting Facility, *SKN Steel India LLP* and *Shri Balaji Polymers Private Limited* uploaded invoices on the TReDS platform for the purpose of bill discounting. The said invoices were duly accepted and acknowledged by the Corporate Debtor on the TReDS platform.

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- 4.9. Upon acceptance of the invoices by the Corporate Debtor, the Petitioner participated in the bidding process conducted through the TReDS platform and agreed to finance the invoices in accordance with the applicable terms and conditions governing the Bill Discounting Facility.
- 4.10. Pursuant thereto, Petitioner disbursed an amount of ₹22,77,046/- in favour of *SKN Steel India LLP* and a further amount of ₹5,27,60,214/- in favour of *Shri Balaji Polymers Private Limited* against invoices accepted by Corporate Debtor on the TReDS platform.
- 4.11. Petitioner submitted that upon discounting of the invoices and disbursement of the aforesaid amounts, Corporate Debtor became liable to make payment of the discounted invoice amounts together with applicable interest, charges and other dues in accordance with the terms of the Bill Discounting Facility and the Sanction Letter governing the transaction. However, despite availing the benefit of the Bill Discounting Facility and acknowledging the invoices on the TReDS platform, Corporate Debtor failed to honour its repayment obligations and did not repay the amounts financed by Petitioner in terms of the agreed repayment schedule.
- 4.12. Further, Petitioner submitted that under the terms of the Bill Discounting Facility, Corporate Debtor was responsible for repayment of the

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aggregate amount financed against the discounted invoices together with accrued interest, charges and other amounts payable under the facility documents.

4.13. After availing and utilizing the funds disbursed under the Bill Discounting Facility, the account of the Corporate Debtor became irregular on account of non-payment of the amounts due and payable under the facility. Despite repeated follow-ups, reminders and requests made by the Petitioner, the Corporate Debtor failed to regularize the account or liquidate the outstanding dues payable under the facility.

4.14. Petitioner submitted that Corporate Debtor continued to remain in default despite having availed substantial financial assistance under the Bill Discounting Facility extended by Petitioner.

4.15. Further, vide email dated 08.11.2024, the Corporate Debtor acknowledged the outstanding dues and undertook to clear the entire outstanding amount within a period of fifteen days from the date of the said communication but failed to make payment of the outstanding dues and continued to remain in default of its repayment obligations under the Bill Discounting Facility.

4.16. The Petitioner further submitted that in view of the persistent defaults committed by Corporate Debtor, Petitioner issued a demand notice dated

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12.11.2024 calling upon Corporate Debtor to pay an amount of ₹5,50,37,260/- together with applicable interest and penal interest at the rate of 2% per annum within a period of seven days from the date of receipt of the said notice. The Petitioner submits that despite receipt of the aforesaid notice, the Corporate Debtor failed to liquidate the outstanding dues and did not make payment of the amount demanded therein.

4.17. Notwithstanding repeated demands and opportunities granted by the Petitioner, Corporate Debtor failed to regularize the account or discharge its financial obligations under the sanctioned facility.

4.18. As on 27.03.2025, a sum of ₹5,75,53,710.25/- remained due and payable by the Corporate Debtor to Petitioner under the Bill Discounting Facility. The aforesaid mentioned amount was due and payable in the following tranches.

Sr. No.	Date	Amount (₹)
1.	11.07.2024	22,59,313.00
2.	18.07.2024	18,30,492.00
3.	22.07.2024	44,22,236.00
4.	30.07.2024	41,71,374.00
5.	08.08.2024	84,24,628.00
6.	09.08.2024	85,49,097.00
7.	12.08.2024	63,67,487.00
8.	13.08.2024	64,60,394.00
9.	16.08.2024	61,29,829.00

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CP No. (IB)-73/7/JPR/2025

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10.	19.08.2024	42,63,470.00
11	22.08.2024	21,58,940.00

4.19. Petitioner further submitted that the rate of interest applicable to the facility is governed by the terms and conditions contained in the sanction documents and other facility documents executed between the parties. Under the terms of the facility, Corporate Debtor is liable to pay interest on the amounts financed by the Petitioner together with additional interest, penal interest and other charges in the event of default.

4.20. Further, owing to the failure of the Corporate Debtor to repay and regularize the outstanding dues within the stipulated period, the Corporate Debtor remains liable to pay the outstanding principal amount together with accrued interest, penal interest and other charges payable under the facility documents.

4.21. Petitioner further submitted that the liability of Corporate Debtor towards the Petitioner is duly reflected in the Statement of Account maintained in the ordinary course of banking business. The said Statement of Account has been duly certified in accordance with the provisions of the Bankers' Books Evidence Act, 1891 and reflects the amounts due and payable by the Corporate Debtor, including interest accrued up to the date of filing of the present Petition.

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4.22. Despite service of notices and repeated requests for payment, Corporate Debtor has failed and neglected to discharge its liability towards the Petitioner. Consequently, the financial debt due and payable by the Corporate Debtor remains outstanding and in default as on the date of filing of the present Petition.

5. Respondent in its preliminary objections raised the following issues:-

5.1 The Respondent submitted that Petitioner has itself stated that the amounts in question were disbursed to third-party entities through the TReDS platform against invoices uploaded by *SKN Steel India LLP* and *Shri Balaji Polymers Private Limited* and not to Respondent. The Petition does not disclose any direct disbursement of funds by Petitioner to Respondent.

5.2 Further, Respondent submitted that the existence of a financial debt is a *sine qua non* for maintaining an application under Section 7 of the Insolvency and Bankruptcy Code, 2016. The Petitioner is required to establish that a debt was disbursed against consideration for the time value of money and that such debt is due from Respondent.

5.3 Further, it is the contention of Respondent that the Petitioner has failed to place on record any loan agreement, disbursement advice, account

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statement evidencing transfer of funds to Respondent or any other document demonstrating direct lending by Petitioner to Respondent.

- 5.4 Furthermore, the mere discounting of invoices on the TReDS platform does not by itself establish the existence of a financial debt payable by the Respondent to the Petitioner unless the ingredients of Section 5(8) of the Code are satisfied and duly established by cogent material on record.
- 5.5 The financing and discounting of trade receivables in India is governed by the regulatory framework prescribed by the Reserve Bank of India under the provisions of the Factoring Regulation Act, 2011, the Payment and Settlement Systems Act, 2007 and the guidelines issued from time to time in relation to TReDS.
- 5.6 TReDS is a mechanism regulated by the Reserve Bank of India for facilitating financing of trade receivables arising out of transactions between buyers and sellers through authorized electronic platforms. That for the purpose of participating in transactions through the TReDS platform, the Respondent entered into a Master Agreement dated 29.07.2022 with TReDS Limited. The said Agreement governed the terms and conditions relating to the Respondent's participation on the TReDS platform and the processing of trade receivable transactions undertaken thereon.

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- 5.7 Thus, transactions forming the subject matter of the present Petition were undertaken through TReDS mechanism, which operates under the regulatory framework prescribed by the Reserve Bank of India.
- 5.8 Further, the Master Agreement defines "*Reverse Factoring*" as the acquisition of receivables due and payable by a buyer to a seller under an invoice or bill of exchange through assignment or endorsement of such receivables in favour of the financier in consideration of funds advanced by the financier to the seller, the process being initiated by the buyer through TReDS platform.
- 5.9 It is the contention of Respondent that under the reverse factoring mechanism, the financier disburses funds directly to the seller against invoices accepted on the TReDS platform. Upon such disbursement, the receivables of the seller stand assigned in favour of the financier in accordance with the terms governing the transaction. It is further submitted that upon assignment of the receivables, the financier acquires the rights arising out of such receivables and participates in the transaction in accordance with the contractual framework governing the TReDS platform. Participation in the TReDS mechanism requires the financier to execute the requisite agreements with the platform provider

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and comply with the framework prescribed under the applicable Reserve Bank of India guidelines.

5.10 It was further submitted that the transactions relied upon by Petitioner were undertaken through the reverse factoring process wherein funds were disbursed directly to the sellers, namely *M/s SKN Steel India LLP* and *Shri Balaji Polymers Private Limited*, against invoices uploaded and accepted on the TReDS platform. After acceptance of the invoices on the TReDS platform, the Petitioner participated in the bidding process and financed the invoices by making payment directly to the respective sellers in accordance with the reverse factoring mechanism.

5.11 Further, upon completion of the bidding process in respect of each Factoring Unit, separate transaction documents, including click-wrap agreements and assignments of receivables, were executed in relation to the respective invoices uploaded on the TReDS platform.

5.12 Respondent submitted that the assignment documents forming part of the transaction record set out the terms governing the transfer and assignment of receivables arising from the invoices uploaded on the TReDS platform and form an integral part of the transaction structure relied upon by the Petitioner in the present proceedings.

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- 5.13 Further, upon completion of the bidding process in respect of each Factoring Unit on the TReDS platform, separate click-wrap agreements together with assignment agreements relating to the underlying receivables were executed in respect of the respective invoices. Pursuant thereto, notices of assignment were also generated and issued through the TReDS platform in respect of the assigned receivables. The said notices of assignment form part of the documents relied upon by the Petitioner in the present proceedings.
- 5.14 Furthermore, Petitioner has not disclosed the terms governing the bids submitted by it on the TReDS platform or the consideration at which the receivables were acquired pursuant to the reverse factoring transactions. The details relating to the bid amount, discounting value and other commercial terms of the transactions have not been disclosed in the Petition. Respondent submitted that a perusal of the Statement of Account relied upon by the Petitioner reflects the transactions undertaken through the TReDS platform. The entries contained therein indicate that the amounts reflected correspond to the invoice values pertaining to the Factoring Units uploaded and accepted on the platform.
- 5.15 It was further submitted that the Statement of Account relied upon by the Petitioner constitutes one of the primary documents relied upon in

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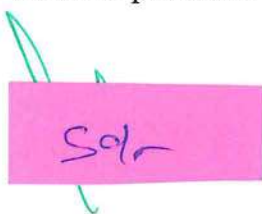
support of the claim made in the present Petition and another document described as a Sanction Letter dated 17.10.2023, seeking reliance upon the terms contained therein in support of its claim.

5.16 It is one of the contentions of Respondent that the Petition does not disclose the complete transaction documents governing the acquisition of the receivables through the reverse factoring mechanism, including the bid terms accepted on the TReDS platform and the commercial terms pursuant to which the receivables were assigned in favour of Petitioner. The Respondent further submitted that the transactions relied upon by Petitioner arise from invoices uploaded by *M/s SKN Steel India LLP* and *Shri Balaji Polymers Private Limited* on the TReDS platform and subsequently financed by Petitioner through the reverse factoring mechanism. Pursuant to such financing, the receivables arising from the invoices stood assigned in favour of the Petitioner in accordance with the transaction documents executed on the TReDS platform, including the click-wrap agreements, assignments of receivables and notices of assignment generated in respect thereof.

5.17 Respondent submitted that the documents relied upon by Petitioner demonstrate that the funds were disbursed by the Petitioner to the respective sellers against the invoices uploaded on the TReDS platform



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and the rights arising out of the receivables were thereafter assigned in favour of Petitioner in accordance with the reverse factoring mechanism.

5.18 It is the case of Respondent that a plain reading of the provisions of Section 5(8) of the Code demonstrates that the transactions relied upon by Petitioner do not satisfy the essential ingredients of a "financial debt" as contemplated under the Code. The documents relied upon by Petitioner themselves disclose that the amounts in question were disbursed to third-party sellers through the TReDS platform pursuant to reverse factoring transactions. Petitioner has not placed on record any material demonstrating direct disbursement of funds to Respondent against consideration for the time value of money.

5.19 On the contrary, the Petitioner's own documents clearly demonstrate that the claim arises purely from the assignment of receivables and therefore falls squarely within the ambit of operational debt under Sections 5(20) and 21(5) of the IBC.

5.20 Respondent further submitted that the transactions forming the subject matter of the present Petition arise out of trade receivables generated from the supply of goods by the sellers to the Respondent. The invoices uploaded on TReDS platform pertain to underlying commercial

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transactions involving sale and purchase of goods and the corresponding receivables arising therefrom.

5.21 Respondent further submitted that without prejudice to the aforesaid contentions and without admitting the existence of any default whatsoever, that any amount remains payable by Respondent, the same arises out of invoices relating to supply of goods and trade receivables and would, at best, constitute an operational debt and not a financial debt within the meaning of the Code. The nature of the underlying transaction, the documents relied upon by Petitioner and the mechanism adopted through the TReDS platform all demonstrate that the claim originates from commercial transactions involving purchase of goods and assignment of receivables arising therefrom.

Findings: -

6. After having heard the Ld. Counsels for both the parties, perusing the entire record placed on record and also after appreciating the written submissions tendered by the Counsels.
7. The issue primarily involved in the present case is; *Whether the amount paid or disbursed towards the reverse factoring can be considered to be a financial debt?*

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8. The present Petition is being preferred by the Financial Creditor i.e., *Bank of Maharashtra* which sanctioned a bill discounting facility of Rs. 6,00,00,000/- to the Corporate Debtor specifically on “*Trade Receivable Discounting System (TReDS)*” by sanction letter dated 17.10.2023, bearing reference AGM/MSME/AIL/TREDS/2023-24, addressed to *Ashiana Ispat Limited* and approving a buyer-wise limit of Rs. 6 crores for discounting of bills issued by its MSME suppliers on TReDS platforms.
9. In the present case, the Corporate Debtor entered into a Master Buyer Agreement dated with A.TREDS Limited on 29.07.2022, governing its participation as buyer on the TReDS platform. In furtherance of the aforesaid agreement Corporate Debtor participated in *Trade Receivable Discounting Reverse Factoring* facility. The definition of ‘reverse factoring’ in terms of the Master Agreement is as follows:-

“Reverse Factoring shall mean acquisition of Receivables due and payable by Buyer to Seller under an Invoice or a Bill of Exchange, by way of assignment and/or endorsement, as the case may be, of such Invoice or Bill of Exchange to Financier in consideration of funds advanced by Financier to Seller, the process of which is initiated by Buyer;”

10. Before appreciating the concept of reverse factoring, it is necessary to reproduce certain other relevant definitions so as to appreciate the case of the Financial Creditor. The relevant definitions for consideration the present case are stated as under: -

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CP No. (IB)-73/7/JPR/2025

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“Factoring shall mean acquisition of Receivables due and payable by Buyer to Seller under a Factoring Unit, by way of assignment and/or endorsement, as the case may be, of such Factoring Unit to Financier in consideration of funds advanced by Financier to Seller, which process is initiated by Seller;

Factoring Units shall mean an Invoice or Bill of Exchange (or any other instruments as may be prescribed by the RBI) digitally uploaded by Seller or Buyer on the Website; "Financier" shall mean a banking company as defined under the Banking Regulation Act, 1949, a nonbanking financial company as defined under the Reserve Bank of India Act, 1934 and such other Persons as the RBI may permit to act as a financier under the RBI Guidelines, having a valid and subsisting master agreement with TREDS;

Receivables shall mean the amounts receivable by Seller from Buyer for supply of goods and/or services under an Invoice or Bill of Exchange;”

11. Hence, under the reverse factoring arrangement, when a supplier raised an invoice against the Corporate Debtor, the Corporate Debtor could approve that invoice on the platform. Based on this approval, a financier would pay the supplier immediately instead of waiting for the payment due date. In return, the supplier assigned its right to receive payment (the receivable) to the financier. Consequently, the financier became entitled to collect the invoice amount from the Corporate Debtor on the due date. The key distinction is that in **factoring**, the seller initiates the financing request, whereas in **reverse factoring**, the buyer initiates and supports the financing arrangement.

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12. In addition, it is also relevant to refer to certain sub-Clauses under Clause 3 (covenants of buyer) of the Master Agreement. For ease of reference, the same are reproduced here as under: -

“3.3 Buyer shall provide instructions to the Buyer's bank for automatic debit of the account of Buyer for its obligation towards the repayment of the Factoring Unit(s) on the relevant due dates and instruct and authorize the Buyer's Bank to honor all such payments for which debit instruction has been raised by TREDS through National Automated Clearing House or any other mode as may be prescribed by RBI. Non-payment by the Buyer on the due date to the Financier shall result in a default by the Buyer and may be reported as per the Applicable Laws, and the Financier shall accordingly be enabled to enforce its rights against the Buyer. Any action initiated in this regard, shall be strictly on a non-recourse with respect to the Seller and outside the purview of the TREDS. Buyer agrees to maintain adequate funds in the Buyer's Bank sufficient to meet its payment obligations to the relevant Financier. The Buyer understands that all its obligations including its payment obligations, declarations and assertions shall be enforceable against the Buyer by TREDS under Applicable Law.

3.4 Buyer understands that all transactions for Factoring or Reverse Factoring undertaken on the Website by Seller, Buyer and Financier will be without an recourse to Seller, for any reason whatsoever, including but not limited to the quality of the goods/services which are the subject matter of the Factoring Unit”

13. The aforementioned Clause of the Master Buyer Agreement places primary responsibility for payment on the Buyer (the Corporate Debtor) once an invoice has been financed through the TReDS platform. Clause 3.3 requires the Buyer to authorize its bank to automatically debit its account on the due

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date and transfer the payment to the Financier through the prescribed banking mechanism. The Buyer must ensure that sufficient funds are available in its account to meet these payment obligations. If the Buyer fails to make payment on the due date, such failure constitutes a default, which may be reported in accordance with applicable laws, and the Financier becomes entitled to enforce its legal rights directly against the Buyer for recovery of the amount due. Importantly, any recovery action taken by the Financier is on a non-recourse basis against the Seller, meaning that the Seller bears no liability once the receivable has been assigned to the Financier.

14. Further, Clause 3.4 further reinforces this position by providing that all factoring and reverse factoring transactions conducted on the TReDS platform are undertaken without any recourse to the Seller, irrespective of any dispute or issue concerning the quality of goods or services supplied under the invoice. In effect, after the Seller transfers the receivable and receives payment from the Financier, the Financier assumes the right to recover the amount solely from the Buyer. Consequently, the Buyer's payment obligation becomes independent and absolute, and it cannot avoid payment to the Financier by raising disputes against the Seller regarding the underlying transaction.

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15. Thus, these clauses demonstrate that the financing arrangement creates a direct and enforceable payment obligation of the Buyer towards the Financier, while insulating the Seller from any subsequent default by the Buyer.
16. It deserves to be appreciated that the Financial Creditor in the present case placed bids on the invoices and upon acceptance by the Corporate Debtor payment were made by the Financial Creditor to the suppliers. The Corporate Debtor in turn was obligated to repay the Financial Creditor the amounts those were originally due to the suppliers.
17. The entire basis of the Financial Creditor's case stems from trade payables owed by the Corporate Debtor to its suppliers. From the appreciation of the facts and circumstances of the present case it is evident that the debts that have been discharged by the Financial Creditor on behalf of the Corporate Debtor are squarely operational in nature as per definition under Section 5(21) of the Code. The mere assignment of such operational debts to a third party including the Financial Creditor does not convert the nature of the debt into a financial debt. Financial debt under Section 5(8) involves disbursement against the consideration for time value of money. In the present case the transaction in question does not involve any disbursement made to the Corporate Debtor nor it does involve any element of consideration for time value of money between the Financial Creditor and the Corporate Debtor. The

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Financial Creditor merely stepped in to finance the suppliers of the Corporate Debtor and any recovery from the Corporate Debtor is in lieu of its operational dues payable to the said suppliers. The debts that are due and payable between the Corporate Debtor and the supplier are for purchase of goods. The relevant portion of Section 5 is reproduced hereunder: -

“Section 5 – In this Part, unless the context otherwise requires –

(20) “Operational Creditor” means a person to whom an Operational Debt is owed and includes any person to whom such debt has been legally assigned or transferred.

(21) “Operational Debt” means a claim in respect of the provision of goods or services including employment or a debt in respect of the payment of dues arising under any law for the time being in force and payable to the Central government, any State Government or any local authority.”

18. The definition of Operational Creditor includes any person to whom such operational debt has been legally assigned or transferred which in this case has been done through TReDS platform and the financing has been done by the Financial Creditor. Therefore, the debt of by the Corporate Debtor is an operational debt within the meaning of 5(21) of the Code. In view of the same, the present petition under Section 7 is not maintainable. The Hon’ble NCLAT in the Judgment *“Canbank Factors Ltd. v. Brijesh Singh Bhaduria (RP) and Ors. (2026) ibclaw.in 73”* has been pleased to hold as under: -

“33. We also observe that the issues raised by the Appellant in the present matter are squarely covered and conclusively determined by this Appellate Tribunal in Company Appeal (AT) (Insolvency)

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No. 1671 of 2023 in the matter of **Mudraksh Investfin Pvt. Ltd. vs. Brijesh Singh Bhadauriya**, arising out of order dated 10.11.2023 passed by the Adjudicating Authority in IA No. 1990/2023 in Company Petition. In this case, Mudraksh Investfin Pvt. Ltd., an RBI-registered NBFC engaged in factoring transactions through the TReDS platform, had claimed that the amounts due to it pursuant to discounting of invoices raised by suppliers of the Corporate Debtor ought to be treated as Financial Debt. The Mudraksh Investfin Pvt. Ltd. therein had advanced similar arguments as raised in the present case that by virtue of assignment of receivables through TReDS, it stood in the position of a financier to the Corporate Debtor and thus ought to be treated as a Financial Creditor under Section 5(8) of the Code. This Appellate Tribunal, after examining the substance of the transaction, the nature of the disbursement, and the definition of Financial Debt, held categorically that the amounts paid by the NBFC i.e., Mudraksh Investfin Pvt. Ltd. under the invoice discounting/factoring arrangement were in the nature of Operational Debt. This Tribunal had affirmed the order of the Adjudicating Authority and held that the assignment of receivables does not alter the underlying character of the debt, which originally arose from the supply of goods or services. Therefore, the NBFC could only be classified as an Operational Creditor, not a Financial Creditor. Following is the relevant extract of the same:

“21. It was held that Section 5 (8) does not expressly exclude an interest free loan. The above judgment of the Hon'ble Supreme Court was on entirely different facts, where Lender had advanced a loan without any interest. The present is not a case of financing any loan, rather present is a case of transaction of MI Platform, on which Platform, both Seller, Buyer and Financers are registered and transaction takes place for sale and purchase of goods and discounting of invoices, payments and recoveries of payment by Financers. The transaction emanates from sale and purchase of goods in the present case. No disbursement was made to the Corporate Debtor, hence, the transactions cannot be held to be a financial debt. We do not find any error in the order of the Adjudicating Authority agreeing with the view of the RP that claim of the Appellant is only an 'operational debt'.

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22. *In view of the above, we do not find any ground to interfere with the impugned order. There is no merit in the Appeal. The Appeal is dismissed. No order as to costs."*

34. *The factual matrix in the present case is identical into the facts before this Appellate Tribunal in the **Mudraksh matter (supra)**. In both cases:*

- *The transaction involved discounting of invoices on the TReDS platform;*
- *The Appellant did not disburse any funds to the Corporate Debtor;*
- *The Corporate Debtor was liable to pay amounts originally owed to suppliers; and....."*

19. The case of the financial creditor is that the debt stands admitted by the Corporate Debtor vide communication dated 08.11.2024 hence the same is due and payable. After appreciating the contentions of the Ld. Counsel and the documents placed on record particularly a Master Agreement and the concept of reverse factoring, we deem it appropriate to refer to the Judgment of Hon'ble NCLAT dated 28.01.2026 "**Canbank Factors Ltd. v. Brijesh Singh Bhaduria (RP) and Ors. (2026) ibclaw.in 73**" where an identical issue was placed before the Hon'ble NCLAT regarding classification of factoring amount as either financial debt or operational debt. The Hon'ble NCLAT after appreciating the facts and circumstances of the case and the TReDS Master Agreement have been pleased to hold as under:-

"40. *The present is a case of transaction, wherein, seller, buyer and financiers are registered and transaction takes place for sale and purchase of goods and discounting of invoices, payments and recoveries of payment by Financers. In the present case, no*

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CP No. (IB)-73/7/JPR/2025

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disbursement was made to the Corporate Debtor, hence, the transactions cannot be held to be a 'financial debt'. The debt in question is an operational debt coming within the meaning of Section 5(21) of the Code, having arisen from the Corporate Debtor's procurement of goods from its suppliers during the ordinary course of business operations. The mere subsequent assignment of these trade receivables to the Appellant does not change the fundamental nature of the debt from operational to financial."

20. Therefore, looking into the facts and circumstances in the present case and law laid down by the Hon'ble NCLAT in the present case, the present petition under Section 7 is not maintainable as the debt which is stated to be due and payable cannot be said to be financial debt but is an operational debt. With these observations, Company Petition bearing CP No. (IB)-73/7/JPR/2025 stands disposed off.


**REETA KOHLI,
JUDICIAL MEMBER**


**KAVITA BHATNAGAR,
TECHNICAL MEMBER**