NATIONAL COMPANY LAW TRIBUNAL
CHANDIGARH BENCH (COURT-I), CHANDIGARH

CP (IB) No. 261/Chd/Hry/2025

(Petition under section 95(1) of the Insolvency and Bankruptcy Code, 2016 read with rule 7 of Insolvency and Bankruptcy (Application to Adjudicating Authority for Insolvency Resolution Process for Personal Guarantors to Corporate Debtors) Rules, 2019)

IN THE MATTER OF:

NAMAN
S/o Sunil Kumar
Shop no. 24, Saili Road, Near auditorium, Pathankot
Email- namandhiman199@gmail.com

.... Petitioner

Versus

SURESH PAL
S/o Late Shri Bansi Lal
Residing at House no. 227, Garden Colony,
Mission Road, Pathankot-145001, Punjab
Email- Mahajan.vivaan@gmail.com
Personal Guarantor to the Corporate Debtor namely:
SARGUN POWER PRIVATE LIMITED
Having registered office at:
Industrial Growth Centre C14, Chajely,
Sujanpur, Pathankot, Punjab, 145023

.....Respondent

Order delivered on: 10.07.2026

CORAM: MR. KHETRABASI BISWAL, HON'BLE MEMBER (JUDICIAL)
MR. SHISHIR AGARWAL, HON'BLE MEMBER (TECHNICAL)

Present: -

For the Applicant : Mr. Arpit Chawla

ORDER

The present Petition has been filed by **Sh. Naman** *(hereinafter referred to as the "Applicant")* under Section 95 of the Insolvency and Bankruptcy Code, 2016 *(hereinafter referred to as the "Code")* read with Rule 7 of the Insolvency and Bankruptcy (Application to Adjudicating Authority for

Insolvency Resolution Process for Personal Guarantors to Corporate Persons) Rules, 2019 *(hereinafter referred to as the "Rules")* seeking initiation of Insolvency Resolution Process in respect of the respondent i.e. **Suresh Pal** in his capacity as the Personal Guarantor of M/s Sargun Power Private Limited. The Applicant states that **the amount in default as on 02.03.2025 is Rs. ₹8,51,520/-** (Rupees Eight Lakhs Fifty-One Thousand Five Hundred and Twenty only). The Date of Default as mentioned in Part-III of the Application, is 02.03.2025.

FACTS AND SUBMISSIONS BY THE PETITIONER:

2. The averments made in the Petition and presented/argued by the learned counsel for the Petitioner are summarized hereunder:

(i) The Corporate Debtor, M/s Sargun Power Private Limited, is engaged in the business of manufacturing lead and other non-ferrous metal alloys used in battery production and procured charcoal from the Creditor for its manufacturing activities. Commercial dealings existed between the Creditor and the Corporate Debtor even prior to the execution of the alleged Guarantee Deed. On several occasions, the Corporate Debtor failed to make payments in accordance with the agreed terms and conditions. The Petitioner has relied upon the Master Data of the Corporate Debtor downloaded from the MCA portal, annexed as Annexure A-1 of the Petition.

(ii) In or around October 2022, the Corporate Debtor approached the Creditor for the supply of charcoal and other raw materials. Owing to the previous defaults, the Creditor initially declined to continue the supplies. The Corporate Debtor thereafter proposed that the Respondent would execute a Personal Guarantee securing the payment obligations of the

Corporate Debtor. Pursuant thereto, a Guarantee Deed dated 03.11.2022 was executed, following which the Creditor resumed the supply of charcoal to the Corporate Debtor. A copy of the said Guarantee Deed has been relied upon by the Petitioner as Annexure A-1A to the Petition**.**

(iii) Following the execution of the Guarantee Deed dated 03.11.2022, the Creditor resumed and continued the supply of charcoal to the Corporate Debtor in the ordinary course of business. In support of the alleged transactions, the Petitioner has relied upon various invoices raised between 29.03.2023 and 16.07.2024, collectively annexed as Annexure A-2 to the Petition.

(iv) The Petitioner further relies upon the ledger accounts pertaining to the Financial Years 2022–2023, 2023–2024 and 2024–2025 (up to 31.08.2025) to contend that after giving credit to the payments received from the Corporate Debtor from time to time, an amount of ₹8,51,520/- remained outstanding as on 2nd March 2025. The said ledger accounts have been annexed as Annexure A-3 to the Petition.

(v) It is further alleged that despite repeated requests and follow-up communications for payment of the outstanding dues, the Corporate Debtor failed to discharge its liability and instead assured the Creditor that the outstanding amount would be cleared by 01.03.2025. However, according to the Petition, no payment was received despite the expiry of the said timeline.

(vi) Consequently, the Creditor invoked the alleged Personal Guarantee by issuing a Demand Notice dated 07.09.2025 under Rule 7(1) of the Insolvency and Bankruptcy (Application to Adjudicating Authority for Insolvency Resolution Process for Personal Guarantors to Corporate

Debtors) Rules, 2019, calling upon the Respondent to pay ₹8,51,520/-, being the alleged outstanding liability of the Corporate Debtor. The Petitioner has relied upon the said Demand Notice along with the tracking report, collectively annexed as Annexure A-4 to the Petition.

(vii) The Petitioner further relies upon the Reply dated 15.09.2025 to the aforesaid Demand Notice and contends that the Respondent acknowledged the alleged debt and default therein. A copy of the Reply has been annexed as Annexure A-5. On the basis of the aforesaid documents and allegations, the present Petition under Section 95 of the Insolvency and Bankruptcy Code, 2016 has been filed seeking initiation of the Insolvency Resolution Process against the Respondent in his alleged capacity as the Personal Guarantor of the Corporate Debtor.

(viii) As can be seen from Part-III of the application, the amount of default is Rupees ₹8,51,520/- (Rupees Eight Lakhs Fifty-One Thousand Five Hundred and Twenty only). The relevant excerpt of Part-III of the application reads as follows:

PART -III

PARTICULARS OF DEBT [CREDITOR WISE, AS APPLICABLE]		
1.	Total debt (including any interest or penalties)	Rs 8,51,520 (Rs Eight Lakhs Fifty One Thousand Five Hundred and Twenty) as on 2nd March, 2025 plus unapplied interest in Sargun Power Private Limited.
2	Amount of debt in default	Rs 8,51,520 (Rs Eight Lakhs Fifty One Thousand Five Hundred and Twenty) as on 2nd March, 2025 plus unapplied interest in Sargun Power Private Limited.

3. This Adjudicating Authority, vide Order dated 16.10.2025, had directed the Petitioner to furnish an explanation with respect to the pecuniary threshold in the present case. It was observed that the minimum threshold of default for initiation of insolvency resolution process under Section 95 of the Code is Rs. 1,00,00,000/-, whereas the documents placed on record by the Petitioner reflected that the default amount under the Guarantee Deed was only Rs. 8,51,520/-.
4. Pursuant to the Order dated 16.10.2025 passed by this Tribunal directing the Petitioner to address the issue of maintainability in view of the admitted default amount of ₹8,51,520/- being below the threshold of ₹1 crore notified under Notification No. S.O. 1205(E) dated 24.03.2020, the Petitioner filed an additional affidavit. In the said affidavit, the Petitioner contends that the enhanced threshold of ₹1 crore prescribed under Section 4 of the Code is applicable only to proceedings under Part II of the Code relating to corporate insolvency and cannot be extended to proceedings under Section 95, which fall under Part III of the Code. The Petitioner further asserts that the threshold applicable to proceedings under Part III continues to be ₹1,000/- under Section 78 of the Code, as no notification enhancing the threshold for personal guarantor insolvency has been issued to date. Reliance has also been placed on the decision in Lalit Kumar Jain v. Union of India, (2021) 9 SCC 321 to contend that personal guarantors constitute a distinct category under the Code and that the present petition is maintainable notwithstanding that the admitted default is ₹8,51,520/-.
5. We have heard the learned counsels for the Petitioner and perused the material available on record.

ISSUES:

6. In view of the submissions and material placed on record, the following issues arise for consideration:

Whether an application under Section 95 of the Insolvency and Bankruptcy Code, 2016, is maintainable where the admitted amount of default forming the basis of the application is ₹8,51,520/-, which is below the pecuniary threshold of ₹1,00,00,000/- prescribed under Section 4 of the Code?

OBSERVATIONS AND ANALYSIS:

7. The principal issue that arises for consideration is whether Notification No. S.O. 1205(E) dated 24.03.2020, issued under the proviso to Section 4 of the Insolvency and Bankruptcy Code, 2016, is applicable to proceedings initiated under Section 95 of the Code. For a proper determination of the said issue, the relevant Notification is reproduced below:

MINISTRY OF CORPORATE AFFAIRS
NOTIFICATION
New Delhi, the 24th March, 2020

S.O. 1205(E).—In exercise of the powers conferred by the proviso to section 4 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016), the Central Government hereby specifies one crore rupees as the minimum amount of default for the purposes of the said section.

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GYANESHWAR KUMAR SINGH, Jt. Secy.

8. A plain reading of the aforesaid Notification reveals that, in exercise of the powers conferred under the proviso to Section 4 of the Code, the Central Government has specified Rs. 1 crore as the minimum amount of default for the said provision. Significantly, the Notification does not draw

any distinction between different classes of proceedings under the Code, nor does it carve out any exception in respect of proceedings initiated against Personal Guarantors under Section 95. Had it been the legislative intent to exclude applications under Section 95 from the purview of the prescribed threshold, the Notification would have expressly provided so. In the absence of any such exclusion, the Applicant's contention that Notification No. S.O. 1205(E) dated 24.03.2020 is inapplicable to proceedings under Section 95 is devoid of merit and cannot be accepted.

9. The above position has been authoritatively settled by the Hon'ble National Company Law Tribunal, Principal Bench, New Delhi in ***Mudraksh Investfin Pvt. Ltd. v. Gursev Singh,*** *(2024) ibclaw.in 1054 NCLT* and the Hon'ble National Company Law Appellate Tribunal has expressly affirmed the aforesaid judgment in ***Mudraksh Investfin Pvt. Ltd. v. Gursev Singh,*** *(2025) ibclaw.in 323 NCLAT*. While considering the contention that the threshold prescribed under Section 78 of the Code should apply to proceedings against Personal Guarantors, the Hon'ble NCLAT held as follows:

> *" 15. The fact that process of insolvency in Part-III is to apply to individuals, whereas the process related to CD set out in Part-II, apply to CD, does not lead to incongruity. On the other hand, there appears to be sound reasons why for Forum for adjudicating insolvency process - the provisions of which are disparate - is to be common, i.e. through NCLT. When NCLT is the Forum for initiating the CIRP against the Personal Guarantor and the process against the Personal Guarantor are to be taken by the same Forum before whom the insolvency resolution process of the CD is to be held, we are persuaded to accept the submission of the learned Counsel for the Respondent that threshold for the Application to be filed against the Personal Guarantor before the NCLT shall be Rs.1 crore. The threshold of Rs.1000/- has been*

provided for an Application under Section 78 with respect to matter relating to fresh start, insolvency and bankruptcy of individuals or partnership firms, with regard to whom the Adjudicating Authority is the Debt Recovery Tribunal. When clear exception has been carved out in Section 78 by providing adjudicating authority as NCLT for Personal Guarantors of the CD, the threshold of Rs.1000/- as provided for filing an Application by individuals and partnership firms are not applicable, when Application is filed under Section 95(1) before the NCLT.
.....

26. We, thus, reject the submission of the Appellant that for insolvency resolution against the Personal Guarantor, threshold of only Rs.1000/- needs to be fulfilled.

27. We, thus, do not find any error in the order of the Adjudicating Authority, rejecting Section 95 Application filed by the Appellant, which was filed for a debt of Rs.10 lakhs, as not fulfilling the threshold. In result, the Appeal is dismissed. The parties shall bear their own costs."

10. The ratio emerging from the aforesaid decisions is that the maintainability of an application under Section 95 is to be tested with reference to the amount of default which forms the foundation of the application.

11. In the present case, the Petition is founded exclusively upon the alleged Guarantee Deed dated 03.11.2022 executed by the Respondent in favour of the Petitioner. The said guarantee was invoked through the demand notice dated 07.09.2025, whereby the Petitioner demanded payment of ₹8,51,520/-. The same amount has also been disclosed by the Petitioner in Part III of Form C as the total debt as well as the amount of debt in default. Thus, the very cause of action in the present proceedings is confined to the alleged default of ₹8,51,520/-.

12. As held by NCLT in *Mudraksh Investfin Pvt. Ltd. v. Gursev Singh*, and affirmed by the Hon'ble NCLAT, the maintainability of an application under Section 95 is to be examined with reference to the amount of default

forming the basis of the application. Since the admitted default in the present Petition is ₹8,51,520/-, which is admittedly below the statutory threshold of ₹1 crore, the present Petition is not maintainable.

13. In view of the foregoing discussion, this Tribunal holds that the present Petition u/s 95 does not satisfy the pecuniary jurisdictional requirement as prescribed under Section 4 of the Code. The admitted default forming the very foundation of the present proceedings is ₹8,51,520/-, which is substantially below the statutory threshold of ₹1 crore. Consequently, the present Petition is not maintainable and deserves to be dismissed in *limine.*

14. In result thereof, the Company Petition bearing **CP(IB) No. 261/Chd/Hry/2025** is **dismissed and disposed of.**

Sd/-

(SHISHIR AGARWAL)
MEMBER (TECHNICAL)

Sd/-

(KHETRABASI BISWAL)
MEMBER (JUDICIAL)
Ruhani