IN THE NATIONAL COMPANY LAW TRIBUNAL
AHMEDABAD
COURT – 2

ITEM No.302
C.P.(IB)/468(AHM)2025

Proceedings under Section 7 IBC

IN THE MATTER OF:

Small Industries Development Bank of India ....**Applicant**
V/s
Aricon Paper Private Limited ....**Respondent**

Order delivered on: 30/07/2026

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.

Sd/-
DR. V. G. VENKATA CHALAPATHY
MEMBER (TECHNICAL)

Sd/-
CHITRA HANKARE
MEMBER (JUDICIAL)

SJ/AD/AP

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

CP (IB) No. 468 OF 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:

Small Industries Development Bank of India
Having Head Office at:
SIDBI Towers, 15, Ashok Marg,
Lucknow- 226 001 and its
One of the Asset Recovery Unit at
Regional Office at:
Navjeevan Amrit Jayanti Bhavan,
1st Floor, Behind Gujarat Vidhiyapith,
Off Ashram Road, Ahmedabad-380014

...Applicant/
Financial Creditor

Versus

Aricon Paper Private Limited
402/P2, Morbi Kandla Highway,
Haripar-Kerala Road, Tal & Dist. Morbi,
Nava Sadulka, Gujarat-363642

...Respondent/
Corporate Debtor

Order pronounced on 30.07.2026

Coram:

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

Present:

For the Applicant	: Mr. Arjun Sheth, Adv.
For the Respondent	: Mr. Chaitanya Patel, Adv and Mr. Laxman Desai, Adv

Sd/-   Sd/-

JUDGEMENT

1. This Application has been filed under Section 7 of Insolvency and Bankruptcy Code, 2016 by Small Industries Development Bank of India (SIDBI) (Financial Creditor) seeking initiation of Corporate Insolvency Resolution Process against Aricon Papers Private Limited (Corporate Debtor) for having committed a default of an amount of Rs. 6,88,45,871.74/- as on 31.10.2025 including interest. The date of default is submitted as 28.03.2024.

2. The Applicant/Financial Creditor submits that it is established in 1990 under the Statutory Act, for promoting and financing the MSME sector. It is submitted that Corporate Debtor is engaged in the business of manufacturing craft paper and the Applicant sanctioned working capital facilities, initially Rs. 500 Lakhs vide Letter of Intent dated 15.06.2016 under the SIDBI-IDBI Working Capital Arrangement Scheme, which were subsequently enhanced to Rs.850 Lakhs vide Letter of Intent dated 11.12.2019 and renewed on 13.04.2023. It is submitted that pursuant thereto, the Corporate Debtor executed a Hypothecation Agreement dated 16.06.2016, a Supplemental Hypothecation Agreement dated 11.12.2019 creating a first charge over its current assets, plant and machinery and other movable assets in

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favour of applicant, a Deed of Guarantee dated 30.06.2016, and an Indenture of Mortgage dated 11.12.2019, creating security over its movable and immovable assets and supported by personal guarantees. It is submitted that, upon non-compliance and persistent defaults, the loan account was classified as NPA on 28.03.2024. It is further submitted that the Applicant issued a Recall Notice dated 18.07.2024, invoked the guarantees on 09.09.2024, issued a Section 13(2) SARFAESI notice on 10.10.2024, and took symbolic possession of the secured assets of corporate debtor under Section 13(4) of the SARFAESI Act on 22.01.2025 The Applicant submits that the Corporate Debtor, by letters dated 24.01.2025 and 24.03.2025, acknowledged the subsistence of the loan facilities and the outstanding dues under the recall notices. It is further submitted that, by its letter dated 24.03.2025, the Corporate Debtor admitted its liability, stated that certain payments had been made, sought further time to clear the outstanding dues, but failed to discharge its obligations. It is submitted that proceedings under Section 14 of the SARFAESI Act were initiated before the Chief Judicial Magistrate, Morbi on 14.05.2025 for taking physical possession of the secured assets of the Corporate Debtor.

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3. The Corporate Debtor/Respondent in its reply submits that the present application is based on suppressed and misleading facts and is therefore not maintainable. It is contended that the Hon'ble Debt Recovery Tribunal, Ahmedabad, in Securitization Application No. 402 of 2025, vide order dated 29.01.2026, directed the Corporate Debtor to pay the 20% of the outstanding amount on or before 31.01.2026 and further directed to deposit the entire remaining outstanding amount with the respondent in four monthly equal instalments (20% each month) commencing from February 2026 and the last instalment shall consist of the interest accrued till date of the final payment as well as other legal charges and expenses. It is submitted that the Corporate Debtor has duly complied with the said order and has, till the filing of the reply, paid an aggregate sum of Rs.4,26,48,000/- being 60% of the total outstanding dues through various payments made between 29.01.2026 and 25.03.2026. It is further submitted that apart from the above said payment, an amount of Rs.14,90,896/-, representing fixed deposits standing in the names of the directors, has also been realised towards the outstanding dues. The Corporate Debtor further contends that it has requested the Applicant to reverse the additional and penal

interest and to charge interest at the sanctioned rate of 8.7%, which request is pending consideration.

4. Respondent with written submission on affidavit dated 17.06.2026 submitted that, pursuant to the said order, the Corporate Debtor has paid an aggregate sum of Rs.6,06,90,896/- as on 30.05.2026 towards the outstanding dues. It is further contended that its request for waiver of excess interest, penal interest and other charges is pending consideration before the Applicant Bank. The details of the payment are as follow:

PAYMENT MADE TO SIDBI			
SR NO	DATE	AMOUNT (in ₹)	MODE OF PAYMENT
1	15-12-2025	4914000	DD
2	30-01-2026	9302000	RTGS
3	21-02-2026	5000000	RTGS
4	24-02-2026	9216000	RTGS
5	23-03-2026	2500000	RTGS
6	24-03-2026	10000000	RTGS
7	25-03-2026	1700000	RTGS
8	25-03-2026	16000	RTGS
9	30-04-2026	7352000	RTGS
10	30-05-2026	9200000	RTGS
	TOTAL	59200000	
	FD	1490896	
	G TOTAL	60690896	

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5. The Applicant filed affidavit dated 24.06.2026 wherein it is submitted that the Hon'ble Debts Recovery Tribunal-II, Ahmedabad, vide order dated 29.01.2026, recorded the undertaking of the Corporate Debtor and passed directions with respect to payment of the outstanding dues of Rs. 710.80 lakh payable as on 31.12.2025, out of which 20% amount was to be paid by 31.01.2026 and remaining in four monthly instalment of 20% amount each with further interest at contractual rate of interest till final payment. The applicant contends that although the Corporate Debtor has paid an aggregate sum of Rs.6,06,90,896/-, the entire liability has not been discharged. It is submitted that, after giving due credit to all payments received, a sum of Rs.1,49,79,969/- remained outstanding as per the Master Ledger. The Applicant further submits that the Corporate Debtor sought waiver of interest, penal interest and other charges. It is submitted that vide communication dated 16.06.2026, the Applicant informed the Corporate Debtor that any waiver or concession could be considered only after clearance of the entire outstanding dues and intimated that Rs.7,10,80,500/- was outstanding as on 31.12.2025, together with contractual interest accruing from 01.01.2026 till actual payment. It is further submitted that, despite the Corporate

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Debtor's renewed request dated 22.06.2026, the Applicant, vide communication dated 23.06.2026, reiterated its earlier stand, clarified that contractual interest continued to accrue, and did not accept the calculations furnished by the Corporate Debtor.

6. The Applicant filed written submissions contending that the once the statutory threshold stood satisfied on the date of institution of the insolvency application, subsequent payments reducing the outstanding amount below the threshold would not defeat the maintainability of the proceedings. The Applicant has relied upon the judgement of *Devika Resources Pvt. Ltd. (Formerly Known as Kalinga Enterprises Pvt. Ltd.) v. MAA Manasha Devi Alloys Pvt. Ltd.* - Comp. App. (AT) (Ins) No.938 of 2024 & I.A. No. 3418, 3419 of 2024.

7. Both the parties have filed written submissions. Heard the counsels for the petitioner as well as the respondent and perused the documents available on record.

8. Observations

a) The applicant being a financial institution has filed this application on 31.10.2025 with an amount of debt outstanding of Rs.6,88,45,871.74 (including principal and interest). The date of default is mentioned as 28.03.2024.

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b) The respondent has also filed an application before the DRT a securitisation application NO.402 of 2025 in which the learned DRT has passed an order on 29.01.2026 that a settlement has been reached between the parties as the respondent desired to pay the entire dues to the bank (applicant) based on which it was directed that the respondent was directed to deposit the amount in No Lien account on certain conditions which include 20% of the total outstanding amount on or before 31.01.2026 and remaining dues with interest and legal charges as on date of final payment in four equal instalments. The order also states that the applicant bank was directed to calculate the total outstanding amount in the account by charging interest at the rate of 8.60% as per sanction letter and not at the inflated rate of 15.25%. On these grounds the relevant orders are passed restraining the bank to take physical possession of disputed property. It is further mentioned that the total amount of debt due was Rs.710.80 lakhs as the bank did not agree with the directions to charge interest at 8.60% instead of at 15.25% as it has charged interest only on the basis of agreement between the parties by way of sanction letter signed by the respondent. An opportunity was given by the Learned DRT to settle the amount.

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c) As per the respondent an amount of Rs.6,06,90,896 has already been paid till 30.05.2026. As per the DRT order the entire amount of outstanding should have been paid before 30.05.2026. The respondent vide letter dated 22.06.2026 submitted the facts to the applicant bank that they paid Rs.6,06,90,986 as on 30.05.2026 while the total amount shown as Rs.7,10,80,500 is due to charging of interest at 15% instead of at 8.7% at the time of sanction. The applicant bank contends before DRT that the rate of interest agreed was at 15.25%.

d) On perusal of the Form D and the renewal of working capital limits issued by applicant to the respondent dated April 13, 2023 and signed by the directors, the rate of interest mentioned is 15.25% p.a.

e) We also note that the respondent has gone before DRT and such orders are passed when the matter is pending before this adjudicating authority. We also observe in that order that there is no mention of the matter pending before this Adjudicating Authority and parallel proceedings and settlement was negotiated/arrived at before DRT by both the parties. Even if the amount is paid in to No lien account as per directions, objected by the applicant bank, this effectively reduced the balance due and payable as per applicant bank is Rs.1,49,79,969/-, but as

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per Form D the amount outstanding was Rs.6,88,45,871.74 and thereby the amount of debt outstanding will be only Rs.81,54,975.74.

f) However, it is a mutual settlement between parties based on DRT order which is not complied and the Applicant bank has raised certain disputes but seems to have not gone on appeal against the order for non-compliance/execution of the order for remaining amount.

g) The mere fact that the amount has gone in to a no lien account and not to the loan account, establishes that the amount repaid in compliance of DRT order is kept in a separate account similar to an escrow account and not credited to loan account.

h) Even if we accept that repayment has been made, since the loan account is not credited, the applicant can either return the account and file a residual claim on allowing the petition by this tribunal. We also note that both parties have neither revealed the CIRP proceedings and the authority passed certain directions for settling the debt, even though there is a dispute, the tribunal has to go by the submissions of the applicant, who has proved that the rate of interest applicable is 15.25% and not 8% claimed by respondent as dispute.

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i) It is also observed that one of the gaurantors of the CD is already admitted to PIRP by Court I which was filed on 16.02.2025 under section 94 of the IBC,2016 in which CD was also respondent. This was not brought to the notice of this Tribunal and a copy of this petition is apparently not served on the RP of the PG as we are not aware if any repayment has been made. In the order passed by DRT on 29.01.2026, it also appears that the application was filed by the respondents company along with others including personal guarantor and if so the order seems to have been passed on the applicants during the moratorium period.

j) The present application has been filed seeking initiation of Corporate Insolvency Resolution Process on the basis of an alleged default of Rs.6,88,45,871.74/-. It is equally undisputed that during the pendency of the present proceedings, the Corporate Debtor approached the Debts Recovery Tribunal-II, Ahmedabad, which, vide order dated 29.01.2026 passed in S.A. No. 402 of 2025, granted an opportunity to liquidate the outstanding dues in phased instalments. Pursuant thereto, the Corporate Debtor has admittedly paid an aggregate amount of Rs. 6,06,90,896/-, which has been accepted by the Applicant. Thus, the substantial part of the claim forming the foundation of

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the present petition stands satisfied during the pendency of the proceedings.

k) The subsequent events assume considerable significance in the facts of the present case. The repayment arrangement recorded before the Hon'ble Debts Recovery Tribunal has been acted upon by both parties, the Corporate Debtor having made substantial payments and the Applicant has accepted the same in its affidavit. The Applicant nevertheless seeks continuation of the present proceedings on the ground that certain further amounts remain payable after giving effect to the payments already received. The controversy, therefore, has materially shifted from the original default pleaded in the present petition to the determination and enforcement of the residual liability arising after adjustment of the subsequent payments.

l) The maintainability of an application under Section 7 is ordinarily examined with reference to the date of its institution and whether the statutory threshold stood satisfied on the date of filing of the present application. However, we cannot be unmindful of subsequent developments which have substantially altered the nature of the dispute. The Insolvency and Bankruptcy Code is intended to facilitate resolution of insolvency and revival of the Corporate Debtor, and not to serve as a forum for recovery

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of the balance amount after substantial realization of the original claim. In the present case, the Applicant has admittedly received Rs. 6,06,90,896/- out of the original claim of Rs. 6,88,45,871.74/- by acting upon the repayment arrangement recorded before the Hon'ble Debts Recovery Tribunal. In these circumstances, the continuation of the present proceedings would not advance the object of the Code but would, in substance, amount to invocation of the insolvency process for recovery of the remaining dues. The Applicant is at liberty to pursue such remedies as may be available in law for recovery before the appropriate forum for the balance amount, if any, legally recoverable. Therefore, conditions of section 7 are not satisfied.

9. In view of the above, we pass the following

ORDER

CP(IB) No. 468 of 2025 is rejected and disposed of.

Sd/-	Sd/-
DR. V. G. VENKATA CHALAPATHY	**CHITRA HANKARE**
MEMBER (TECHNICAL)	**MEMBER (JUDICIAL)**