IN THE NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH–I, CHENNAI

ATTENDANCE CUM ORDER SHEET OF THE HEARING
HELD ON **18.08.2026** THROUGH VIDEO CONFERENCING

CORAM: **HON'BLE SHRI. SANJIV JAIN, MEMBER (JUDICIAL)**
HON'BLE SHRI. VENKATARAMAN SUBRAMANIAM, MEMBER (TECHNICAL)

APPLICATION NUMBER **:**

PETITION NUMBER **:** CP(IB)/88(CHE)/2025

NAME OF THE PETITIONER(S) **:** Bizotic Commercial Ltd.

NAME OF THE RESPONDENT(S) **:** Srestha Finvest Ltd.

UNDER SECTION **:** Sec 7 Rule 4 of IBC, 2016

ORDER

Present: Shri. Mandeep Singh Saluja, Ld. Counsel for the Petitioner.

Shri. D. Peruman Saranyan, Ld. Counsel for the Respondent.

Vide separate order pronounced in the Open Court, petition is dismissed.

File be consigned to records.

Sd/-
[VENKATARAMAN SUBRAMANIAM]
MEMBER (TECHNICAL)

Sd/-
[SANJIV JAIN]
MEMBER (JUDICIAL)

VS

IN THE NATIONAL COMPANY LAW TRIBUNAL, DIVISION BENCH – I, CHENNAI

CP/88/IB/CB/2025

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

In the matter of ***Sreshta Finvest Limited***

Bizotic Commercial Limited
15, Ashwamegh Warehouse , Ujala Circle,
Sarkhej, Ahmedabad,
Gujarat - 382210

----Petitioner

Vs

Sreshta Finvest Limited
CIN : L65993TN985PLC012047
Door No 19 & 20,
General Muthiah Mudali Street,
Sowcarpet
Chennai 600003

----Respondent

Order pronounced on ***18th August, 2026***

CORAM:

SANJIV JAIN, MEMBER (JUDICIAL)
VENKATARAMAN SUBRAMANIAM, MEMBER (TECHNICAL)

Petitioner: Ld. Counsel Mandeep Singh Saluja

For Respondent:Ld . Counsel Vinod Chaurasia & Peruman Saranyan

ORDER

(*Heard Through Hybrid Mode*)

1. This petition ***CP IB 88 CHE 2025*** has been filed by **Bizotic Commercial Limited** as financial creditor on 21.02.2025 under **Section 7** of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as "the Code") read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 (hereinafter referred to as "the AAA Rules") for initiating Corporate Insolvency Resolution Process (hereinafter referred to as "CIRP") against **Sreshta Finvest Limited**, the Corporate Debtor (CD).

2. It is stated that the corporate debtor is into the business of lending money against securities, moveable and immovable properties, finance, hire purchase and leasing. That the corporate debtor company had approached the petitioner for availing Rs. 15.0 crore financial loan for the company and promised to repay the amount in one year of disbursement of the amount along with interest.

3. It is stated that petitioner sanctioned a loan of Rs. 15 crore to Corporate Debtor and disbursed Rs. 10 crore on **22.06.2023** and Rs. 5 crore on

23.06.2023. It is stated that Corporate Debtor repaid Rs. 3.15 crore on various dates between Nov 2023 and March 2024. It is stated that **outstanding debt is Rs. 11.85 crore** and **date of default is 22.06.2024**. It is stated that petitioner issued legal notice to the Corporate Debtor on 12.11.2024.

4. In **Part III**, petitioner has recommended the name of Suhas Dinakar Bhatbhat with registration No IBBI/IPA-002/IP-N00571/2017-2018/11738 (email id cssuhasb@gmail.com) as the Insolvency Resolution Professional. Written consent is also placed.

5. In **Part IV** of the petition the default amount is stated as **Rs. 11,85,00,000/-** . Following documents are produced by petitioner to support the petition:

i) Annexure A 4 – Ledger account of Corporate Debtor in the books of the petitioner.

ii) Annexure A 5- NeSL Form C- Record of Financial information where date of default is mentioned as 24.06.2024.

iii) Annexure A 6 – Audited Balance sheet of Petitioner as on 31st March 2024.

iv) Annexure A 7- Copy of legal notice dated 22.11.2024.

6. In the Balance Sheet of the Petitioner in the Financial Year ending 31st March 2024, the amount of Rs.11,85,00,000/- lent to corporate debtor has been shown under the head ' Deposits' as under:

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Bizotic Commercial Limited (22-23)
GF, 15, Ashwamegh Warehouse,
Sarkhej Bavla Highway,
Sarkhej, Ahmedabad.
CIN: U74999GJ2016PLC094934

Deposits (Asset)
Group Summary
1-Apr-23 to 31-Mar-24

Page 1

Particulars	Closing Balance	
	Debit	Credit
ASHISHKUMAR GYANCHANDANI Deposit	1,12,500.00	
BSE LTD 1 Percentage Company Deposit	42,21,000.00	
DEEPAK GYANCHANDANI - (SD) Jodhpur Rent	1,12,500.00	
DINESH GYANCHANDANI - (SD) JODHPUR	1,12,500.00	
Guest House Deposit (Inderpret Mam)	34,000.00	
Jagran Prakashan Ltd (Deposit)	1,00,000.00	
Jodhpur Godown Security Deposit	2,25,000.00	
M-1 Godown Security Deposit	62,000.00	
MAS Financial Services Ltd Security Deposit	6,25,000.00	
RAMJILAL GUPTA (Rent Deposit-Tonk Road Jaipur)	1,62,000.00	
Rent Deposit- R2	1,26,000.00	
RIDDHI PARAG JOSHI	34,000.00	
Saman Malik (G20 Triton Mall Deposit)	1,06,500.00	
Sanjay Bhanwarlal Mehta (Deposit)	50,000.00	
Srestha finvest limited	11,85,00,000.00	
Tanuj Berry (G20 Triton Mall Deposit)	1,06,500.00	
Grand Total	**12,46,89,500.00**	

7. Counter by Corporate Debtor

7.1. Respondent filed preliminary objections, raising the following grounds:

A. Respondent is a financial service provider

7.2. It is stated that the respondent is a public limited company incorporated under the provisions of Companies Act, 2013 and having its registered office in Chennai, Tamil Nadu. The Company is a Non-Banking Financial Company ('NBFC') engaged in providing Loans, Finance and Investments. The Equity Shares of the Company are listed on The Bombay Stock Exchange Ltd. ("BSE") and Metropolitan Stock Exchange of India Ltd. (MSEI). **The Company is registered as Non- Systemically important Non-Deposit taking NBFC as defined under Section 45-IA of the Reserve Bank of India ('RBI') Act, 1934 and is classified as NBFC Investment and Credit Company (NBFC ICC). Pursuant to scale based regulations for NBFCs, the Company falls under the category of NBFC-BL (Base Layer).**

7.3. It is stated that the respondent indulges in investment and trading in stocks and shares as part of its business vertical. The investments are both in terms of strategic as well as trade purposes. Under the Wholesale Lending Business, respondent provides credit solutions for situations like initial funding requirements of a project, mezzanine financing, acquisition financing, project financing, bridge financing, promoter funding, short term and long term working capital requirements, personal finance, etc.

and offers one stop solutions for all kinds of finance and Investment related products. A copy of the MOA/AOA is attached as annexure-R3.

7.4. It is stated that the present petition under Section 7 of the IBC is not maintainable in terms of **Section 3(7) of IBC 2016** which reads as under:

> *Section 3(7) "**corporate person**" means a company as defined in clause (20) of section 2 of the Companies Act, 2013 (18 of 2013), a limited liability partnership, as defined in clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008 (6 of 2009), or any other person incorporated with limited liability under any law for the time being in force **but shall not include any financial service provider;***

7.5. It is stated that **Section 3(16) of IBC, 2016** defines Financial Services. It reads as under:

> *"**financial service" includes** any of the following services, namely: -*
>
> *(a) accepting of deposits;*
>
> *(b) safeguarding and administering assets consisting of financial products, belonging to another person, or agreeing to do so;*
>
> *(c) effecting contracts of insurance;*
>
> *(d) offering, managing or agreeing to manage assets consisting of financial products belonging to another person;*

(e) rendering or agreeing, for consideration, to render advice on or soliciting for the purposes of-

(i) buying, selling, or subscribing to, a financial product;

(ii) availing a financial service; or

(iii) exercising any right associated with a financial product or financial service;

(f) establishing or operating an investment scheme;

(g) maintaining or transferring records of ownership of a financial product;

(h) underwriting the issuance or subscription of a financial product; or

(i) selling, providing, or issuing stored value or payment instruments or providing payment services;

7.6. It is stated that **Section 3(17) of IBC, 2016** defines Financial Service Provider as under:

*"**financial service provider**" means a person engaged in the business of providing financial services in terms of authorisation issued or registration granted by a financial sector regulator;*

7.7. It is stated that **Section 3(18) of IBC, 2016** defines Financial Sector Regulator as under:

*"**financial sector regulator**" means an authority or body constituted under any law for the time being in force to regulate services or transactions of financial sector and* ***includes the Reserve Bank of India****, the Securities and Exchange Board of India, the Insurance Regulatory and Development Authority of India, the Pension Fund Regulatory Authority and such other regulatory authorities as may be notified by the Central Government;*

7.8. It is stated that respondent company is Non-Banking Financial Company (NBFC) registered with Reserve Bank of India (RBI) vide registration no. B-07.02271 (non-deposit taking company) dated 12.11.2015. A copy of the RBI registration certificate is attached as annexure-R2.

7.9. It is submitted that Hon'ble NCLAT in the case of "**HDFC vs. RHC Holding Private Ltd in** *COMPANY APPEAL (AT)(INSOLVENCY) NO.26 OF 2019* dated 10th July, 2019 has held as under:

Para 13: The definition of 'financial services' as defined in Section 3(16) of I&B Code is not limited to the activities as shown at Clause (a) to (i) of Section 3(16). The aforesaid Clauses (a) to (i) are inclusive which means there are other services which come within the meaning of "financial services".

Para 14. The Registration of Certificate issue by RBI shows that it has granted certificate to commence / carry on business of "non-banking financial services". However, the Respondent has not been allowed to accept the public deposit and such certificate is condition to other conditions as provided in the back of the Certificate.

Para 19. Therefore, it is clear that the Respondent, a non- banking financial institution is carrying on business of financial institution and thereby it being financial service provider do not come within the meaning of Corporate Person/Corporate Debtor.

Para 21. For the reasons aforesaid, we hold that the application under Section 7 of I&B Code is not maintainable. Therefore, the Adjudicating Authority rightly rejected the application. We find no merit in the appeal, it is accordingly dismissed. No costs.

7.10. It is stated that Hon'ble NCLAT in the case of "**Saumil A. Bhavnagri vs. Messers Nimit Builders Private Limited & Messers Jeevan Jyoti Vanijya Limited"** *Company Appeal (AT) (Ins) No.710 of 2019* dated 21st November, 2019 has held as under:

"Corporate Debtor in the present matter on date of Application being financial service provider, the provisions of IBC could not have been invoked against the Corporate Debtor. It would not be in the realm of Adjudicating Authority and thus, for this Tribunal to go into the details whether the conditions attached have been followed or not by the NBFC as

held in the matter of HDFC (supra). If there is any violation of conditions, the aggrieved person may bring it to the notice of RBI to look into the same. of RBI to look into the same. According to us, whenever the Corporate Debtor demonstrates that it is financial service provider and supports the claim with evidence by Certificate by Reserve Bank of India, it is appropriate for the Adjudicating Authority to lay off its hands from such Corporate Debtor considering the definition of "Corporate Person", under Section 3(7). (Para 7-Page 9).

7.11. It is stated that in these two judgements, the Hon'ble NCLAT has held that as defined in Section 45-I(c)(ii) of the Chapter IIIB of the RBI Act, 1934 "financial institution" means any non-banking institution which carries on business activities in the acquisition of shares, stock, bonds, debentures or securities issued by a Government or local authority or other marketable securities of a like nature. Hence, the respondent being a non-banking financial institution is carrying on business of financial institution and it being financial service provider does not come within the meaning of corporate Person/ Corporate Debtor. Financial Service Providers (FSPs) have been excluded from the ambit of the definition of "Corporate Debtor" under the code. According to Section 3(16)(a), NBFCs providing deposit taking services shall qualify under the definition of "financial service".

7.12. It is stated that Hon'ble NCLAT in the case of **Randhiraj Thakur, Director, Mayfair Capital (P) Ltd. Vs. M/s. Jindal Saxena Financial Services (P) Ltd** *Company Appeal (AT) (Insolvency) Nos. 32 & 50 of 2018* dated 18th September, 2018 has held as under:

> *"Para 10. If the entire scheme of the I&B Code is seen, it will be evident that the Code is to consolidate and amend the laws relating to reorganisation and insolvency resolution of 'corporate persons', 'partnership firms' and 'individual' in a time bound manner. It is a self-contained Code which is exhaustive in nature when it comes to reorganisation and insolvency resolution. However, an exception had been carved out while enacting the Code that the financial service providers' have been kept outside the purview of the Code. Being a consolidating legislation only those acts are permitted which are mentioned in the Code and it cannot be made applicable to 'financial service providers' including 'non-banking financial institutions' and MFI's banks, which have been kept outside the purview of the Code.*

B- Absence of any loan agreement showing amount disbursed against time value of money

7.13. It is denied that the Respondent owed any debt to the Petitioner so as to qualify within the meaning of section 5(8) of IBC, 2016 to fall within the meaning of "financial debt" under the scheme of the Insolvency and Bankruptcy Code, 2016 , as money was never disbursed against time value of money. The petitioner has not provided any loan agreement / financial contact proving that amount disbursed against time value of money in terms of section 5(8) of IBC, 2016.

7.14. It is stated that Petitioner is not a financial Creditor as there exists no financial debt under Section 5(8) of the IBC, 2016. The provision of Section 5(8) read with Section 3(6) stipulates that a financial debt entails a claim for money lent against time value consideration that is implicitly linked to a valid contract for the provision of the same. Thus, the essentials of a financial debt are that there must be a debt against which a claim arises, which should be either for the remedy for breach of an underlying contract between petitioner and Corporate Debtor or for money lent against time value consideration under a valid contract.

7.15. It is stated that there is no "default" as defined U/s 3(12) of the IB Code on the part of the Respondent in payment of any debt to the petitioner and no "debt" as defined u/s 3(11) of the IB Code is due to be paid by the Respondent to the Petitioner. The Petitioner cannot be termed to be a "financial Creditor" of the Respondent as per Section 3(10) and thus the Respondent does not fall within the meaning of " Corporate Debtor" u/s 3(8) of the IB Code.

7.16. It is submitted that petitioner has not enclosed any valid document to support its claim and the default amount is not substantiated in terms of section 5(8) of IBC to be a financial debt which is a mandatory requirement under the Code.

7.17. It is stated that the contents of Part-IV of the application are denied in its entirety being false, frivolous and misleading. It is submitted that there is no financial debt due and/ or payable by the Respondent to the Petitioner, and in fact there is no financial claim whatsoever of the petitioner against the Respondent for any amount.

8. Rejoinder by the petitioner

8.1. It is stated that the respondent does not fall within the ambit of a 'Financial Service Provider' as contemplated under the Insolvency and Bankruptcy Code, 2016. The legislative intent behind the exclusion of financial service providers from the purview of the Insolvency and Bankruptcy Code, 2016, is to carve out a distinct category of entities engaged exclusively in rendering financial services of a specified nature, as enumerated in Section 3(16) of the Insolvency and Bankruptcy Code, 2016. This exclusion is narrowly tailored and cannot be interpreted so expansively as to bring within its fold entities that do not provide the identified financial services contemplated by the statute.

8.2. It is further submitted that the corporate debtor, in the present case, is not engaged in the business of providing specified financial services but is, in fact, an entity to which the provisions of the Insolvency and Bankruptcy Code, 2016 are squarely applicable. The corporate debtor has not disputed the existence of the underlying transaction with the petitioner, nor has it raised any bona fide dispute in relation to the debt owed. The existence of debt and default being undisputed, the present application falls within the scope of maintainability under IBC.

8.3. It is stated that in the facts and circumstances of the present case, the judgment relied upon by the corporate debtor is wholly distinguishable on facts and law, and therefore, has no applicability to the issues involved herein. The ratio laid down in the judgments does not support the contentions advanced by the corporate debtor, as the factual matrix, statutory provisions involved, and the context of the said judgments are materially different. It is stated that the reliance placed by the corporate debtor on the said judgment is misplaced and unsustainable in law.

8.4. It is submitted that the transaction between the Petitioner and the Corporate Debtor squarely falls within the ambit of 'financial debt' as defined under Section 5(8) of the Insolvency and Bankruptcy Code, 2016 (IBC). The Petitioner had disbursed the funds to the Corporate Debtor, which is evident from the bank statements placed on record, and such disbursal was against consideration for the time value of money, thereby satisfying the essential ingredients of a financial debt. It is submitted that the Corporate Debtor acknowledged the said transaction by making certain payments towards the debt, which is also reflected in the bank statements and supporting financial documents filed herein. It is submitted that repayments signify acknowledgement of liability and establish beyond doubt the existence of a valid transaction and debt. However, despite receipt of funds and acknowledgement, the Corporate

Debtor failed and neglected to repay the outstanding debt along with interest as agreed. Such non-payment clearly constitutes a default within the meaning of Section 3(12) of the IBC. It is submitted that admitted liability exceeds the threshold limit of Rs. 1.0 crore prescribed for initiating corporate insolvency proceedings. It is further submitted that the Petitioner, being a person to whom a financial debt is owed, falls within the definition of 'Financial Creditor' under Section 3(10) of the IBC, whereas the Respondent is a 'Corporate Debtor' as defined under Section 3(8) of the IBC, 2016.

8.5. It is stated that the petitioner is relying upon the Judgment of the Hon'ble NCLAT, Delhi in the case reported in *2023 SCC Online NCLAT 624* **Aggarwal Polysacks limited v/s K.K.Agro Foods and storage limited** wherein the Hon'ble Appellate Tribunal held that if the transaction can be proved from other material record, requirement of written financial contract is not the pre-condition for proving the debt. It can be established from the facts and documents placed on record.

8.6. It is stated that the Corporate Debtor neither denied the fundamental facts pertaining to the transaction nor raised any bona fide dispute with respect to the bank statements produced by the Petitioner. The bank statements clearly demonstrate that there were valid and lawful financial transactions between the parties, wherein funds were duly disbursed by the Petitioner to the Corporate Debtor for consideration of the time value of money. Despite such disbursal and partial acknowledgement of liability, the Corporate Debtor failed to repay the entire outstanding amount to the Petitioner. The non-payment of the said amount clearly constitutes a financial debt and default within the meaning of the Insolvency and Bankruptcy Code, 2016.

9. Written submissions of the Petitioner

9.1. It is submitted that the petitioner's written submissions are confined to the preliminary objection of maintainability raised by the Corporate Debtor ("CD"), Srestha Finvest Ltd., to the effect that it is a "Financial Service Provider" ("FSP") and, therefore, stands excluded from the ambit of the Insolvency and Bankruptcy Code, 2016 ("IBC").

9.2. It is submitted that the said objection is fundamentally misconceived. Srestha Finvest Ltd. , as per its own documents, shows it as a Non-Deposit Taking Non-Banking Financial Company ("NBFC-ND'"), classified as an NBFC-Investment and Credit Company ("NBFC-1CC"), carrying on ordinary lending and investment activity on its own balance sheet. It does not satisfy the statutory definition of a "financial service provider" under Section 3(17) read with Sections 3(16) and 3(18) of the IBC, nor does it fall within any category notified by the Central Government under Section 227 of the IBC.

9.3. The exclusion of "financial service providers" from the definition of "corporate person" under Section 3(7) is a narrow and specific carve-out. The onus lies squarely on the Corporate Debtor to strictly establish that it falls within that exceptional class. On a reading of the statutory scheme, the RBI regulations and the Central Government notification, the Corporate Debtor cannot discharge this burden.

9.4. It is submitted that Section 3(7) defines "corporate person" to include a company as defined under the Companies Act, but excludes a "financial service provider". Thus, unless the Corporate Debtor is shown to be an FSP within the meaning of Section 3(17), it continues to be a "corporate person" amenable to proceedings under Part II of the Code.

9.5. A conjoint reading of provisions Sections 3(16), 3(17) and 3(18) of the IBC yields a clear two-fold test for an entity to qualify as a "financial service provider":

a. *First limb (Section 3(16))* - the entity must be engaged in the business of providing one or more of the specified "financial services" in respect of financial products (e.g. deposit-taking, insurance, payment systems, asset management, custodial services, underwriting, transfer of ownership records, investment schemes, etc.); and

b. *Second limb (Sections 3(17) and 3(18)* - such financial services must be provided in terms of an authorisation or registration granted for that purpose by a "financial sector regulator" such as the RBI, SEBI, IRDAI, PFRDA, etc.

9.6. Unless both limbs are satisfied- i.e. (i) the nature of activity falls within Section 3(16), and (ii) the entity is specifically authorised/registered by an appropriate financial sector regulator to perform such 3(16) services - the exclusion under Section 3(7) is simply not attracted.

9.7. It is submitted that the corporate debtor from its own pleading proved that the corporate debtor does not fall under the definition of "financial services"' as per section 3(16) of the code. It is submitted that the Corporate Debtor is an NBFC-ICC engaged in:

a. trading and investment in shares and securities;

b. granting loans and advances from its own funds:

c. deploying surplus funds: and

d. other general commercial and investment activities.

9.8. It is submitted that these are classic principal-book activities of a balance-sheet of NBFC. They do not constitute "financial services" in the special, regulated sense contemplated by Section 3(16). In particular, Srestha Finvest Lid.:

a. **does not** accept deposits from the public;

b. **does not** operate or participate in any payment system;

c. **does not** effect contracts of insurance;

d. **does not** offer or manage collective investment schemes or mutual funds;

e. **does not** act as custodian, depository, registrar or transfer agent;

f. **does not** maintain or transfer records of ownership of financial products for third parties; and

g. **does not** manage client assets or funds as a regulated intermediary.

9.9. It is submitted that Section 227 of the IBC contemplates a special framework for certain categories of FSPs and provides that the Central Government may, in consultation with the "financial sector regulator", notify such categories of FSPs to which the provisions of the Code shall apply with such modifications as may be necessary.

9.10. In exercise of this power, the Central Government has issued Notification No, S.O. 4139(E) dated 18.11.2019, whereby only the following categories were notified:

Housing Finance Companies;

Core Investment Companies (CICs); and

Non-Banking Financial Companies (including HFCs) having asset size of Rs. 500 crore or more, as per the last audited balance sheet.

9.11. It is not in dispute that Srestha Finvest Ltd.:

- is not a Housing Finance Company;

- is not a Core Investment Company within the meaning of the RBI CIC Directions, 2011;
- does not satisfy the Rs. 500 crore asset threshold.

9.12. The notification under Section 227, read with the Financial Service Providers Rules, underscores that only certain precisely defined classes of regulated entities are, at present, treated as FSPs for IBC purposes, and even then under a modified regime. The Corporate Debtor does not fall within any of those categories.

9.13. Thus, even on the plane of delegated legislation and regulatory classification, Srestha Finvest Ltd. is not recognised as a "financial service provider" warranting exclusion from the ordinary corporate insolvency framework.

9.14. It is submitted that the case Law cited by the Corporate Debtor is not applicable. The Respondent relies on decisions involving specialised entities such as: Core Investment Companies (CICs); Entities performing regulated financial advisory/intermediary services under a specific RBI license.

9.15. Those decisions (e.g., HDFC . RHC Holding, Randhiraj Thakur) are distinguishable because the entities involved were expressly recognized as FSPs under RBI regulations or under the Section 227 framework. The Corporate Debtor is not a CIC, not an HFC, not systemically important, and not authorised for any Section 3(16) service. The judgments relied upon are therefore wholly inapplicable.

10. Written submissions of Respondent

10.1. Section 3(7) defines 'corporate person' and expressly excludes Financial Service Providers; Section 3(16)-3(18) define Financial Services and FSPs; Section 7 is applicable only to 'corporate persons'. Read together, these provisions categorically bar initiation of CIRP against NBFCs.

THE PETITION UNDER SECTION 7 IS NOT MAINTAINABLE AGAINST THE RESPONDENT

10.2. It is stated that the Respondent is a Non-Banking Financial Company (NBFC), duly registered with the Reserve Bank of India. The RBI Certificate and the Memorandum of Association, evidencing the Respondent's financial activities, have already been placed on record. The

Respondent's Memorandum of Association explicitly authorizes the conduct of financial service business, thereby substantiating its classification as a Financial Service Provider (FSP). Pursuant to sections 3(16), 3(17), and 3(18) of the Insolvency and Bankruptcy Code (IBC), the Respondent, as a NBFC, qualifies as a Financial Service Provider, and in accordance with section 3(7) of the IBC, a Financial Service Provider is excluded from the definition of "corporate person." Accordingly, the Respondent is a Financial Service Provider and is expressly excluded from the definition of 'corporate person' under Section 3(7). Section 7 cannot be invoked against an entity which is excluded from the definition of 'corporate person'. The jurisdictional bar is absolute.

2019 NOTIFICATION & FSP RULES ISSUED U/S 227 OF IBC,2016: COMPLETE STATUTORY BAR AGAINST SECTION 7 PETITIONS

10.3. Besides the statutory exclusion in Section 3(7), the Respondent relies on the 2019 Notification under Section 227 and the FSP Rules, 2019 to show legislative intent to exclude NBFCs from the standard CIRP framework. The special mechanism introduced by Section 227 highlights Parliament's intent to keep NBFCs outside the regular CIRP process.

A. MCA Notification S.O. 4139(E) – 18.11.2019

10.4. In exercise of Section 227 of IBC, the Central Government issued Notification **S.O. 4139(E)** dated **18.11.2019**, notifying that:

> *"NBFCs (including Housing Finance Companies) with asset size of ₹500 crore or more shall undergo insolvency ONLY under the special framework of the FSP Rules, 2019."*

10.5. The notification specifies that the Reserve Bank of India (RBI) will be the Appropriate Regulator [in terms of clause (c) of sub-rule (1) of rule 3 of the Rules] supervising the insolvency of these NBFCs.

10.6. It is submitted that Section 227 and the **FSP Rules, 2019** create a special insolvency mechanism for certain categories of NBFCs (asset size > ₹500 crore). However, this framework does not in any manner dilute the statutory exclusion under Section 3(7). NBFCs of all asset sizes are Financial Service Providers under Sections 3(16), 3(17), 3(18), and are therefore excluded from the definition of 'corporate person'. Only the additional FSP framework does not apply to smaller NBFCs; however, the primary exclusion under Section 3(7) continues to apply uniformly. *NBFCs below ₹500 crore do not fall within the Section 227 mechanism, yet* *remain excluded from IBC by virtue of Section 3(7). Section 3(7) operates independently of Section 227; NBFCs remain excluded from IBC irrespective of asset size or category.*

10.7. It is stated that the Respondent's audited financial statements reflect an *asset size of approximately Rs.193.59 crores as on 31.03.2024,* which is below the ₹500 crore threshold under the 2019 Notification. Thus, the Respondent, being an NBFC registered with RBI, is excluded from IBC irrespective of asset size, and a Section 7 petition is not maintainable.

<u>FSP Rules, 2019-Specific Bar on Creditors Filing CIRP</u>

10.8. It is stated that Rule 5(a)(i) of the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers) Rules, 2019 expressly provides:

> *"No corporate insolvency resolution process shall be initiated against a Financial Service Provider except upon an application made by the Appropriate Regulator."*

10.9. For NBFCs, the "appropriate regulator" is RBI (Rule 3(c)). Therefore, insolvency against the Respondent can be initiated only by RBI, and never by a private financial creditor. This position has been consistently reaffirmed in all RBI-initiated NBFC insolvency proceedings (DHFL, SREI, Reliance Capital), where the only permissible applicant was the Appropriate Regulator i.e. RBI.

C. Combined effect:

10.10. Thus it is stated that Section 7 + Section 3(7) + Section 227 + FSP Rules + S.O. 4139(E) create a complete statutory bar against the present petition.

10.11. It is stated that whether or not a NBFC falls under the 2019 Notification is irrelevant for Section 3(7). The primary statutory exclusion applies to all NBFCs irrespective of size. The exclusion of Financial Service Providers under Section 3(7) is absolute and not conditional upon scale, business category, or nature of NBFC registration.

10.12. Once the Respondent demonstrates NBFC status by placing the RBI Certificate on record, judicial discipline mandates that the Tribunal should decline jurisdiction.

NO FINANCIAL DEBT OR DEFAULT IS MADE OUT

10.13. Without prejudice to the maintainability objection, it is submitted that the Petitioner failed to establish any 'financial debt' under Section 5(8). There is no loan agreement, no interest component, no disbursal for time-value of money, no repayment terms, and the IU record is unilateral and unauthenticated. The alleged disbursals did not satisfy the essential ingredient of 'time-value of money', which is the core of a financial debt under Section 5(8). Thus, even on merits the Petition is liable to be rejected.

11. Analysis and findings

11.1. Heard the submissions of the parties and perused pleadings, documents submitted and written submissions placed on record.

11.2. It is observed that:

i) Srestha Finvest Limited (Respondent) is a Non Deposit taking Non-Banking Finance Company (NBFC) registered with the Reserve Bank of India (RBI) under the category as NBFC - Investment and Credit Company (NBFC - ICC) and is classified as NBFC - Base Layer pursuant to RBI (NBFC – Scale Based Regulation) Directions, 2023.

ii) There is no written document / loan agreement for the amount lent by the petitioner. No Interest rate, no repayment period is mentioned.

iii) Default amount of Rs. 11.85 crore shown in the petition relates to the principal amount.

iv) In the Petitioner's balance sheet, amount due from respondent is shown under head 'Deposits' in the asset side.

v) Petitioner has provided the bank statements to prove the disbursements made by it and repayments received from the respondent.

11.3. The issues that are to be decided in this case are :

i) Whether respondent is a financial Service provider and whether it can be proceeded against in IBC?

ii) Whether the transactions between the petitioner and Corporate Debtor are in the nature of financial debt or not?

11.4. We will analyse them one by one.

11.5. Whether respondent is a financial Service provider and whether proceedings can be initiated against it in IBC?

11.5.1. In the present case , respondent is *registered as Non- Systemically important,* ***Non-Deposit taking NBFC*** *as defined under Section 45-IA of the Reserve Bank of India ('RBI') Act, 1934 and is classified as a NBFC Investment and Credit Company (NBFC ICC). Pursuant to scale based regulations for NBFCs, the Company falls under the category of NBFC-BL (Base Layer).* The respondent company is Non-Banking Financial Company (NBFC) duly registered with Reserve Bank of India (RBI) vide **registration no. B-07.02271** (non-deposit taking company) dated 12.11.2015.

11.5.2. It is the contention of the respondent that since it is NBFC coming under the control of RBI , it is a financial service provider. It is stated that the definition of corporate person under Section 3 (7) of IBC does not include financial service provider. Section 3(7) of IBC reads as under:

> *7) "corporate person" means a company as defined in clause (20) of section 2 of the Companies Act, 2013 (18 of 2013), a limited liability partnership, as defined in clause (n) of sub-section (1) of section 2 of the Limited Liability Partnership Act, 2008 (6 of 2009), or any other person incorporated with limited liability under any law for the time being in force but <u>shall not include any financial service provider</u>.*

11.5.3. As per Section 3(17) of IBC *"financial service provider" means a person engaged in the business of providing financial services in terms of authorisation issued or registration granted by a financial sector regulator;*

11.5.4. Section 227 of IBC enables Central Government to notify Financial Service Provider as under:

> *[*]**227.** Notwithstanding anything to the contrary [1][contained in this Code] or any other law for the time being in force, the Central Government may, if it considers necessary, in consultation with the appropriate financial sector regulators, **notify[3] financial service providers** or categories of financial service providers **for the purpose of their insolvency** and liquidation proceedings, which may be conducted under this Code, in such manner as may be prescribed.*

11.5.5. Central Government, in consultation with Reserve Bank of India, issued notification dated **18.11.2019** in terms of power conferred under Section 227 of IBC as under:

2 THE GAZETTE OF INDIA : EXTRAORDINARY [PART II—SEC. 3(ii)]

MINISTRY OF CORPORATE AFFAIRS

NOTIFICATION

New Delhi, the 18th November, 2019

S.O. 4139(E).—In exercise of the powers conferred by section 227 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016), the Central Government in consultation with the Reserve Bank of India hereby notifies as under:

The insolvency resolution and liquidation proceedings of the following categories of financial service providers shall be undertaken in accordance with the provisions of the Insolvency and Bankruptcy Code, 2016 read with the Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019 (in this notification referred to as the 'Rules') and the applicable Regulations:

Sl. No.	Category of Financial Service Provider (rule 2 of the Rules)	Appropriate Regulator [clause (a) of sub-rule (1) of rule 3 of the Rules]	Dealing with third-party assets (rule 10 of the Rules)
(1)	(2)	(3)	(5)
1	Non-banking finance companies (which include housing finance companies) with asset size of Rs.500 crore or more, as per last audited balance sheet.	Reserve Bank of India	To be notified separately

[F. No. 30/4/2017–Insolvency Section]

GYANESHWAR KUMAR SINGH, Jt. Secy.

11.5.6. Under this notification, only those NBFCs with Rs. 500 crore or more asset size as per last audit balance sheet will come under *'Insolvency and Bankruptcy (Insolvency and Liquidation Proceedings of Financial Service Providers and Application to Adjudicating Authority) Rules, 2019'* where Reserve Bank of India will appoint an Administrator and an advisory committee to monitor the above provisions.

11.5.7. It is observed that the audited financial statements of respondent reflected an asset size of approximately Rs.193.59 crores as on 31.03.2024, well below the stipulated level of Rs.500 crore mentioned in the notification. Further respondent is a non-systemically important, non-deposit taking NBFC which is not dealing with public money.

11.5.8. Section 227 of IBC provides that * *Notwithstanding anything to the contrary [1][contained in this Code] or any other law for the time being in force, the Central Government may, if it considers necessary, in consultation with the appropriate financial sector regulators, notify[3] financial service providers or categories of financial service providers for the purpose of their insolvency and liquidation proceedings, which may be conducted under this Code, in such manner as may be prescribed*. As per notification dated 18.11.2019 , Central Government *has notified only NBFCs with asset size of Rs.500 crore or more as financial service providers*. So the NBFCs with asset size of less than Rs. 500 crore are not considered as Financial Service Providers.

11.5.9. The judgements of Hon'ble NCLAT quoted by respondent were prior to the notification dated 18.11.2019, whereby Central Government notified that only NBFCs with asset size of Rs.500 crore or more are financial service providers for the purpose of their insolvency and liquidation proceedings. Therefore we are of the view that Sreshta Finvest Ltd does not fit under the definition of financial service provider as notified by Central Government vide notification dated 18.11.2019 and in view of the above, CIRP in the normal course under IBC can be initiated against it without authorisation of RBI.

***11.6.* Whether the transactions between the petitioner and Corporate Debtor are in the nature of financial debt or not?**

11.6.1. In order to get clarity regarding the transactions that happened between the parties, this tribunal vide order dated **01.04.2026** raised the following query. The clarifications raised and responses received are as under:

11.6.2. Clarifications sought by tribunal vide order dated 01.04.2026

a) It is stated that Bizotic Commercial Limited (petitioner) disbursed Rs. 15 crore to Shreshta Finvest Limited (Respondent) on 22nd and 23rd June 2023. There is no underlying contract or document produced by petitioner in support of the transaction. Further in the petition, petitioner has not claimed any interest for the amount in question.

b) It is stated by respondent that the amount received is not a debt under Section 3 (11) of IBC Act and hence the question of default as defined under

Section 3(12) does not arise. It is denied by respondent that it owes any debt to the Petitioner, so as to qualify within the meaning of section 5(8) of IBC, 2016 to fall within the meaning of "financial debt" under the scheme of the Insolvency and Bankruptcy Code, 2016, as money was never disbursed against time value of money. The petitioner has not provided any loan agreement / financial contact proving that amount disbursed against time value of money in terms of section 5(8) of IBC, 2016.

c) *Further it is observed that petitioner Bizotic Commercial Limited became a listed company by way of an IPO in June 2023, where bidding for IPO started from June 12 2023 and ended on June 15, 2023, allotment was completed on June 20, 2023 and the shares were listed on Jun 23, 2023. The petitioner disbursed the amounts to the respondent on June 22 and 23, 2023.*

d) *It is observed in the 2024 Balance sheet of Petitioner , the amount of Rs. 11,85,00,000 given to Srestha Finvest Ltd is shown under head 'Deposits' totalling Rs.12,46,89,500 which is reflected in Note 10 - Long Term Loans and Advances under* ***Security Deposits****. The same is reproduced as under:*

Breakup of deposits

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Bizotic Commercial Limited (22-23)
GF, 15, Ashwamegh Warehouse,
Sarkhej Bavla Highway,
Sarkhej, Ahmedabad,
CIN: U74999GJ2016PLC094934

Deposits (Asset)
Group Summary
1-Apr-23 to 31-Mar-24

Page 1

Particulars	Closing Balance	
	Debit	Credit
ASHISHKUMAR GYANCHANDANI Deposit	1,12,500.00	
BSE LTD 1 Percentage Company Deposit	42,21,000.00	
DEEPAK GYANCHANDANI - (SD) Jodhpur Rent	1,12,500.00	
DINESH GYANCHANDANI - (SD) JODHPUR	1,12,500.00	
Guest House Deposit (Inderpret Mam)	34,000.00	
Jagran Prakashan Ltd (Deposit)	1,00,000.00	
Jodhpur Godown Security Deposit	2,25,000.00	
M-1 Godown Security Deposit	62,000.00	
MAS Financial Services Ltd Security Deposit	6,25,000.00	
RAMJILAL GUPTA (Rent Deposit-Tonk Road Jaipur)	1,62,000.00	
Rent Deposit- R2	1,26,000.00	
RIDDHI PARAG JOSHI	34,000.00	
Saman Malik (G20 Triton Mall Deposit)	1,06,500.00	
Sanjay Bhanwarlal Mehta (Deposit)	50,000.00	
Srestha finvest limited	11,85,00,000.00	
Tanuj Berry (G20 Triton Mall Deposit)	1,06,500.00	
Grand Total	**12,46,89,500.00**	

Note 10 Long Term Loans & advances (Rs. in lakhs)

Note 8 SHORT TERM PROVISIONS

Particulars	As at 31st March 2024	As at 31st March 2023
Provision For		
(a) Employee benefits		
(i) Contribution to PF	-	-
(ii) Worker Salary Payable	6.42	10.21
(b) Others (Specify nature)		
(i) Income Tax	4.99	105.00
(ii) Audit Fees	2.35	1.35
(iii) Legal Fees	-	-
(iv) TDS Payable	15.73	22.04
(v) TCS Payable	0.53	1.26
(vi) GST Payable	-	-
Total	**30.02**	**139.85**

Note 10 LONG TERM LOANS & ADVANCES

Particulars	As at 31st March 2024	As at 31st March 2023
(i) Capital Advances	-	-
(ii) Security Deposits	1,246.40	19.69
(iii) Loans & Advances To Related Parties	-	-
(iv) Other Loans & Advances	24.87	6.49
Total	**1,271.27**	**26.18**

Note 11 INVENTORIES

Particulars	As at 31st March 2024	As at 31st March 2023
a. Raw Materials and components	-	-
b. Work-in-progress	-	-
c. Finished goods (Valued at Cost or NRV as per FIFO)	2,362.43	1,599.79
d. Stores and spares & Packing Materials	-	-
Total	**2,362.43**	**1,599.79**

*e) Further in 2025 Balance sheet of petitioner , under the head " Short Term Loans and advances " , under the head Others , Rs.215.23 lakhs is shown as " **Provision of IPO expenses- Sreshta Finvest short term"** for the previous year 2024 as under:*

14 SHORT TERM LOANS AND ADVANCES

Particulars	As at 31st March 2025	As at 31st March 2024
(Unsecured and Considered Good)		
a. Balance with Government Authorities		
GST Credit	389.38	114.23
TDS/TCS Receivable	19.40	15.55
b. Others (specify nature)		
Advance to Employees	16.16	9.45
Advance to Suppliers	289.91	204.88
Procision for IPO expenses - Sreshtha finvest short term	-	215.23
c. Loan & Advances to Related Parties	0.35	12.54
d. Prepaid Expenses	-	0.03
e. Markatable securities	-	371.93
Total	**715.19**	**943.84**

f) *In view of the above facts , let the petitioner clarify as how the amount of Rs.13.85 crore disbursed to the Corporate Debtor can be treated as financial debt. A memo be filed by the parties giving the clarifications.*

11.6.3. Petitioner submitted clarification by way of memo dated 29.04.2026 as under:

i) It is submitted that in the present case, the Petitioner in its books of account, had at the relevant time recognised a provisional component of interest on the amount advanced. Subsequently, upon review, the statutory auditor advised that in the absence of formalised terms regarding interest, such recognition may not be appropriate in accordance with applicable accounting standards. Acting upon such advice, the said provisional entry was reversed in the subsequent financial year.

ii) With regard to the *classification* of the amount under *certain heads in the financial statements*, it is submitted that *such nomenclature is not determinative of the legal character of the transaction*. The amount was not given in connection with any lease, security arrangement, or specific contractual obligation, but represents funds advanced and recoverable from the Corporate Debtor. The substance of the transaction remains that of a financial accommodation.

iii) Insofar as the reference to "IPO expense provision" is concerned, it is clarified that the said entry arose in the context of the provisional accounting treatment referred to above, which was subsequently reversed. The said classification did not reflect the true nature of the transaction and was not indicative of any expenditure incurred on behalf of or in connection with the IPO of the Petitioner.

iv) It is submitted that the timing of the disbursement, being proximate to the IPO of the petitioner, was purely coincidental and did not, in any manner, alter the nature of the transaction. The funds were advanced independently as a financial accommodation and not as part of any IPO-related arrangement, investment, or expense-sharing mechanism.

11.6.4. Response filed by respondent by way of memo dated 27.05.2026

a) It is clarified that the transaction was a fee-based service arrangement rather than a loan. The funds were advanced by Bizotic Commercial Ltd specifically to facilitate market making activities surrounding its Initial Public Offering (IPO) in June 2023.

b) Bizotic's IPO bidding occurred between June 12 and June 15, 2023, with listing on June 23, 2023. The fund transfers on June 22 and 23, 2023, were timed precisely to support the listing and market making & share price stabilization process.

c) As a Non-Banking Financial Company (NBFC), Srestha utilized its business objects to · provide financial support services. Srestha acted as a commercial facilitator/service provider; the entire amount received was immediately disbursed to various third parties as per the specific instructions of Bizotic to facilitate the listing and market making & share price stabilization process.

d) In the FY2025 Balance Sheet, **the Petitioner recorded Rs. 215.23 lakhs as "Provision for IPO expenses** – Shreshta Finvest Short term" for the previous year. This confirms that the relationship was related to IPO management and service fees and not a standard financial loan.

e) It is submitted that there is :

i) absence of loan documentation,

ii) absence of interest/time value of money,

iii) IPO-linked nature of transaction,

iv) contradictory accounting treatment by the Petitioner

f) It is stated that IBC cannot be invoked as a substitute for recovery in relation to a nonfinancial commercial arrangement.

Our View:

11.7. We have gone through the arguments put forth by both the parties. Analysis reveals that:

i) There is no dispute relating to the monetary transactions that happened between the parties. The petitioner did not demand any interest from the corporate debtor.

ii) Both Petitioner and Corporate Debtor have not provided any supporting documents or contemporaneous exchange of mails, etc. to prove the context in which money was given by the petitioner to the respondent.

iii) It is a fact that the petitioner's IPO bidding occurred between June 12 and June 15, 2023, with listing happening on June 23, 2023. The fund transfers to corporate debtor were done on June 22 2023 and June 23, 2023. The amount due from respondent was shown under the head **Security Deposits** for financial year 2023-

24 in the balance sheet of petitioner. Further in 2025 Balance sheet of petitioner , in the head " Short Term Loans and advances " , under the head **Others** Rs.215.23 lakhs was shown as **" Provision of IPO expenses- Sreshta Finvest short term"** for the previous year 2024.

iv) The petitioner's response relating to the above entries in its balance sheet is that classification of the amount under certain heads in the financial statements is not determinative of the legal character of the transaction and that the transaction is financial debt.

v) The respondent submitted that being a NBFC, it provided financial services to support the listing and market making & share price stabilization process of the petitioner. The relationship was related to IPO management and service fees. **It is a non-financial commercial arrangement and not a standard financial loan.**

11.8. In the absence interest component and in the absence of any agreement showing the terms and conditions or documentary evidence, the disbursements made by petitioner to the respondent cannot be considered as a financial debt having 'time value of money'.

11.9. From the above analysis, we find that petitioner has failed to prove that the amount given to the respondent is a financial debt. In view of the above, Section 7 petition filed in **CP/88/IB/CB/2025 as a financial creditor by the petitioner is dismissed.** File is consigned to records.

-Sd-	-Sd-
VENKATARAMAN SUBRAMANIAM	**SANJIV JAIN**
MEMBER (TECHNICAL)	MEMBER (JUDICIAL)