NATIONAL COMPANY LAW TRIBUNAL, MUMBAI BENCH COURT VI

Item No. P-1

C.P. (IB)/1063/MB/2025

CORAM:

SHRI SAMEER KAKAR
HON'BLE MEMBER (TECHNICAL)

SHRI NILESH SHARMA
HON'BLE MEMBER (JUDICIAL)

ORDER SHEET OF HEARING (HYBRID) DATED **19.08.2026**

NAME OF THE PARTIES: **Pen India Private Limited**

Vs.

Reliance Entertainment Studios Private Limited

Under Section 7 of the IBC, 2016.

ORDER

The case is fixed for the pronouncement of the order. The order is pronounced in the open court, *vide* separate order. A detailed order is being uploaded on the NCLT portal today.

Sd/-
NILESH SHARMA
MEMBER (JUDICIAL)

Sd/-
SAMEER KAKAR
MEMBER (TECHNICAL)

//AS//

IN THE NATIONAL COMPANY LAW TRIBUNAL MUMBAI BENCH-VI

C.P. (IB)/1063/MB/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:

PEN INDIA PRIVATE LIMITED

(formerly known as Pen India Limited)

[CIN No.: U72200MH2000PTC128481]

Pen House, Bungalow No. 3, Asha Colony

Co-operative Housing Society Limited,

Juhu Tara Road, Mumbai – 400049.

…Financial Creditor/Applicant

V/s

RELIANCE ENTERTAINMENT STUDIOS PRIVATE LIMITED

[CIN: U22300MH2019PTC321407]

Plot No. B-06, Valecha Chambers, 5th Floor,

New Link Road, Near Infinity Mall,

Andheri West, Mumbai – 400053.

...Corporate Debtor/Respondent

Pronounced: 19.08.2026

CORAM:

HON'BLE SHRI NILESH SHARMA, MEMBER (JUDICIAL)

HON'BLE SHRI SAMEER KAKAR, MEMBER (TECHNICAL)

Appearances: Hybrid

For Applicant: Adv. Nausher Kohli a/w Adv. Jehan Fauzdar and Adv. Shoma Maria i/b Wadia Ghandy & Co.

For Respondent: Adv. Rohit Gupta a/w Adv. Krushi Barfiwala and Adv. Archit Shah i/b Parinam Law Associates.

ORDER

[PER: BENCH]

1. **BACKGROUND**

1.1 This is an Application bearing C.P. (IB) No.1063/MB/2025 filed on 08.08.2025 by Pen India Private Limited, the Applicant (Financial Creditor/Applicant) 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") in respect of Reliance Entertainment Studios Private Limited, the Corporate Debtor (CD)**.**

1.2 The Applicant is a company incorporated under the Companies Act, 1956. The CD is registered under the Companies Act, 1956 and had requested a credit facility from the Applicant.

1.3 It is observed that as per Part III, the Applicant has proposed the name of an IRP, Mr. Umesh Balaram Sonkar, along with his consent in FORM-2 stating no disciplinary actions are pending against the proposed IRP. The Applicant has also placed on record the AFA in Form B valid till 31.12.2026. On perusal of the IBBI Website, it is observed that the AFA of the proposed IRP is valid till 31.12.2026.

1.4 As per Part-IV of the Application, the total amount claimed to be in default is Rs.11,94,04,016/-, which includes Principal sum amounting to Rs.4,49,67,820/- and interest amounting to Rs.7,44,36,196/-.

1.5 The date of default is mentioned as 30.06.2024 when the CD first defaulted in making the repayment towards the loan.

1.6 The Applicant has relied on the following documents:

i. Copy of Certificate of Incorporation issued by Ministry of Corporate Affairs.

ii. Copy of Financial Creditor's master data as available on the MCA website.

iii. Copy of Corporate Debtor's master data as available on the MCA website.

iv. Copy of Security Deposit Agreement executed between the Financial Creditor and Corporate Debtor.

v. Computation of the total amount of default.

vi. Copy of Agreement executed between Corporate Debtor, Plan C Studios LLP, Friday Filmworks Pvt. Ltd., and the Financial Creditor.

vii. Copy of the letter addressed by the Corporate Debtor to the Financial Creditor.

viii. Copy of the letter addressed by the Corporate Debtor to the Financial Creditor.

ix. Copy of the email addressed by the Financial Creditor to Corporate Debtor.

x. Copy of letter addressed by the Corporate Debtor to the Financial Creditor.

xi. Copy of legal notice addressed by the Advocates for the Financial Creditor to Corporate Debtor.

xii. Statement of accounts.

xiii. Copy of Form-C filed with NeSL.

xiv. Written Communication by the proposed Interim Resolution Professional.

xv. Proof that the specified application fee has been paid.

xvi. Proofs of serving a copy of the application (a) to the corporate debtor and (b) to the Board.

2. **CONTENTIONS OF THE APPLICANT**

2.1 By and under a Security Deposit Agreement dated 14.11.2022 ('SD Agreement'), the Applicant provided financial assistance to the CD by way of security deposit of Rs.20,00,00,000/- (Rupees Twenty Crores Only) to CD on 29.11.2022.

2.2 By Agreement dated 06.10.2023 CD through Friday Filmworks Private Limited (FFW) paid Rs.15,00,00,000/- to Financial Creditor which was duly received on 31.10.2023.

2.3 As such, a principal amount of Rs.5,00,00,000/- along with monthly compounded interest of 21% p.a. was still outstanding.

2.4 It is stated that the CD addressed a letter dated 03.04.2024 to the Applicant assuring that the outstanding amount would be cleared in two instalments, *viz* on 30.06.2024 and on 30.09.2024.

2.5 It is stated that the CD failed to pay the outstanding amount on the due date to the Applicant and is in continuous default.

2.6 It is stated that in the light of the above, a legal notice dated 08.10.2024 was issued by the Advocates of the Applicant to the CD calling upon it to make payment of the outstanding amount along with interest to the Applicant.

2.7 It is stated that, thus, at the time of filing this application an amount of Rs.11,94,04,016/- (calculated as per manner set out in Exhibit 'E') is due and payable to the Applicant.

3. **ADDITIONAL AFFIDAVIT (FC) dt. 13.10.2025**

3.1. Additional Affidavit dated 13.10.2025 was filed & affirmed by Mr. Vishal Rane, authorized representative of the Applicant, to bring on record the

NeSL Form-D Record of Default in furtherance to this Tribunal's order dated 09.10.2025.

3.2. Form-D attached therewith records the Date of Default as 30.06.2024 and the Status of Authentication of Default as "**DISPUTED**".

4. CONTENTIONS OF CORPORATE DEBTOR

4.1. It is stated that the present Petition is not maintainable in view of the fact that there exists no legally recoverable financial debt within the meaning of Section 5(8) of the IBC. It is pertinent to note that the transaction in question is not a moneylending or borrowing transaction. In fact, it is the Petitioner's own case, as expressly recorded in the Security Deposit Agreement dated 14th November 2022 ("SDA") executed between the Petitioner and the Respondent, that the transaction does not constitute a moneylending arrangement. Having consciously agreed and recorded that the transaction is not one of lending or borrowing, it is now not open to the Petitioner to contend otherwise or to attempt to recharacterize the transaction as a financial debt merely to invoke the jurisdiction of this Hon'ble Tribunal.

4.2. It is stated that Clause 15 of the SDA specifically provides that the present transaction is not one of lending/borrowing. In such circumstances, this Hon'ble Tribunal cannot be invited to interpret or construe the said clause or transaction in a manner that is contrary to the express terms of the legally binding contractual document voluntarily executed by the parties. The Petitioner's present attempt to portray the transaction as a financial debt is nothing but an afterthought.

4.3. It is stated that a transaction for security deposit, *per se*, does not constitute a financial debt under the IBC. It is only in cases where there is an element of lending and not the element of an operational transaction which can be termed as a financial debt under the IBC. In the present case, the parties have expressly excluded any such element of lending or borrowing. Consequently, once the parties themselves have consciously recorded that the transaction does not amount to money lending, the question of treating it as a financial debt does not arise. The present Petition is therefore a misconceived attempt to misuse the provisions of the IBC for recovery of alleged dues and deserves to be dismissed at the very threshold.

4.4. It is stated that the Petitioner has explicitly agreed and stated that the transaction under the SDA is not in the nature of a money lending transaction. Notwithstanding the foregoing, the Petitioner has approached this Hon'ble Tribunal in a Petition under Section 7 of IBC, i.e., `*Initiation of corporate insolvency resolution process by financial creditor'* which is evidently not maintainable. The Respondent submits that Clause 15 of the SDA was added therein as a means to circumvent the relevant statutes, rules and regulations pertaining to money lending transactions. This subterfuge was created by the Petitioner with the intent to bypass the statutory requirement to obtain a money lender's licence.

4.5. It is stated that the Petitioner and the Respondent have shared a long-standing relationship, on the basis of which and owing to the Respondent's stellar track record in the industry, the Petitioner agreed to provide funds to the Respondent for the release of the film titled *"Auron Mein Kaha Dum Tha"* ("the said Film"). Accordingly, the SDA came to be executed between the parties.

4.6. It is pertinent to note that the Petitioner was well aware of the fact that the said Film could not be released on the pre-determined release date due to adverse market conditions and was eventually released only on 2nd August 2024.

4.7. It is stated further that, as per Clause 4(B) of the SDA, it is clear that in the event the Respondent was unable to pay the entire Security Deposit together with interest thereon prior to the "Due Date" (as defined in the SDA), the Respondent's obligation towards the Petitioner would stand extinguished, upon the Respondent furnishing a letter from a third-party satellite/digital provider to secure the balance unpaid Security Deposit along with applicable interest and for the direct payment to the Petitioner. Therefore, the SDA expressly included a mechanism which entitles the Petitioner to recover the balance Security Deposit, along with applicable interest, directly from the third-party satellite/digital provider of the said Film. Clause 4(B) of the SDA further provides that only upon the Petitioner's claim being satisfied, the Respondent would thereafter be entitled to receive revenues from the said Film from the said third-party satellite/digital provider. In view of the foregoing, it is apparent that there is no debt due to the Petitioner and consequently, there is no default on the part of the Respondent; hence, the Petitioner is not even a creditor of the Respondent, let alone being a Financial Creditor.

4.8. It is stated that, thereafter, the Parties entered into the Additional Agreement dated 06.10.2023 ("Additional Agreement"). The Additional Agreement delineated the understanding between the parties that the third-party satellite/ digital provider would pay the Petitioner the amounts towards satisfaction of its claim. Notably, the fact that the Petitioner was aware that the amounts paid under the Additional Agreement were towards the satisfaction of its claim under the SDA, the Petitioner willingly and unequivocally agreed to release its right, claim and/or lien on the said Film by not even trying to secure any balance amount and/or interest.

4.9. It is stated that the Petitioner was completely aware that the balance Security Deposit and/or interest, if any, ought to have been recovered from the revenues receivable from the said third-party satellite/digital provider in accordance with the provisions of the SDA. Despite having consented to the mechanism for repayment under the SDA, the Petitioner has failed to exercise the contractual rights available to it thereunder and has now approached this Hon'ble Tribunal with unclean hands to recover the sums, which is against the aegis of the IBC. In view of the foregoing, it is vehemently asserted that there is no debt that is due to the Petitioner and hence, there is no default committed by the Respondent herein.

4.10. It is stated that, for the purpose of the present Petition, it is material to highlight that under the IBC, a debt has been defined to mean any liability or obligation in respect of a claim which is due from any person. In light of what is stated herein, it is established that as a consequence of entering into the Additional Agreement, the Respondent is under no liability to make any payment to the Petitioner *apropos* the SDA, hence, there is no legal and enforceable debt due from the Respondent.

4.11. It is stated that, in any event and without prejudice, the IBC defines a default to mean non-payment of a debt when whole or any part or instalment of the amount of debt has become due and payable and is not paid by the debtor. In the present case, basis a cursory perusal of the documents annexed to the Petition, it is apparent that the Petitioner has, in blatant disregard for the terms of the SDA, without making a valid demand upon the said third-party satellite/ digital provider, sought to recover the dues from the Respondent herein. However, as there is no debt due from the Respondent *apropos* the SDA (as set out hereinabove), the question of any default whatsoever does not arise.

4.12. It is stated that the captioned Petition is wholly misconceived and the primary threshold to maintain the present proceedings has not been met i.e., there is no established debt and/or default. In terms of the SDA, as on the Due Date, all liabilities of the Respondent stood fully extinguished. The Petitioner's only recourse, if any, lies in recovering the alleged balance Security Deposit and/or interest directly from the third-party satellite/digital provider of the said Film, in accordance with the mechanism expressly stipulated under the SDA. Accordingly, the Respondent asserts that the Petitioner is not even a creditor of the Respondent, let alone being a financial creditor for the purpose of the IBC.

4.13. It is stated that the Petitioner has unequivocally, and without any demur or protest, accepted the amounts remitted by Friday Filmworks Pvt. Ltd. under the Additional Agreement. A cursory reading of Annexure A to the SDA clearly establishes that the Petitioner not only accepted the aforesaid payments made by Friday Filmworks Pvt. Ltd. but also received due credits in respect of the said Film, which remain undisputed. Having knowingly accepted and appropriated such amounts, the Petitioner is estopped, both in fact and in law, from contending that any further sum is due and payable by the Respondent *apropos* the SDA. This conduct, being wholly inconsistent with the present claim, independently disentitles the Petitioner from seeking any relief, whether as prayed for or otherwise.

4.14. It is stated that even if the case set up by the Petitioner ought to be believed, it is apparent from a perusal of the Petition itself that the Respondent has raised a credible dispute in respect of the alleged debt claimed in the present Petition.

4.15. It is settled law that, in the event that a notice of dispute has been received by a creditor or there is a record of a dispute in the information utility, then the adjudicating authority must reject the application at the threshold. In the present case, from a bare perusal of Exhibit "B" to the Additional Affidavit dated 13th October 2025 filed by the Petitioner, it is apparent that the status of authentication of the default has been disputed. Consequently, the present Application is liable to be dismissed in *limine*.

4.16. It is stated that there is a credible dispute between the parties, which will require evidence to be led and issues between the parties to be framed and decided. The Petitioner has approached this Hon'ble Tribunal with the intention to circumvent the due process of law, which is impermissible. The Petitioner has zealously attempted to use the IBC as a tool for recovery of its dues which is contrary to the purport of the Code.

4.17. It is stated that, without prejudice to the argument that the relevant transaction between the parties does not constitute a borrowing/ lending transaction, I say that, the SDA entered into between the Petitioner and the Respondent is in substance, a money-lending transaction. In a calculated attempt to evade scrutiny under the provisions of the Maharashtra Money Lending (Regulation) Act, 2014 ("Money Lending Act"), the Petitioner has inserted Clause 15 in the SDA to falsely declare that the transaction does not constitute money-lending. However, it is trite law that the true nature of a transaction must be determined from its real substance and intent of the parties rather than its nomenclature. This Hon'ble Tribunal is therefore bound to pierce the veil of form and examine the underlying purpose of the SDA, which unmistakably reveals that it is, in essence, a money lending transaction.

4.18. It is stated that, it is not the pleaded case of the Petitioner that it holds a valid and subsisting money-lending licence under Section 6 of the Money Lending Act. Notwithstanding the absence of such licence, the Petitioner has admittedly, engaged in the business of money-lending by advancing a loan to the Respondent at such an unfavourable and compoundable interest rate under the colourable guise of the SDA, in clear contravention of the statutory mandate under the Money Lending Act.

4.19. It is stated that a plain reading of Section 13 of the Money Lending Act reveals that no court or tribunal can pass any decree or order in favour of an unlicensed money-lender in respect of any loan advanced in violation of Section 6 of the Money Lending Act. Accordingly, since the SDA was executed at a time when the Petitioner did not possess a valid money-lending licence, the present Petition itself is barred by law. It is a settled position that proceedings instituted in violation of Section 13 of the Money

Lending Act are non-maintainable and cannot be entertained by this Hon'ble Tribunal.

4.20. It is further stated that, under the SDA, the Petitioner has sought to impose interest at the exorbitant rate of 21% per annum, compounded monthly, upon the Respondent. This is in express violation of Section 31 of the Money Lending Act, read with the Notification dated 16th September 2014, bearing Reference No. MLA-1014/CR-281/7-C, issued by the Government of Maharashtra, which restricts the maximum permissible rate of interest to 18% per annum.

4.21. It is stated that, the SDA having been executed in wilful contravention of the provisions of the Money Lending Act, is void, illegal and unenforceable in law. The Petitioner's deliberate attempt to disguise a money-lending transaction and circumvent statutory compliance disentitles it to any relief, equitable or otherwise. Consequently, the present Petition, being founded entirely on the SDA, is misconceived, untenable, and liable to be dismissed *in limine* by this Hon'ble Tribunal.

4.22. It is stated that the Respondent is one of India's largest and most reputed content studio companies, having produced and distributed over 400 films which have collectively grossed in excess of USD 1 billion at the global box office. The Respondent has also actively invested in film production companies and intellectual properties, maintaining a robust and diversified content portfolio across multiple Indian languages. The Respondent further enjoys longstanding relationships for digital distribution with leading platforms such as Netflix, Amazon, Disney+ Hotstar, Jio Studios, and several others.

4.23. It is stated that, since 2008, the Respondent has collaborated with some of the most eminent directors and leading stars of the Indian film industry, and has produced and/or been associated with numerous acclaimed films such as *Double Dhamaal, Sooryavanshi, Paa, 83, Singham, Simmba, Rustom, Queen, Vikram Vedha, Amar Singh Chamkila, Singham Again*, among others, as well as various web shows and series featuring top creative talents in the industry.

4.24. It is stated that the Respondent has also played an instrumental role in the production of several blockbuster films such as *Singham, Singham Again*, and *Amar Singh Chamkila*. Over the years, the Respondent has built strong and enduring relationships with several leading directors, producers, and artists in the film industry, and has been a pivotal force behind the creation of several notable cinematic projects.

4.25. It is stated that, in view of the foregoing, it is evident that by no stretch of imagination can the Respondent be characterised as an insolvent entity or one that is financially incapable of meeting its obligations.

4.26. It is stated that the Petitioner, being fully aware of the Respondent's financial standing and stature, has nevertheless instituted the captioned Petition solely as a coercive measure to arm-twist the Respondent and to wrongfully recover its purported dues. The present Petition, having been instituted in complete contravention of the letter and spirit of the IBC, deserves to be dismissed at the very threshold.

4.27. It is stated that it is a settled position of law that proceedings under the IBC are not intended to serve as recovery mechanisms. However, from the facts stated hereinabove, it is evident that the Petitioner's sole motive in filing the captioned Petition is to recover monies from the Respondent under the guise of insolvency proceedings. Furthermore, from the very documents relied upon by the Petitioner itself, it is apparent that the Petitioner has approached this Hon'ble Tribunal with unclean hands. The captioned Petition is therefore nothing, but a smokescreen intended to mislead this Hon'ble Tribunal and to exert undue pressure on the Respondent to succumb to the Petitioner's unfounded and untenable claims.

4.28. It is stated that in view of the foregoing, the captioned Petition is wholly misconceived, devoid of merit, and does not warrant any consideration or indulgence from this Hon'ble Tribunal. The same deserves to be dismissed summarily and at the very threshold.

4.29. In this backdrop, the Respondent submits that the captioned Petition has been instituted by the Petitioners as a gross abuse of the due process of law and with the malicious intent of arm-twisting the Respondent into complying with obligations which, even to the knowledge of the Petitioners, stand duly performed by the Respondent. A bare perusal of the SDA, read together with the Additional Agreement between the parties, clearly demonstrates that the Respondent has fully and faithfully discharged all its mutually agreed obligations. It is, in fact, the Petitioner who has failed to acknowledge such compliance and has, with undue delay, instituted the present Petition as a means to artificially extend and distort the scope of the Respondent's obligations.

5. REJOINDER

5.1 It is stated that various emails were exchanged between CD and Petitioner *viz*. emails dated 20.12.2023, 02.01.2024, 04.01.2024, and letter dated 05.01.2024, wherein CD has unequivocally acknowledged and confirmed that the total outstanding of Rs.9,20,56,918/- (Rupees Nine Crore Twenty Lakhs Fifty-Six Thousand Nine Hundred Eighteen Only) [Principal of Rs.4,49,67,820/- and Interest of Rs.4,70,89,098/- (Upto 31.03.2024)] is payable to Petitioner by the CD as on 31.03.2024.

5.2 It is stated that, thereafter, CD vide its letter dated 03.04.2024, assured the Petitioner that the aforesaid outstanding payment would be cleared in two instalments viz. (i) Rs. 4,84,53,205/- (Rupees Four Crore Eighty-Four Lakhs Fifty-Three Thousand Two Hundred Five Only) on 30.06.2024 and (ii) Rs. 5,10,63,914/- (Rupees Five Crore Ten Lakhs Sixty-Three Thousand Nine Hundred Fourteen Only) on 30.09.2024. I say that the first instalment became due and payable on 30.06.2024. However, on the due date, the Corporate Debtor deliberately failed and defaulted in making the payment.

5.3 It is stated that upon the Corporate Debtor’s failure to make payment on the due date, the Corporate Debtor with a dishonest and mala fide intention addressed a letter dated 14.08.2024 (“said Letter”) to the Petitioner, wherein it is falsely recorded that the Petitioner had agreed to an extension of the repayment period, when in fact there was no such discussion or agreement between the parties.

5.4 It is stated that in reply to the above-said Letter, our Advocate addressed a Legal Notice dated 08.10.2024 (“Legal Notice”) denying the contents of the said Letter and called upon the CD to withdraw the said Letter as the same was factually incorrect and was vehemently disputed by the Petitioner.

Furthermore, the CD was called upon to pay the entire outstanding amount of Rs. 10,21,84,630/- as of 30.09.2024 within 15 days of the date of receipt of the Legal Notice failing which the present Petition has been filed before this Hon'ble Tribunal.

5.5 It is stated that from a perusal of the aforementioned emails and letters exchanged between the parties, it is abundantly clear that the CD has on multiple occasions unequivocally acknowledged its liability and the outstanding dues payable to the Petitioner.

5.6 It is stated that there is not even a single averment in the Reply that denies or disputes the letters issued by the CD to the Petitioner wherein the CD has unequivocally acknowledged its liability. Therefore, this being the undisputed position, the CD's express and unambiguous acknowledgment of the debt, as already placed on record, stands uncontested. On this ground alone, the present Petition ought to be admitted. Having failed to make out any case on merits the Corporate Debtor has resorted to raising various frivolous objections to avoid its liability which objections are also liable to be dismissed.

5.7 It is stated that the Petitioner does not fall within the definition of a "money lender" as contemplated under Section 1(14) of the Maharashtra Money-Lending (Regulation) Act, 2014 ("Money Lending Act") and thus, is not required to obtain a license thereunder. The Petitioner is primarily engaged in the business of production, acquisition, and exploitation of cinematographic films, which is a matter of record and is clearly delineated in the SD Agreement forming the basis of the present petition against the Corporate Debtor.

5.8 It is stated that the Corporate Debtor's contention that the Petitioner is engaged in the business of money lending is wholly misconceived, baseless, and unsupported by any cogent evidence. That Clause 15 of SD Agreement rightly records that the present transaction is not a money lending transaction. That the Corporate Debtor has failed to discharge the burden of proof that lies squarely upon it to demonstrate that the Petitioner is engaged in such business within the meaning of the statute. In absence of such evidence, the defense raised by the Corporate Debtor is nothing but a desperate and evasive attempt to deny repayment of its admitted liability.

5.9 It is stated that the security deposit advanced by the Petitioner qualifies as a "financial debt" within the meaning of Section 5(8) of the IBC. The said security deposit was advanced pursuant to a contractual arrangement which expressly stipulates payment of interest, thereby establishing consideration for the time value of money.

5.10 It is stated that in any event it is as settled position of law that IBC, 2016 is a complete code in itself and clearly overrides statutes or provisions in statutes that conflict with the Code.

5.11 It is stated that IBC, 2016 contains a non-obstante clause under Section 238, which explicitly provides that the provisions of the IBC, 2016 shall have overriding effect notwithstanding anything inconsistent therewith contained in any other law for the time being in force. Accordingly, even assuming without admitting that there exists any inconsistency between the IBC, 2016 and the Money Lending Act, the provisions of the IBC, 2016 shall prevail and govern the present proceedings.

5.12 It is stated, accordingly, the Petitioner, being a financial creditor, is fully entitled to initiate and maintain the present proceedings under Section 7 of the IBC, 2016 against the Corporate Debtor. The objection raised that the present Petition is not maintainable on the basis of the Money Lending Act is without merit and deserves to be rejected.

5.13 It is stated the reliance placed on Clause 4 (B) of SD Agreement is totally misplaced and misinterpreted by the Corporate

5.14 It is stated that in part compliance with the terms of the SD Agreement, by Agreement dated 06.10.2023, CD through Friday Filmworks Pvt. Ltd. paid Rs. 15,00,00,000/-. The aforesaid payment was duly received by Petitioner on 31.10.2023. As such, a principal amount of approximately Rs. 5,00,00,000/- along with monthly compounded interest of 21% p.a. was still outstanding and payable to Petitioner by the Corporate Debtor.

5.15 It is stated, subsequent to the execution of the above Agreement, various emails were exchanged between the parties herein regarding the payment of the balance amount. I say that from the perusal of the aforementioned emails and letters exchanged between the parties, it is abundantly clear that the Corporate Debtor has on multiple occasions unequivocally acknowledged its liability and has defaulted in the payment of the same on the due date to the Petitioner. This is the first instance wherein the Corporate Debtor is attempting to rely upon Clause 4.B of the SD Agreement, a clause which it had hitherto never invoked or relied upon thereby acting in blatant contradiction to its own prior unequivocal admissions of liability as recorded in its emails and communications.

5.16 It is stated that the conduct of the Corporate Debtor, as evidenced from the record, clearly reflects an attempt to evade payment of its lawful dues by resorting to untenable and mala fide tactics. The Corporate Debtor, having consistently admitted its liabilities and expressed intention to repay the outstanding amounts, is now estopped from taking a contrary position.

5.17 It is stated that the belated reliance on Clause 4.B of the SD Agreement is nothing but an afterthought to wriggle out of an admitted liability. Such conduct is clearly indicative of an intent to delay and frustrate the legitimate claims of the Petitioner and ought not to be countenanced.

5.18 It is stated that the Petitioner denies that Corporate Debtor is a fundamentally strong company. To the best of the Petitioner's knowledge, the Corporate Debtor in fact is facing several proceedings under the IBC, 2016. One such insolvency petition, being CP (IB) No. 156 of 2025, was filed by Dream Warrior Pictures against the Corporate Debtor before the Hon'ble NCLT, Mumbai Bench.

5.19 It is stated that one Mr. Milan Luthria had also instituted a Petition under Section 9 of the IBC, 2016, being CP (IB) No. 184 of 2024 before the Hon'ble NCLT, Mumbai Bench. Vide Order dated 11th October 2024, the Hon'ble Tribunal recorded that the parties had entered into consent terms, pursuant to which the Corporate Debtor made a payment of Rs. 85 lakhs to Mr. Luthria, and the said Petition was dismissed as withdrawn. This instance, in itself, reflects the Corporate Debtor's financial distress and inability to honor its commitments in the ordinary course of business.

5.20 It is stated that existence of multiple proceedings under the IBC against the Corporate Debtor demonstrates a consistent pattern of default and failure to discharge its obligations towards various creditors. Therefore, the sweeping claim that the Corporate Debtor is a fundamentally strong entity is not only devoid of merit but is clearly contradicted by the facts placed on record. Furthermore, I say that Corporate Debtor has failed to produce any document on record in support of its claim of being financially sound.

5.21 It is stated, in light of the aforesaid, that this Hon'ble Tribunal ought not to consider the frivolous and misleading contentions raised by Corporate Debtor in the Reply and the present Petition be allowed as prayed.

6. WRITTEN SUBMISSIONS (FC)

6.1 The Applicant has filed the Written Submissions which are dated 19.12.2025 reiterating the facts as per the Application.

6.2 It is submitted that the Financial Debt arises out of failure in the repayment of monies due and payable under a Security Deposit Agreement ("SD Agreement) entered into between the FC and Corporate Debtor ("CD")

6.3 It is submitted that, for the purposes of financing the release of the film titled "Auron Mein Kahan Tha Dum" ("Picture") the CD approached the FC seeking financial assistance by way of a security deposit to the tune of Rs. 20,00,00,000/- (Rupees Twenty Crore Only).

6.4 It is submitted that, in compliance with the aforesaid, the FC disbursed the entirety of the sum on November 29, 2022 as evident from the ledger account of the CD in the books of the FC.

6.5 It is submitted that, as per the terms and conditions of the SD Agreement, the CD undertook to repay the sum of Rs. 20 Crore along with monthly compounded interest @ 21% per annum (Clause 5 of the SD Agreement) within 15 days prior to the theatrical release date, i.e., June 30, 2023, with a grace period of three months, unless such date was mutually extended by the parties in writing (Recital D of the Agreement).

6.6 It is submitted that, in addition, the FC was also entitled to additional revenue of 3% of the Revenue (as defined under Clause 6 of the Agreement) from the first sale of the Picture, and thereafter additional revenue at 5% after two years from the theatrical release.

6.7 It is submitted that, subsequently, the FC, CD, Plan C Studios LLP, and Friday Filmworks Pvt. Ltd. ("FFW") entered into an agreement dated 06.10.2023, wherein the parties agreed that FFW would make payment of Rs. 15,00,00,000/- to the FC on behalf of CD in order to acquire the intellectual property rights of the Picture which sum was received by the FC on October 31, 2023. Consequently, a sum of Rs. 4,49,67,820 remained due and outstanding under the SD Agreement.

6.8 It is submitted that, subsequent to the aforesaid, despite multiple correspondences and repeated acknowledgments of the debt by the CD, it has failed to repay the outstanding sums due constraining the FC to approach the NCLT vide the captioned Petition.

6.9 In accordance with the terms of the aforesaid Agreement dated October 6, 2023 and the payment made thereunder, a principal sum of Rs. 5 Crores along with monthly compounded interest of 21% p.a. remained outstanding.

6.10 On January 5, 2024 the CD addressed a letter to the FC unequivocally acknowledging the outstanding debt and providing a timeline for repayment of the same.

6.11 In furtherance of the aforesaid, the CD addressed two letters dated April 3, 2024 and August 14, 2024 to the FC once again acknowledging the outstanding debt and providing a revised timeline for the repayment of the same.

6.12 In light of the aforesaid established debt and default and failure to comply with the timelines provided, the FC issued a Demand Notice dated October 8, 2024 on the CD despite which the CD failed to make any repayment of the debt due.

6.13 The defence taken by the CD that there is no Financial Debt is untenable in law and facts. The existence of a Financial Debt is established first by referring to the relevant statutory framework. Financial Debt is defined under Section 5(8) of the Code as a debt along with interest, if any, which is disbursed against the consideration for the time value of money and includes, inter alia, any amount raised under any other transaction, including any forward sale or purchase agreement, having the commercial effect of a borrowing.

6.14 In the present case, the FC disbursed an amount of Rs. 20,00,00,000/- (Rupees Twenty Crore Only) to the CD under the SD. Critically, the terms of the SD Agreement expressly provided for the repayment of this principal sum along with monthly compounded interest at the rate of 21% per annum (Clause 5 of the SD Agreement). This clear provision for the payment of interest conclusively demonstrates that the disbursement was made against the consideration for the time value of money, thereby bringing the transaction squarely within the substantive definition of Financial Debt under Section 5(8) of the Code.

6.15 Moreover, the entire question of whether such a Security Deposit constitutes a Financial Debt is now moot, as the Hon'ble Supreme Court of India in the matter of Global Credit Capital Limited & Anr Vs. Sach Marketing Pvt. Ltd. (Civil Appeal No. 7181 of 2024 arising out of SLP (C) No. 4641 of 2024, has definitively and conclusively held that a Security Deposit, which is given the character of debt with interest and has a fixed repayment schedule, is indeed in the nature of a Financial Debt under Section 5(8) of the Code. Given that the FC's transaction involved a principal disbursement, interest accrual, and a fixed repayment obligation, the transaction bears the clear commercial effect of a borrowing. Therefore, the defence taken by the Corporate Debtor is entirely misplaced and must be rejected.

6.16 The defence raised by the CD asserting that it is not liable to pay the balance outstanding debt under the SD Agreement based on a misinterpretation of Clause 4(B) is frivolous, contrary to the contractual language, and directly contradicts the CD's own conduct and admissions.

6.17 Clause 4(B) of the SD Agreement, when read correctly, places an obligation squarely upon the CD. It clearly records that, in the event the CD fails to repay any outstanding amount before the Due Date, then, in respect of that unpaid amount, the CD shall he obligated to procure a letter from a third-party satellite/digital provider, who shall then directly make payment of such unpaid amount to the FC This clause does not extinguish the CD's primary liability; rather, it provides a mechanism for payment that the CD must arrange to satisfy its obligation to the FC upon default. The clause creates an option or mechanism for recovery for the FC, which is activated by the CD's default, but it does not absolve the CD of its primary liability for the debt.

6.18 Pursuant to the framework of the SD Agreement and subsequent arrangements, FFW made a part payment of Rs. 15,00,00,000/- (Rupees Fifteen Crore Only) on October 31, 2023, to the FC on behalf of the CD to acquire the intellectual property rights of the Picture. This part payment was made to partially discharge the CD's obligation. As a result of this transaction, a principal amount of approximately Rs.

5,00,00,000/- (Rupees Five Crore Only), along with monthly compounded interest at the rate of 21% per annum, continued to remain outstanding and payable by the CD to the FC.

6.19 Crucially, the CD has on multiple occasions through various emails and letters unequivocally acknowledged its continuing liability to pay the balance amount even after the FFW payment. The CD unequivocally acknowledged the outstanding debt and provided timelines for repayment in its letters dated January 5, 2024, April 3, 2024, and August 14, 2024 to the Petition. The CD has neither disputed nor denied the authenticity of these letters. The CD defaulted on the payment of the remaining debt to the FC on the Due Date. Therefore, the present attempt by the CD to rely upon Clause 4(B) of the SD Agreement is nothing more than a desperate afterthought, as it is in blatant contradiction to its own prior unequivocal admissions and acknowledgements of liability. The CD's defence is consequently liable to be dismissed.

6.20 Firstly, the very nature of the transaction and the contractual documentation contradict the CD's contention. Recital A of the SD Agreement explicitly records that the FC is engaged, inter alia, in the business of production, acquisition, and exploitation of cinematographic films, and not primarily in money lending.

6.21 Furthermore, Clause 15 of the SD Agreement specifically records that the transaction entered into between the parties is not a money-lending transaction. Therefore, the FC is not a “money lender” as contemplated under Section 2(14) of the Maharashtra Money-Lending (Regulation) Act, 2014, or any similar applicable state legislation.

6.22 Secondly, and more fundamentally, the provisions of the Code have an overriding effect on all inconsistent laws. Section 238 of Code clearly states that the provisions of the Code shall have effect, notwithstanding anything inconsistent therewith contained in any other law for the time being in force or any instrument having effect by virtue of any such law. Therefore, even assuming, arguendo, that the transaction fell within the definition of money lending and the FC violated a provision like Section 13 of the Money Lending (Regulation) Act, 2014, the initiation of the Corporate Insolvency Resolution Process ("CIRP") under Section 7 of the Code cannot be barred.

6.23 For the admission of an application filed by the FC under Section 7 of the Code, the sole and relevant consideration before the Hon'ble Tribunal is the determination of three essential facts:

i. the existence of a Financial Debt;
ii. the amount of default exceeding the minimum threshold; and
iii. the date of default. The CD's inability to pay the debt is not a condition precedent for initiating the CIRP.

6.24 Even a solvent company is not precluded from committing a default, and no presumption can be drawn that solvency prevents a default under the Code.

6.25 The jurisdiction of the Adjudicating Authority ("AA") while considering an application under Section 7 of the Code is limited to ascertaining two essential facts: the existence of a financial debt and the occurrence of a default. The existence of a dispute regarding the exact amount of the outstanding financial debt is immaterial and irrelevant to the admission of the Petition, so long as the debt is due and payable, and the default amount exceeds the statutory minimum threshold.

6.26 The scheme of Section 7 of the Code does not contemplate the examination of disputes, which is a consideration reserved for applications concerning Operational Debts under Section 9. Once the AA is satisfied on the twin requirements of debt and default based on the records produced by the FC, the application must be admitted. The CD's purported dispute over the amount in the Information Utility does not alter the fact of the recorded default and is consequently no ground for dismissal of the Petition.

6.27 In addition, the Hon'ble NCLAT in the matter of Kirusa Software Pvt. Ltd. v. Mobilox Innovations Pvt. Ltd., (2017) ibclaw.in 22 NCLAT has unequivocally held that disputes with respect to a petition under Section 7 of the Code are not relevant.

6.28 The Applicant has relied upon the following judgements:

a. *Innoventive Industries Ltd. vs. ICICI Bank, (2018) 1 SCC 407*
b. *Monotrone Leasing Pvt. Ltd. vs. PM Cold Storage Pvt. Ltd, Company Appeal (AT) (Ins) No. 99 of 2020, NCLAT Delhi*
c. *M. Suresh Kumar Reddy vs. Canara Bank & Ors., (2023) 8 SCC 387*

7. <u>WRITTEN SUBMISSIONS (CD)</u>

7.1 The CD submits that, at the very threshold, the transaction sought to be relied upon by the Petitioner does not answer the statutory description of a financial debt under Section 5(8) of the Code. The Security Deposit Agreement dated 14th November 2022 ("SDA"), which constitutes the sole foundation of the present Petition, unequivocally records that the arrangement between the parties is not in the nature of a lending or borrowing transaction. Clause 15 of the SDA expressly and categorically negates any characterization of the transaction as money lending.

7.2 The CD submits that, having consciously, deliberately, and unequivocally agreed to such an express contractual stipulation, the Petitioner is estopped in law and equity from attempting to recharacterize the very same transaction as a financial debt solely to invoke the insolvency jurisdiction of this Hon'ble Tribunal. It is trite law that the Adjudicating Authority cannot rewrite, recast, or reinterpret a contract in a manner that runs contrary to its clear and unambiguous terms. The Respondent submits that Clause 15 of the SDA was added therein as a subterfuge to bypass the relevant statutes, rules and regulations pertaining to money lending transactions. The present Petition is therefore inherently flawed, jurisdictionally untenable, and liable to be dismissed at the threshold.

7.3 The CD submits that, assuming without admitting that this Hon'ble Tribunal could examine the transaction further, under the aegis of S. 7 of the Code, no amount is due or payable by the Respondent under the SDA, as alleged or at all. The SDA itself contains a complete contractual mechanism for extinguishment of the Respondent's liability. Clause 4(B) unequivocally provides that in the event the Respondent is unable to repay the entire security deposit by the due date, its obligation stands discharged upon furnishing a letter enabling recovery of the balance amount, along with applicable interest, directly from a third-party satellite/digital rights provider of the film "Auron Mein Kaha Tha Dum" ("the said Film")

7.4 The CD submits that, the said Film's release was delayed due to adverse market conditions, a fact fully within the knowledge of the Petitioner, and the parties thereafter entered into an Additional Agreement dated 6th October 2023 ("Additional Agreement"). Under this Additional Agreement, payments were to be, and in fact were, made by a third-party satellite/digital provider viz., Friday Filmworks Pvt. Ltd., directly towards satisfaction of the Petitioner's claim.

7.5 The CD submits that the Petitioner not only accepted these payments without demur but also expressly released its rights, claims, and lien over the film, without reserving any claim for alleged balance amounts or interest. Having accepted and appropriated such payments, the Petitioner is estopped in law from asserting that any further amount remains due from the Respondent. In these circumstances, it is evident that the Petitioner is not even a creditor of the Respondent, let alone a financial creditor.

7.6 The CD submits that, under the Code, a "default" presupposes the existence of a legally enforceable debt that has become due and payable and remains unpaid. In the present case, the Respondent's liability stood contractually extinguished in terms of the SDA and further stood satisfied through third-party payments under the Additional Agreement.

7.7 The CD submits that, significantly, the Petitioner has not even invoked the contractual recovery mechanism available to it under the SDA against the third-party satellite/digital provider. Instead, it has bypassed the agreed contractual route and invoked insolvency proceedings as a coercive recovery tool, which is impermissible under the settled jurisprudence of the Code.

7.8 The CD submits that the Petition is liable to be rejected at the threshold for an additional reason: the alleged default stands expressly disputed by the Corporate Debtor in the Information Utility. The Petitioner's own documents demonstrate that authentication of the alleged default has been disputed.

7.9 The CD submits that it is well settled that, where a dispute is made evident to the Financial Creditor and put on record, including from the Information Utility itself, the Adjudicating Authority must refuse admission of the Petition. The issues raised by the Petitioner require detailed examination of contractual obligations, third-party payments and mutual understanding between the parties. All of which are wholly alien to summary insolvency jurisdiction.

7.10 The CD submits that, without prejudice to the contention that the transaction is not a loan, the Respondent submits that if the Petitioner's own characterisation is to be accepted, the transaction would squarely fall foul of the Maharashtra Money Lending (Regulation) Act, 2014.

7.11 The CD submits that the Petitioner admittedly does not hold a valid money-lending licence under Section 6 of the said Act. Further, Section 13 therein expressly bars any court or tribunal from granting relief in respect of a loan advanced by an unlicensed money lender. Further, the SDA stipulates an exorbitant interest rate of 21% p.a. compounded monthly, in clear violation of the statutory cap of 18% p.a. mandated vide the notification of the Government of Maharashtra. A transaction that is void and unenforceable in law cannot be the foundation of insolvency proceedings.

7.12 The CD submits that the Hon'ble Apex Court has consistently held that the Code should not be used as a recovery mechanism. The present Petition, founded on a distorted reading of contractual documents, suppression of the agreed repayment structure, and disregard of payments already accepted, is a textbook abuse of the insolvency process. The Petitioner has approached this Tribunal with unclean hands and in complete derogation of the letter and spirit of the Code.

7.13 The CD submits that, in the complete absence of a financial debt, in the absence of any legally cognisable default, in the face of an admitted and recorded dispute, and in light of the express contractual extinguishment of liability, the present Petition collapses at every jurisdictional touchstone of the Code. It is not merely untenable, but a stark abuse of the insolvency process, cynically invoked as a substitute for recovery. The Petition therefore warrants outright dismissal at the threshold, with exemplary costs, to prevent further misuse of the insolvency framework and to uphold the discipline and sanctity of the Code.

8. ANALYSIS AND FINDINGS

8.1 We have heard the Ld. Counsel for the Applicant for the Respondent and have perused the records as placed before us. Our findings in the matter are as under: -

8.2 From the pleadings and documents placed on record, the following facts are either admitted or substantially undisputed between the parties:

i. The Applicant and the CD executed a Security Deposit Agreement dated 14.11.2022.

ii. Pursuant to the said Agreement, the Applicant disbursed Rs.20,00,00,000/- to the CD on 29.11.2022.

iii. The Security Deposit Agreement provided for repayment of the amount together with interest @ 21% p.a. compounded monthly, subject to the terms of the Agreement.

iv. An Additional Agreement dated 06.10.2023 was subsequently executed between the Applicant, the CD, Plan C Studios LLP and Friday Filmworks Pvt. Ltd.

v. Pursuant to the Additional Agreement, Friday Filmworks Pvt. Ltd. paid Rs.15,00,00,000/- to the Applicant, which was received by the Applicant on 31.10.2023.

vi. After adjustment of the aforesaid payment, the entire amount advanced under the Security Deposit Agreement was not repaid.

vii. The CD addressed various communications, including letters dated 05.01.2024, 03.04.2024 and 14.08.2024, to the Applicant, the contents and legal effect whereof are disputed.

viii. The Applicant issued a Legal Notice dated 08.10.2024 demanding payment of the alleged outstanding amount.

ix. The present Application under Section 7 of the IBC has been filed claiming a default of Rs.11,94,04,016/-, with the date of default stated as 30.06.2024.

x. The Record of Default filed before NeSL reflects the authentication status as "Disputed."

8.3 The principal issues that arise for determination in the present Application are:

(i) whether the amount advanced by the Applicant under the Security Deposit Agreement constitutes a "financial debt" within the meaning of Section 5(8) of the IBC, 2016;

(ii) whether the CD has committed a default in repayment of the said debt;

(iii) whether the contractual clauses relied upon by the CD, particularly Clauses 4(B) and 15 of the Security Deposit Agreement, absolve or extinguish its repayment obligations; and

(iv) whether the objections raised regarding (a) the applicability of the Maharashtra Money-Lending (Regulation) Act, 2014 and (b) the disputed status recorded in the Information Utility render the present Application not maintainable.

8.4 The primary objection of the CD is that the transaction was merely a security deposit and not a lending transaction, particularly in view of Clause 15 of the Security Deposit Agreement which records that the Agreement shall not constitute a money lending transaction. According to the CD, the Applicant is therefore not a Financial Creditor, and this Application under Section 7 of the IBC is not maintainable.

8.5 We are of the view that the true nature of a transaction is to be gathered from its substance and commercial effect as reflected from the contractual terms as a whole, and not merely from the nomenclature employed by the parties or one isolated clause. A document has to be read harmoniously so that effect is given to every provision.

8.6 In the present case, the recitals themselves record that the CD approached the Applicant seeking financial assistance of Rs.20,00,00,000/- and undertook to repay the said amount together with interest before the stipulated Due Date. Clause 5 further provides that the Security Deposit shall carry interest at the rate of 21% per annum compounded monthly till repayment of the entire amount, with liberty to the CD to pre-pay the amount without any pre-payment penalty. These stipulations unmistakably establish that the amount was disbursed against consideration for the time value of money and carried a definite obligation of repayment. The transaction, therefore, possesses all the essential attributes of a borrowing notwithstanding the terminology adopted by the parties.

8.7 It is well settled that while determining whether a transaction constitutes a financial debt under Section 5(8) of the IBC, the Adjudicating Authority is required to examine the real nature and commercial substance of the transaction rather than its nomenclature. Where monies were disbursed against consideration for the time value of money and carry a corresponding obligation of repayment, the transaction would constitute a financial debt irrespective of the label assigned by the parties. The Security Deposit Agreement, read as a whole, satisfies these essential ingredients.

8.8 The aforesaid conclusion is also consistent with the decisions of the Hon'ble Supreme Court in *Global Credit Capital Ltd. v. Sach Marketing Pvt. Ltd.*, *Innoventive Industries Ltd. v. ICICI Bank* and *M. Suresh Kumar Reddy v. Canara Bank*, wherein it has been reiterated that while considering an application under Section 7, the Adjudicating Authority is required to examine whether a financial debt exists and whether a default has occurred. Where the transaction bears the commercial effect of a borrowing and the material on record establishes default, the application is liable to be admitted.

8.9 The reliance placed by the CD on Clause 15 is, in our considered view, misplaced. Clause 15 merely clarifies that the Agreement shall not constitute a partnership, joint venture, association of persons or money lending transaction. Significantly, it neither negates the Applicant's right to repayment nor extinguishes the debt or dispenses with the obligation to pay interest. Clause 15 cannot be read in isolation by ignoring the recitals and operative provisions of the Agreement. A contract must be construed as a whole so that every clause is given a harmonious interpretation. The commercial character of the transaction, therefore, cannot be altered merely by the description employed in Clause 15.

8.10 Having held that the transaction answers the description of a financial debt, it becomes necessary to examine the CD's further contention that, by virtue of Clause 4(B) read with the Additional Agreement dated 06.10.2023, its liability stood extinguished, and the Applicant's exclusive remedy lay against the third-party satellite/digital rights provider. Clause 4 (B) of the SDA is reproduced herein below:-

> *"4. Repayment:*
> *…*
> *B) Partial Repayment: In the event, RESPL fails to repay the entire Security Deposit along with Interest by or before the Due Date, the Parties herein agree that RESPL shall repay the unpaid Security Deposit along with Interest by providing a letter from the concerned third-party satellite/digital provider of the Picture to secure the balance un-paid Security Deposit along with Interest and for direct payment of balance un-paid amount of the Security Deposit along with the Interest payable to Pen. The Parties hereby agree that once the Security Deposit along with the Interest is repaid by RESPL to Pen, all the monies payable by the satellite/digital providers shall be solely received by RESPL or its authorised licensee, as the*

> *case may be. Further, RESPL hereby agrees at all times to comply with all terms and fulfil the obligation of the agreement entered into by the satellite/digital provider of the Picture."*

8.11 Clause 4(B), when read as a whole, merely prescribes a contractual mechanism whereby, upon failure of the CD to repay the outstanding amount by the Due Date, the CD was required to facilitate repayment through the concerned satellite/digital provider by furnishing the requisite letter. The clause does not provide that the principal liability of the CD shall stand discharged merely upon execution of such arrangement. Had the parties intended to substitute the primary debtor or completely novate the repayment obligation, the Agreement would have expressly so provided. No such stipulation is found either in Clause 4(B) or in the Additional Agreement.

8.12 We note that the Respondent has not placed any material on record by any concerned satellite/digital provider in compliance of Clause 4(B).

8.13 Even assuming that Clauses 4(B) and 15 admit of more than one interpretation, the subsequent conduct of the parties provides a valuable aid in ascertaining their true intention. The contemporaneous correspondence exchanged between the parties therefore assumes considerable significance.

8.14 In our considered view, the clause can at best be considered as a payment mechanism, and it does not extinguish the debt.

8.15 More importantly, the contemporaneous conduct of the parties completely contradicts the interpretation now sought to be advanced by the CD. Following receipt of Rs.15,00,00,000/- from Friday Filmworks Pvt. Ltd., the CD repeatedly acknowledged that the balance principal together with interest continued to remain payable by it. By its letter dated 03.04.2024, the CD itself quantified the outstanding liability and undertook to repay the same in 2 instalments falling due on 30.06.2024 and 30.09.2024. Thereafter, by its communication dated 14.08.2024, the CD once again revised the repayment schedule by proposing payment in 3 instalments ending on 31.12.2024, enclosed the computation of the outstanding principal and interest, and further recorded that the interest component would be subject to deduction of tax at source. These communications unequivocally acknowledge not only the subsistence of the debt but also the continuing liability to pay interest under the Agreement.

8.16 The subsequent conduct of the parties constitutes the best evidence of how they themselves understood and acted upon the Agreement. Had the CD genuinely considered that its liability stood extinguished under Clause 4(B), there was no occasion for it to repeatedly quantify the outstanding principal and interest, propose revised repayment schedules or acknowledge that interest was payable subject to deduction of tax at source. Equally significant is the fact that none of the aforesaid communications invokes Clause 4(B) or asserts that the Applicant was required to recover the outstanding dues exclusively from the satellite or digital rights provider. On the contrary, the CD repeatedly undertook to discharge the outstanding liability itself. The reliance now placed upon Clauses 4(B) and 15 has surfaced only after initiation of the present proceedings and is wholly inconsistent with the parties' contemporaneous understanding of the contractual arrangement. Such a belated interpretation cannot override the express contractual terms read with the subsequent admissions made by the CD itself.

8.17 Once the existence of the financial debt is established, the next question is whether a default has occurred. The documentary record leaves little ambiguity on this aspect. The repayment schedule proposed by the CD itself contemplated payment of the first instalment on 30.06.2024. Admittedly, the said payment was not made.

Even the revised schedule contained in the letter dated 14.08.2024 remained unfulfilled. The Applicant thereafter issued a legal notice dated 08.10.2024 demanding payment of the outstanding dues, which admittedly remained unpaid.

8.18 The repeated acknowledgements of liability made by the CD, coupled with the admitted non-payment despite the self-imposed repayment schedules, sufficiently establish that the outstanding financial debt became due and payable and remained unpaid. Accordingly, the occurrence of default within the meaning of Section 3(12) of the IBC stands established.

8.19 The CD has further contended that the Applicant is an unlicensed money lender and, therefore, the present proceedings are barred under the Maharashtra Money-Lending (Regulation) Act, 2014. This objection also deserves rejection.

8.20 Firstly, the material placed on record does not establish that the Applicant is carrying on the business of money lending to attract the provisions of the said Act. The transaction in question arises from an individual commercial arrangement relating to financing of a cinematographic project. Secondly, the present proceedings are not for enforcement of a money lending licence but for initiation of insolvency resolution upon occurrence of a financial default under the IBC. The jurisdiction of this Adjudicating Authority at the stage of Section 7 is confined to determining whether a financial debt exists and whether default has occurred. Once these jurisdictional requirements are satisfied, objections of the present nature cannot defeat proceedings under the IBC. In any event, Section 238 of the IBC gives overriding effect to its provisions in case of inconsistency with any other law.

8.21 Equally untenable is the submission that the present Application is liable to be rejected merely because the Information Utility records the authentication status of the default as "Disputed". Such recording only reflects that the CD has disputed the occurrence of default before the Information Utility; it does not constitute a judicial determination nor does it eclipse the documentary evidence otherwise available on record.

8.22 We are equally conscious of the fact that the present application is under Section 7 of the Code and that the dictum as laid down by Hon'ble Supreme Court in Mobilox regarding 'dispute' is not applicable in the present matter.

8.23 Unlike proceedings under Section 9, the existence of a dispute is not by itself a ground to reject an Application under Section 7. The Adjudicating Authority is required to satisfy itself regarding the existence of a financial debt and the occurrence of default on the basis of the material placed before it. For the reasons recorded hereinabove, both these requirements stand duly established notwithstanding the disputed status reflected in the Information Utility.

8.24 Lastly, it is pertinent to observe that the defence raised by the CD is not founded upon any contemporaneous assertion made during the subsistence of the contractual relationship but upon an interpretation advanced for the first time after the Applicant invoked the remedies available under the IBC. Such a belated interpretation cannot prevail over the express contractual stipulations read together with the repeated acknowledgements of liability contained in the CD's own correspondence.

8.25 Hon'ble Supreme Court in Civil Appeal No. 2231 of 2021 in the matter of Orator Marketing Pvt. Ltd. VS Samtex Desinz Pvt. Ltd. has held as under:-

Para 21

> *"Section 5(8) defines 'financial debt' to mean "a debt along with interest if any which is disbursed against the consideration of the time value of money and includes money borrowed against the payment of interest, as per Section 5(8) (a) of the IBC. The definition of 'financial debt' in Section 5(8) includes the components of sub-clauses (a) to (i) of the said Section."*

Para 22

"'Financial debt' means outstanding principal due in respect of a loan and would also include interest thereon, if any interest were payable thereon. If there is no interest payable on the loan, only the outstanding principal would qualify as a financial debt."

Para 23

"Furthermore, sub-clauses (a) to (i) of Sub-section 8 of Section 5 of the IBC are apparently illustrative and not exhaustive. Legislature has the power to define a word in a statute. Such definition may either be restrictive or be extensive. Where the word is defined to include something, the definition is prima facie extensive."

Para 31

"At the cost of repetition, it is reiterated that the trigger for initiation of the Corporate Insolvency Resolution Process by a Financial Creditor under Section 7 of the IBC is the occurrence of a default by the Corporate Debtor. 'Default' means non-payment of debt in whole or part when the debt has become due and payable and debt means a liability or obligation in respect of a claim which is due from any person and includes financial debt and operational debt. The definition of 'debt' is also expansive and the same includes inter alia financial debt. The definition of 'Financial Debt' in Section 5(8) of IBC does not expressly exclude an interest free loan. 'Financial Debt' would have to be construed to include interest free loans advanced to finance the business operations of a corporate body."

8.26 In view of the foregoing discussion, we are satisfied that the amount advanced by the Applicant under the Security Deposit Agreement constitutes a financial debt within the meaning of Section 5(8) of the IBC; the contractual provisions relied upon by the CD do not extinguish its repayment obligations; the defence founded upon the Money-Lending Act and the disputed status recorded by the Information Utility is without merit.

8.27 The Applicant has successfully established the occurrence of default in excess of the statutory threshold as prescribed under Section 4 of IBC, 2016; the defaulted debt is within limitation, and the application is otherwise complete.

8.28 In view of the above, we find that requisite conditions necessary to trigger CIRP in respect of the CD are fulfilled; the Application is complete as all the relevant documents have been attached by the Applicant along with the Application. As a result, the matter deserves to be admitted under Section 7 of the IBC.

8.29 We make it clear that at this stage we have not crystallised the amount as claimed in this Application; the same is left to be collated by the IRP.

ORDER

In view of the aforesaid findings, this Application, being C.P. (IB) 1063/MB/2025, filed under Section 7 of IBC, 2016, by Pen India Pvt. Ltd., the FC, for initiating CIRP in respect of Reliance Entertainment Studios Private Limited, the CD, is **admitted.**

We further declare a moratorium under Section 14 of IBC, 2016, with consequential directions as mentioned below:

I. We prohibit:

a) the institution of suits or continuation of pending suits or proceedings against the CD including the execution of any judgment, decree, or order in any court of law, tribunal, arbitration panel, or other authority;

b) transferring, encumbering, alienating, or disposing of by the CD any of its assets or any legal right or beneficial interest therein;

c) any action to foreclose, recover, or enforce any security interest created by the CD in respect of its property, including any action under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, and;

d) the recovery of any property by an owner or lessor where such property is occupied by or in possession of the CD.

II. That the supply of essential goods or services to the CD, if continuing, shall not be terminated or suspended or interrupted during the moratorium period.

III. That the order of moratorium shall have effect from the date of this order till the completion of the CIRP or until this Tribunal approves the resolution plan under Section 31(1) of the IBC or passes an order for the liquidation of the CD under Section 33 thereof, as the case may be.

IV. That the public announcement of the CIRP shall be made immediately as specified under Section 13 of the IBC read with Regulation 6 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016.

V. That this Bench hereby appoints **Mr. Umesh Balaram Sonkar**, having Registration No. as IBBI/IPA-001/IP-P-02619/2021-2022/14043 and **e-mail rosonkar1603@gmail.com,** having valid Authorisation for Assignment up to 31.12.2026, from the panel as provided by the IBBI, as the IRP in this matter.

VI. That the fee payable to IRP/RP shall be in accordance with such Regulations/Circulars/ Directions as may be issued by the IBBI.

VII. That during the CIRP Period, the management of the CD shall vest in the IRP or, as the case may be, the RP in terms of Section 17 or Section 25, as the case may be, of the IBC. The officers and managers of the CD are directed to provide effective assistance to the IRP as and when he takes charge of the assets and management of the CD. Coercive steps will follow against them under the provisions of the IBC read with Rule 11 of the NCLT Rules, 2016 for any violation of the law.

VIII. In exercise of the powers under Rule 11 of the NCLT Rules, 2016, the OC is directed to deposit a sum of Rs.3,00,000/- (Three Lakh Rupees) with the IRP to meet the initial CIRP cost arising out of issuing public notice and inviting claims, etc. The amount so deposited shall be interim finance and paid back to the OC on priority upon the funds becoming available with IRP/RP from the Committee of Creditors (CoC). The expenses incurred by IRP out of this fund are subject to approval by the CoC.

IX. A copy of this Order be sent to the Registrar of Companies, Maharashtra, Mumbai for updating the Master Data of the Corporate Debtor.

X. Order to be communicated to all the Statutory Authorities by the IRP.

XI. A copy of the Order shall also be forwarded to the IBBI for record and dissemination on their website.

XII. The Registry is directed to immediately communicate this Order to the OC, the CD and the IRP by way of Speed Post, e-mail and WhatsApp.

XIII. **Compliance report of the order by Designated Registrar is to be submitted today.**

Sd/-	**Sd/-**
NILESH SHARMA	**SAMEER KAKAR**
MEMBER (JUDICIAL)	**MEMBER (TECHNICAL)**

//AS//