NATIONAL COMPANY LAW TRIBUNAL
INDORE BENCH
COURT NO. 1

ITEM No.204
CP(IB)/11(MP)2026

Order under Section 7 IBC

IN THE MATTER OF:

Hinduja Leyland Finance Ltd ....**Applicant**
V/s
SMO Ferro Alloys Pvt Ltd ....**Respondent**

Coram:

Hon'ble Shri Brajendra Mani Tripathi, Member (J)
Hon'ble Shri Man Mohan Gupta Member (T)

PRONOUNCEMENT OF ORDER
Delivered on 13/08/2026

The case is fixed for pronouncement of the order.

The order is pronounced in open Court *vide* separate sheet.

SD/- **SD/-**

MAN MOHAN GUPTA
MEMBER (TECHNICAL)

BRAJENDRA MANI TRIPATHI
MEMBER (JUDICIAL)

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IN THE NATIONAL COMPANY LAW TRIBUNAL

INDORE BENCH

CP(IB)/11(MP)2026

[Application 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:

Hinduja Leyland Finance Limited

(CIN: U65993MH2008PLC384221), a non-banking financial company incorporated under the Companies Act, 2013, having its registered office at Plot No. C-21, Tower C (1–3 floors), G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400051, represented through its Authorised Signatory and Legal Head, Mr. Harsh Kumar, operating from the office situated at 212-214, 2nd Floor, Evershine Tower, Amrapali Circle, Vaishali Nagar, Jaipur – 302021, GST No. 08AACCH0877E1ZD.

...Petitioner/Financial Creditor

Versus

M/s SMO Ferro Alloys Private Limited

(Now known as M/s SMO Ferro Alloys Limited)

(CIN: U10994MP2018PTC047166), a company incorporated on 29.11.2018 under the Companies Act, 2013, having its registered office at 1, Wahid Villa, Wahid Nagar, Old Bypass Road, Ratlam – 457001, Madhya Pradesh.

...Respondent/Corporate Debtor

Order Pronounced on: 13.08.2026

CORAM:

Hon'ble Mr. Brajendra Mani Tripathi, Member (Judicial)

Hon'ble Mr. Man Mohan Gupta, Member (Technical)

APPEARANCE:

For the Petitioner/Financial Creditor: Mr. Shashwat Seth, Adv. a.w. Mr. Paritosh Seth, Adv (Physical)

For the Respondent/Corporate Debtor: Mr. Vivek Dalal, Adv. a.w. Ms. Khushi Patel, Adv (Physical)

O R D E R

1. This is an Application filed by **Hinduja Leyland Finance Limited** ("the Financial Creditor"/"the Petitioner") under Section 7 of the Insolvency and Bankruptcy Code, 2016 ("the Code"/"IBC"), read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016, seeking initiation of the Corporate Insolvency Resolution Process ("CIRP") against **M/s SMO Ferro Alloys Private Limited**, now known as M/s SMO Ferro Alloys Limited ("the Corporate Debtor"), in respect of a financial debt and default alleged to aggregate Rs. **117,28,79,394.89/-** (Rupees One Hundred Seventeen Crore Twenty-Eight Lakh Seventy-Nine Thousand Three Hundred Ninety-Four and Paise Eighty-Nine only), arising out of eight interconnected Loan Against Property ("LAP") facilities aggregating Rs. **110,00,00,000**/- sanctioned and disbursed by the Petitioner on 05.08.2024 to the Corporate

Debtor and other members of a common borrowing group, including M/s Owais Metal & Mineral Processing Limited and members of the Sayyed/Saiyyed family.

2. Upon perusal of **Part I of Form 1**, it is noted that the application is filed by Hinduja Leyland Finance Limited, a non-banking financial company having its registered office at Bandra Kurla Complex, Mumbai, and that the person authorised to file the application is Mr. Harsh Kumar, Regional Legal Manager of the Petitioner, in whose favour an Authorisation Letter/Board Resolution is annexed as Annexure P/2.

3. **Part II of the application in Form 1** reveals that the Respondent/Corporate Debtor, M/s SMO Ferro Alloys Private Limited (CIN: U10994MP2018PTC047166), is a company incorporated on 29.11.2018, having its registered office at Wahid Nagar, Old Bypass Road, Ratlam, Madhya Pradesh, and having a nominal share capital of Rs. 10,00,00,000/- and paid-up share capital of Rs. 8,95,13,850/-, squarely within the territorial jurisdiction of this Tribunal under Section 60(1) of the Code.

4. **Part III of the application in Form 1** reveals that the Applicant has proposed the name of Mr. Rajesh Lohia (IBBI Registration No. IBBI/IPA-002/IP-N00069/2016-17/10095), AFA Valid till – 31.012.2026, as the Interim Resolution Professional ("IRP"), together with his written communication of consent in Form 2, annexed as Annexure P/20.

5. **Part IV of the application** reveals that the amount claimed to be in default by the Petitioner is Rs. 117,28,79,394.89/- as on 25.11.2025, arising out of the eight interconnected LAP facilities referred to above. Upon occurrence of default, the account was classified as a Non-Performing Asset (NPA) on 05.08.2025, following the requisite period of continuing default. The details of the eight loan accounts are tabulated below:

Sr. No.	Loan Account No. HLF Ref. No.	Primary Borrower	Status of SMO Ferro Alloys Pvt. Ltd	Sanctioned Amount (Rs.)	Outstanding as on 25.11.2025 (Rs.)	Disbursement Date
1	RJJPJPC000013 RJJPJPA000129	Mr. Sayyad Mohabbat Ali	Co-borrower	10,00,00,000	10,70,82,138.87	05.08.2024
2	**RJJPJPC000014 RJJPJPA000125**	**M/s SMO Ferro Alloys Pvt. Ltd.**	**Primary Borrower**	**15,00,00,000**	**15,97,70,348.17**	**05.08.2024**
3	RJJPJPC000015 RJJPJPA000126	Mr. Saiyyed Akhtar Ali	Co-borrower	15,00,00,000	15,96,81,783.35	05.08.2024

Sr. No.	Loan Account No. HLF Ref. No.	Primary Borrower	Status of SMO Ferro Alloys Pvt. Ltd	Sanctioned Amount (Rs.)	Outstanding as on 25.11.2025 (Rs.)	Disbursement Date
4	RJJPJPC 000016 RJJPJPA 000128	Mrs. Rafia Ali	Co-borrower	15,00,00,000	15,58,14,556.09	05.08.2024
5	RJJPJPC 000017 RJJPJPA 000127	M/s. Owais Metal & Mineral Processing Ltd.	Co-borrower	15,00,00,000	16,06,99,455.09	05.08.2024
6	RJJPJPC 000018 RJJPJPA 000132	Mr. Sayyed Owais Ali	Co-borrower	15,00,00,000	16,08,68,745.29	05.08.2024
7	RJJPJPC 000019 RJJPJPA 000133	Mr. Sayyed Murtuza Ali	Co-borrower	15,00,00,000	16,06,43,778.09	05.08.2024
8	RJJPJPC 000020 RJJPJPA 000124	Mr. Sayyad Akhtar Ali	Co-borrower	10,00,00,000	10,83,39,190.04	05.08.2024
		TOTAL		**1,10,00,00,000**	**117,28,79,394.89**	

SUBMISSIONS ON BEHALF OF THE PETITIONER/APPLICANT (AS PLEADED IN THE APPLICATION)

6. The facts narrated by the Applicant are stated hereinbelow:

    i. Pursuant to loan applications submitted in June 2024 and a Credit Appraisal Memo followed by a Sanction Letter dated 03.07.2024, the Petitioner sanctioned eight separate Loan Against Property facilities, aggregating Rs. 1,10,00,00,000/-, to the Corporate Debtor and members of a common borrowing group comprising M/s Owais Metal & Mineral Processing Limited, Mr. Sayyad Akhtar Ali, Mr. Sayyed Owais Ali, Mr. Sayyad Mohabbat Ali, Mrs. Rafia Ali and Mr. Sayyed Murtuza Ali, with the Corporate Debtor figuring as primary borrower in one accounts and as co-borrower/guarantor in the remaining seven.

    ii. All eight facilities were disbursed on a single date, 05.08.2024, through RTGS transfer to the designated accounts of the respective borrowers, with EMIs commencing the same day and no moratorium period.

    iii. The facilities were secured by (a) registered equitable mortgages over fourteen immovable properties in the Ratlam and Meghnagar districts of Madhya Pradesh, valued at approximately Rs. 180 crore, created by deposit of title deeds and registered with the Sub-Registrar, Ratlam, and with CERSAI; (b) pledge of 9,35,542 equity shares of the Corporate Debtor and (c) personal guarantees of the various co-borrowers and related entities.

iv. The Corporate Debtor and the co-borrowers made sporadic EMI collections in August–September 2024, but thereafter failed to remit the instalments due from October 2024 onward, resulting in classification of the accounts as Non-Performing Assets after ninety days of continuing default.

v. Demand notice under Section 13(2) of the SARFAESI Act, 2002, was issued on 18.08.2025, calling upon the Corporate Debtor and all co-borrowers/guarantors to clear the outstanding dues within sixty days; the statutory period expired on 17.10.2025 without payment. A further legal notice cum intimation of the proposed Section 7 action was issued on 09.10.2025.

vi. As on 25.11.2025, the total amount in default across all eight accounts stood at Rs. 117,28,79,394.89/-, comprising principal, accrued interest at 13% p.a., pre-EMI/overdue charges, bounce/AFC charges, and foreclosure/miscellaneous charges, particulars whereof are set out in the table below:

Component	Amount (Rs.)	%	Remarks
Principal Outstanding	1,10,00,00,000	93.77%	Residual principal across 8 accounts

Component	Amount (Rs.)	%	Remarks
Accrued Interest @ 13% p.a.	4,90,00,000	4.18%	Oct 2024 – Nov 2025 (approx. 13 months)
Pre-EMI / Overdue Charges	1,20,00,000	1.02%	Accumulated during default period
Bounce / AFC Charges	15,00,000	0.13%	Charges for failed/returned EMIs
Foreclosure & Misc. Charges	3,79,394.89	0.03%	Late-payment penalties, administrative charges
Total Outstanding	**117,28,79,394.89**	**100%**	As on 25.11.2025

vii. The Petitioner has relied upon, inter alia, the loan applications and agreements, the Sanction Letter dated 03.07.2024, the Board Resolution of the Corporate Debtor authorising the borrowing (Annexure P/6), disbursement records, the registered Deed of Mortgage dated 24.10.2024 (Annexure P/9), the CESARI Report (Annexure P/14), the Section 13(2) notice (Annexure P/15), and account statements (Annexure P/13) evidencing the default, and has averred that no order of any court, tribunal or arbitral panel adjudicating on the debt is presently in existence.

viii. The Petitioner has averred that the Corporate Debtor's combined group turnover for FY 2023-24 was Rs. 317.83 crore, with the Corporate Debtor's own turnover at Rs. 123.66 crore, PAT of Rs. 12.86 crore, and net worth of Rs. 97.47 crore, and has contended that the default, in the face of such reported financial strength, reflects deliberate and wilful non-payment rather than incapacity to pay.

ix. The Petitioner has placed reliance on ***Innoventive Industries Ltd. v. ICICI Bank*, **(2018) 1 SCC 407, for the proposition that once debt and default are shown, the Adjudicating Authority has no discretion but to admit the Application, and has sought to distinguish ***Vidarbha Industries Power Ltd. v. Axis Bank Ltd.*, (2022) 8 SCC 352**, on facts.

x. The Petitioner has also referred to a connected application, CP(IB)/76(MP)/2025, filed by it against M/s Owais Metal & Mineral Processing Limited - a co-borrower under the very same eight facilities before this Tribunal.

xi. On the above basis, the Petitioner has prayed for admission of the Application, declaration of moratorium under Section 14 of the Code, and initiation of CIRP against the Corporate Debtor.

SUBMISSIONS ON BEHALF OF THE RESPONDENT/CORPORATE DEBTOR (AFFIDAVIT-IN-REPLY DATED 11.04.2026)

7. The Affidavit-in-Reply was affirmed by Mr. Sayyed Owais Ali, Director of the Corporate Debtor, and raises, in substance, the following submissions:

   i. It is pleaded that the loan facility extended by the Petitioner was “intrinsically linked” to an instalment payable to the State Government of Rajasthan for allocation of a mineralised mining block, this linkage being recorded, according to the Corporate Debtor, in the “Special Conditions” of the Sanction Letter dated 03.07.2024; and that pursuant thereto, Mr. Sayyed Owais Ali paid the State Government of Rajasthan towards the mining block allocation after receipt of the auction certificate confirming the bid in his favour (Annexure R/2).

   ii. It is averred that the State Government of Rajasthan “illegally and arbitrarily” revoked the auction certificate, in consequence whereof Writ Petition No. 18335 of 2025 was filed before the Hon'ble High Court of Rajasthan, wherein an order dated 23.09.2025 was passed (Annexures R/3 and R/4); and that the sum in question “presently remains tied to the outcome” of that petition, making the default “purely temporary”.

   iii. It is submitted that the Corporate Debtor continues to be a “viable and operational entity” with positive net worth, as reflected in its audited balance sheets (Annexure R/5), and that the default is attributable not to financial mismanagement but to the "extraneous" conduct of the State Government of Rajasthan.

iv. It is pleaded that the Corporate Debtor "did not possess the borrowing capacity" to undertake or guarantee a liability of the magnitude claimed, in the absence of a Special Resolution under **Section 180(1)(c) of the Companies Act, 2013**, and that any purported liability beyond the aggregate of its paid-up capital and free reserves is ultra vires, void, and legally unenforceable.

v. Reliance is placed on ***Vidarbha Industries Power Ltd. v. Axis Bank Ltd.*** (**supra**) for the submission that the word "may" in Section 7(5)(a) of the Code confers discretion on this Tribunal to keep the Application in abeyance notwithstanding the existence of debt and default, pending adjudication of the mining-block dispute.

vi. It is further pleaded that the enforceability of the security documents relied upon by the Petitioner is under challenge in a suit filed by the Corporate Debtor and its co-borrowers before the **Commercial Court, Indore**, and that the present proceedings have accordingly "become non-est" and ought to be kept in abeyance pending that suit.

vii. It is contended that the Petitioner has failed to furnish an authenticated record of default from an **Information**

Utility as contemplated under Section 7(3) of the Code and Regulation 20(1A) of the IBBI (Information Utilities) Regulations, 2017, rendering the Application "procedurally incomplete".

viii. In its paragraph-wise response, the Corporate Debtor does not deny the particulars of its incorporation and business activities or the existence of the interconnected group structure. However, it emphatically denies that it has "deliberately and wilfully" failed to make payment of any due and payable amounts, contending that the alleged default is purely temporary and occasioned by extraneous circumstances beyond its control. It further submits that the interconnected group structure was the basis for extending the present loan facilities as part of a larger arrangement linked to the mining block allocation in favour of Mr. Sayyad Owais Ali, who is also a co-borrower.

ix. The Corporate Debtor disputes the particulars of the eight alleged Loan Against Property (LAP) facilities and the purported disbursements, characterising the Financial Creditor's assertions as vague and unspecific. It contends that the Application does not provide specific particulars of the date of disbursement of each facility, the respective loan accounts and the mode of disbursement and, on this basis, alleges that the Section 7 proceedings are defective and non-maintainable.

x. The Corporate Debtor also disputes the particulars of default, alleging "material inconsistencies" in the dates of default and NPA classification reflected in the Application. It contends that such lack of clarity in the foundational facts renders the Application vague and non-maintainable.

xi. The Corporate Debtor denies the computation of the outstanding amounts, EMIs, pre-EMI charges, bounce charges and other alleged dues, contending that the same are based on "incorrect and inconsistent data".

xii. The Corporate Debtor asserts that it continues to be a viable going concern with positive net worth and healthy financials, as reflected in its audited balance sheets. It contends that the alleged default is not attributable to any financial mismanagement or inherent insolvency of the Corporate Debtor, but to the alleged illegal revocation of the mining block allotment by the State Government of Rajasthan, which is stated to be sub judice. It also disputes the allegation of "wilful default" and relies upon the surrounding circumstances and the discretion vested in this Tribunal under Section 7(5)(a) of the IBC.

xiii. The Corporate Debtor has prayed that this Hon'ble Tribunal be pleased to (a) dismiss the Section 7 Application; (b) in the alternative, keep the proceedings in abeyance pending adjudication of Writ Petition No. 18335 of 2025 and/or the suit before the Commercial Court, Indore; and (c) pass such other order as it deems fit in the interest of justice.

REJOINDER FILED ON BEHALF OF THE PETITIONER (DATED 05.06.2026)

8. The Petitioner filed a Rejoinder dated 05.06.2026 to the Affidavit-in-Reply, denying all averments therein save those specifically admitted, and describing the Reply as “a calculated attempt to obstruct legitimate insolvency proceedings” designed to deflect from the fact that the Corporate Debtor and its co-borrowers received Rs. 110 crore from the Petitioner, were declared NPA, and owe Rs. 1,17,28,79,394.89/- as on the date of filing.

9. The Petitioner has relied on *Innoventive Industries* for the proposition that once debt and default are shown, the Adjudicating Authority has no discretion to refuse admission, and has submitted that Section 7 proceedings are not recovery proceedings requiring adjudication of every dispute raised by way of defence.

10. As regards ***Vidarbha Industries*****,** the Petitioner has submitted that the judgment turned on its own exceptional facts and does not lay down a general proposition that every pending litigation justifies keeping a Section 7 application in abeyance, and has distinguished the present case on the ground that (a) the default exceeds Rs. 117 crore; (b) the default period exceeds 393 days; (c) all statutory steps have been exhausted; and (d) no court has stayed the present proceedings.

11. On the linkage pleaded between the loan and the Rajasthan mining block, the Petitioner has denied that the Sanction Letter dated 03.07.2024 makes repayment contingent on the mining venture, and has pointed out that the facility was sanctioned for "Loan Against Property (LAP) for working capital requirement for providing Bank Guarantee Limit against auction payment", This was a commercial, arm's-length transaction whose "Special Conditions" do not suspend or excuse the EMI obligations; the end-use of the funds, once disbursed against end-use certificates furnished by the Corporate Debtor, is a matter of the borrower's own commercial choice and does not affect its independent obligation to repay.

12. The Sanction Letter dated 03/07/2024 contains the contractual terms binding on the parties. The 'Special Conditions' referenced by the Corporate Debtor do not, and cannot, be interpreted to mean that the Financial Creditor's right to recover its loan is contingent upon the success or failure of the mining block allocation. Such an interpretation is commercially absurd and legally untenable. No such condition suspending repayment Hinduja Leyland Finance Ltd. The repayment was structured through monthly EMIs commencing from 05- 08-2024, and this obligation is absolute and unconditional.

13. The fact that Rs. 110 Crores was paid by Mr. Sayyad Owais Ali to the State Government of Rajasthan for the mining block allocation is a matter between Mr. Owais Ali and the State Government. The Financial Creditor extended a loan to the Corporate Debtor and its co-borrowers, which was secured by

registered equitable mortgages over immovable properties. The end-use of loan proceeds does not, in any manner, affect or diminish the Corporate Debtor's obligation to repay the loan as per the agreed EMI schedule. The Corporate Debtor chose to use the loan funds for this purpose after giving end-use certificates; it cannot now use its own investment decision as a defense to avoid repayment.

14. The Petitioner has denied that it is in any manner connected with, or bound by the outcome of, the disputes between Mr. Sayyed Owais Ali and the State Government of Rajasthan, to which it is not a party, and has submitted that the interim order dated 23.09.2025 relates only to the mining block allocation and does not stay or otherwise affect the present proceedings.

15. It is firmly denied that the sum of Rs. 100 Crores 'presently remains tied to the outcome of the proceedings' before the High Court of Rajasthan in any manner that makes the default 'purely temporary.' The default commenced in October 2024. The NPA classification occurred on 05-08-2025 after 90+ days of non-payment. The SARFAESI Section 13(2) notice was issued on 18-08-2025. The 60-day statutory recovery period expired on 17-10-2025 without any payment. The outcome of litigation before the High Court of Rajasthan is speculative, future, and uncertain. A speculative future recovery cannot constitute a defense to present, actual, and crystallized insolvency proceedings.

16. The Petitioner has submitted that the Corporate Debtor's claim to be a **"viable and operational entity**" with positive net worth is irrelevant to admission under Section 7, which requires proof only of debt and default and not of commercial insolvency, relying again on *Innoventive Industries* (supra); and has added that if the Corporate Debtor indeed possesses the net worth claimed, its failure to service admittedly modest monthly instalments (aggregating approximately Rs. 1.84 crore across all eight accounts) is itself indicative of a wilful, rather than incapacitated, default.

17. The Corporate Debtor knowingly and voluntarily undertook borrowing obligations. It executed binding loan agreements, provided security by way of registered mortgages, and issued end-use certificates. Having consumed the loan amount, it cannot now, post-default, characterize its own inability to repay as an 'external circumstance.' The Corporate Debtor's own decisions borrowing Rs. 110 Crores, deploying it for mining block acquisition, and failing to create alternative sources of repayment are entirely within its own sphere of responsibility.

18. On the objection founded on **Section 180(1)(c) of the Companies Act, 2013,** the Petitioner has submitted that the objection is an afterthought; that the Corporate Debtor's own Board Resolution, submitted prior to disbursement (Annexure P/6), expressly authorised the borrowing; that the Corporate Debtor accepted and deployed the entire sanctioned amount and is estopped from now disowning the transaction; and that whether an additional Special Resolution was internally

required is a matter of the Corporate Debtor's own governance, in respect of which a lender acting bona fide on the documents furnished to it, including a Final Credit Appraisal Memo dated 19.06.2024 (Annexure P/8), cannot be penalised — invoking the doctrine of indoor management and Section 166 of the Indian Contract Act, 1872.

19. As regards the objection founded on the pending suit before the Commercial Court, Indore, the Petitioner has submitted that the suit is a “defensive, counter-litigation tactic”, that the mortgages were duly executed and registered, and that the mere filing of a suit challenging security documents does not affect the validity of the underlying debt, which arises independently from the loan agreements.

20. On the objection founded on the absence of a record of default from an Information Utility, the Petitioner has submitted that Regulation 20(1A) of the IBBI (Information Utilities) Regulations, 2017, is procedural and not a mandatory precondition to admission, and that the CESARI Report (Annexure P/14), the account statements (Annexure P/13), the SARFAESI notice (Annexure P/15), and the loan agreements (Annexure P/4) are more than sufficient to establish debt and default.

21. On the discrepancy in dates pointed out by the Corporate Debtor, the Petitioner has reiterated that the default commenced in October 2024, that the accounts were classified NPA after ninety days of continuing default, that the Section

13(2) notice was issued on 18.08.2025, and that the sixty-day statutory period expired on 17.10.2025 without payment — a timeline the Petitioner describes as "clear and consistent" — and has submitted that the objection regarding the precise computation of the outstanding amount, unaccompanied by any alternative computation or demonstrated arithmetical error, is "vague, general, and unsupported".

22. The Petitioner has accordingly prayed that the Affidavit-in-Reply be rejected in its entirety and that the Application under Section 7 be admitted, with initiation of CIRP, declaration of moratorium under Section 14, and appointment of an Interim Resolution Professional.

ANALYSIS AND FINDINGS

23. We have heard learned counsel for the Petitioner and learned counsel for the Corporate Debtor at length, and perused the Application, the Affidavit-in-Reply, the Rejoinder, the Written Submissions, and the documents annexed thereto. The following issues arise for our consideration, and we deal with them in turn.

Issue I: Whether the Petitioner has established the existence of financial debt owed by the Corporate Debtor, as a co-borrower, and whether a default has occurred in respect thereof exceeding the threshold prescribed under Section 4 of the Code?

24. The existence of financial debt within the meaning of Section 5(8) of the Code is borne out from the loan applications,

Sanction Letter dated 03.07.2024, Board Resolution of the Corporate Debtor, Loan Agreements, RTGS disbursement records, registered Deed of Mortgage dated 24.10.2024, CERSAI registration and the account statements placed on record. The Corporate Debtor does not dispute the existence of the loan facilities or its participation as a borrower or co-borrower. Rather, its own case is that the loan facilities formed part of an interconnected arrangement and that the funds were utilised towards payment relating to the mining block in favour of its co-borrower, Mr. Sayyed Owais Ali. The said stand itself acknowledges the underlying borrowing arrangement and utilisation of the financial facilities.

25. The material placed on record establishes that the loan facilities were sanctioned and disbursed pursuant to the contractual arrangements under which the Corporate Debtor stood as a co-borrower. The objection raised by the Corporate Debtor regarding the purpose for which the funds were utilised, or the circumstances which allegedly resulted in the default, does not negate the character of the underlying liability as a **financial debt**. Likewise, the plea that the default arose on account of circumstances relating to the mining block does not dispute the subsistence of the repayment obligation arising under the loan documents.

26. As regards default, the account statements and other contemporaneous documents placed on record demonstrate non-payment of the amounts falling due under the loan

facilities. The Corporate Debtor has not denied the underlying repayment obligation but has sought to explain the non-payment by reference to the circumstances surrounding the mining block. Such explanation may constitute a defence as to the circumstances leading to default, but does not, by itself, efface the occurrence of default within the meaning of Section 3(12) of the Code.

27. The financial debt and the default being established from the contractual documents, disbursement records and statement of accounts, and the Corporate Debtor having admittedly participated in the borrowing arrangement as a borrower and a **co-borrower**, we hold that the existence of financial debt and occurrence of default stand established for the purposes of the present proceedings.

Issue II: Whether the inconsistency in the dates of default/NPA classification stated in the Petitioner's pleadings affects the maintainability or admission of the Section 7 Application?

28. The Corporate Debtor has specifically raised an objection regarding the alleged inconsistency in the dates of default and NPA classification appearing in the Application. It is therefore necessary to examine whether the discrepancy in the dates affects the existence of default or the maintainability of the proceedings.

29. As noted above, the date of occurrence of default and the subsequent date of classification of the account as NPA are required to be considered in the context of the Section 13(2) notice dated 18.08.2025 and the Statement of Account forming part of the record.

30. However, the discrepancy between the aforesaid dates, by itself, does not displace the underlying and continuing default reflected from the account records. The relevant consideration under Section 7 is whether a financial debt exists and whether a default has occurred. Once the occurrence of default is otherwise established from the contemporaneous financial records, a discrepancy in the description of the date of NPA classification, particularly where it does not alter the fact of non-payment, cannot by itself render the Application non-maintainable.

31. We therefore find that the inconsistency in the dates of default/NPA classification calls for appropriate reconciliation of the record but does not, in the facts of the present case, negate the existence of financial debt or the occurrence of default, nor does it constitute a ground by itself for declining admission of the Section 7 Application. **In any event, irrespective of which of the aforesaid dates is taken as the operative date of default, the present Application falls within the prescribed period of limitation, and the discrepancy in the dates of default/NPA classification does not render the Application time-barred.**

Issue III: Whether the absence of a record of default from an Information Utility renders the Application incomplete?

32. Section 7(3)(a) of the Code requires a financial creditor to furnish, along with the application, a *"record of the default recorded with the information utility or such other record or evidence of default as may be specified."* An Information Utility record is one mode of proof, not the only one. Here, default is independently evidenced by the loan documentation, the disbursement trail, the SARFAESI notices, and most significantly the Corporate Debtor's own admission in its Reply. It is a settled proposition, as also mentioned by the applicant, that a sworn pleading which admits receipt of loan money, deployment of the money, and present inability to repay is itself irrefutable evidence of default. Facts admitted need not be formally proved over again.

33. We are accordingly unable to accept the submission that the absence of an Information Utility record renders the Application incomplete or non-est.

Issue IV: Effect of the pendency of Writ Petition No. 18335 of 2025 before the Hon'ble High Court of Rajasthan ?

34. The main defence of the Corporate Debtor is based on the pendency of Writ Petition No. 18335 of 2025, relating to the revocation of an auction certificate for allocation of a mining block, and the interim order dated 23.09.2025 passed therein. Having considered the record, we do not find any connection between the said proceedings and the debt or default involved

in the present case. To begin with, the Petitioner is not a party to the said writ petition. The dispute in those proceedings is between the individual co-borrower, Mr. Sayyad Owais Ali, and the State Government of Rajasthan, in respect of a separate transaction.

35. More importantly, the interim order dated 23.09.2025, relied upon by the Corporate Debtor and filed as Annexure R/4, is confined to the issue of revocation of the auction certificate. The order does not deal with the loan facilities granted by the Petitioner, the default committed by the Corporate Debtor, or its obligation to repay the amounts due to the Petitioner. Thus, there is nothing in the said order, either by way of an interim observation or otherwise, which affects the Petitioner's claim against the Corporate Debtor. The debt and default in question are therefore independent of the writ proceedings and cannot be made dependent upon the eventual outcome of those proceedings.

36. In this context, we find substance in the submission made by the Petitioner in its Rejoinder that it had not financed any speculative joint venture with the State Government of Rajasthan and, therefore, cannot be expected to bear the consequences of a dispute arising out of a separate transaction or to wait indefinitely for its outcome. The mere pendency of the said writ petition, particularly when the Petitioner is not a party thereto and its debt is not the subject matter of those proceedings, cannot defeat or postpone the Petitioner's right to proceed under the Code. The provisions of the Code, having

regard to the overriding effect given to them under Section 238, operate independently of such proceedings unless there is a specific order or finding which directly affects the debt or default in question.

Issue V: Effect of the pending suit before the Commercial Court, Indore, challenging the security documents

37. The Corporate Debtor's reliance on the suit pending before the Commercial Court, Indore, challenging the validity of certain mortgage/security documents, stands on no firmer footing. Section 7 is concerned with the existence of financial debt and default; the enforceability of security is a distinct and severable question that does not bear on whether the underlying debt is owed. Even assuming the security documents are eventually held unenforceable in whole or in part, the loan agreements and the obligation to repay would survive independently. No order of stay has, in any event, been shown to have been passed by the Commercial Court in relation to the present proceedings.

Issue VI: Whether the Corporate Debtor's plea founded on Section 180(1)(c) of the Companies Act, 2013, constitutes a valid defence to admission under Section 7 of the Code ?

38. The Corporate Debtor contends that it lacked the corporate capacity to borrow, or to stand as co-borrower/guarantor for, a sum of the magnitude in question, in the absence of a Special Resolution under Section 180(1)(c) of the Companies Act, 2013, and that any liability beyond its paid-up capital and free reserves is accordingly ultra vires and unenforceable.

39. We are unable to accept this contention, for more than one reason. *First*, it is not disputed that the Corporate Debtor's own Board Resolution, furnished to the Petitioner prior to disbursement and annexed to the Application as Annexure P/6, expressly authorised the borrowing; the Corporate Debtor, having furnished that resolution, accepted disbursement of the entire sanctioned sum, executed the Loan Agreements and security documents, and furnished end-use certificates, cannot now be heard to impeach the very resolution on the strength of which it obtained the facility. *Second*, whether an additional Special Resolution was internally required, over and above the Board Resolution furnished, is a matter of the Corporate Debtor's own internal governance and compliance; a lender who, as here, has conducted a documented credit appraisal (Final Credit Appraisal Memo dated 19.06.2024, Annexure P/8) and has advanced funds in good faith on the strength of a Board Resolution furnished by the borrower is entitled to rely on the doctrine of indoor management, and cannot be penalised for an internal irregularity. The Corporate Debtor, having accepted and acted upon the borrowing, cannot at this stage rely upon an alleged internal irregularity to defeat the Petitioner's claim under Section 7.

40. Accordingly, the objection founded on Section 180(1)(c) does not constitute a valid defence to admission of the Section 7 Application.

CONCLUSION

41. In view of the foregoing discussion, we are satisfied that the present Application is complete in all respects; that a financial debt is owed by the Corporate Debtor to the Petitioner; that default has occurred in a sum far exceeding the threshold prescribed under Section 4 of the Code; that no disciplinary proceeding is shown to be pending against the proposed Interim Resolution Professional; and that none of the objections raised by the Corporate Debtor constitutes a valid ground to defer or decline admission, whether under the law as it stood prior to 26.05.2026 or under the amended Section 7(5) of the Code as it presently stands.

O R D E R

42. Accordingly, **CP(IB)/11(MP)/2026 is admitted.**

43. The Corporate Insolvency Resolution Process is initiated against M/s SMO Ferro Alloys Private Limited, now known as M/s SMO Ferro Alloys Limited (CIN: U10994MP2018PTC047166), with immediate effect.

44. Moratorium is declared under Section 14 of the Code, prohibiting: (a) institution or continuation of suits/proceedings against the Corporate Debtor, including execution of judgments/decrees; (b) transferring, encumbering, alienating or disposing of any asset or legal right/beneficial interest therein; (c) any action to foreclose, recover or enforce any security interest, including under the SARFAESI Act, 2002; and (d) recovery of property occupied by or in possession of the

Corporate Debtor, in terms of Section 14(1)(a) to (d) of the Code. The moratorium shall not apply to transactions notified under Section 14(3), and shall remain in effect from the date of this order until completion of CIRP, subject to Section 14(4).

45. Mr. Rajesh Lohia (IBBI Registration No. IBBI/IPA-002/IP-N00069/2016-17/10095), AFA Valid till 31.12.2026, having furnished his written consent in Form 2 (Annexure P/20) and having disclosed no pending disciplinary proceedings against him, stands appointed, in terms of Section 16(2) of the Code, as the Interim Resolution Professional. He shall take charge of the management of the Corporate Debtor forthwith and exercise all powers contemplated under Sections 17 to 20 of the Code.

46. We direct the Petitioner to deposit a sum of Rs. **1,00,000/- (Rupees One Lakh only)** with the Interim Resolution Professional to meet the immediate expenses of performing his functions, in accordance with Regulation 6 of the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016. The needful shall be done within one week of receipt of a copy of this order.

47. The Interim Resolution Professional shall make a public announcement forthwith under Section 15 read with Regulation 6 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, calling for submission of claims, and shall proceed to constitute the Committee of Creditors in accordance with law.

48. The Interim Resolution Professional shall perform all functions contemplated under, inter alia, Sections 15, 17, 18, 19, 20 and 21 of the Code, and shall conduct the process with due diligence and strictly in accordance with the Code, the Rules, and the Regulations framed thereunder. All personnel connected with the Corporate Debtor, its promoters, and any other person associated with its management are under a legal obligation, under Section 19 of the Code, to extend every assistance and cooperation to the Interim Resolution Professional as may be required for managing the day-to-day affairs of the Corporate Debtor.

49. A copy of this order be communicated to the Petitioner, the Corporate Debtor, and the Interim Resolution Professional. The Registry shall further forward a copy to the Registrar of Companies, Madhya Pradesh, and to the Insolvency and Bankruptcy Board of India, for their records.

50. Hence, **CP(IB)/11(MP)/2026 stands allowed.**

SD/-	**SD/-**
MAN MOHAN GUPTA	**BRAJENDRA MANI TRIPATHI**
MEMBER (TECHNICAL)	**MEMBER (JUDICIAL)**

Chandni – L.R.A