**NATIONAL COMPANY LAW TRIBUNAL**
**CHANDIGARH BENCH (Court-I), CHANDIGARH**

**I.A(I.B.C) No. 32/2026**
**IN**
**CP (IB) No. 301/Chd/Hry/2024**

*(Application under sub-section (1) of section 65 of the Insolvency and Bankruptcy Code, 2016 read with Rule 11 of the National Company Law Tribunal Rules,2016)*

**I.A(I.B.C) No. 32/2026**
**Monica Agarwal**
(DIN: 08833134)
W/o Hiren Agarwal
R/o House No. 95-B, Trikona Park, Model Town,
Yamunanagar, Haryana – 135001
Email: monicaagarwal971@gmail.com
Phone: 9416025966
Director and Shareholder of
Naryanam Organics Private Ltd.

...**Applicant**

**Versus**

**1. Sushil Kumar Agarwal**
H.No.-1057 Sector 17, HUDA, Yamuna Nagar,
Jagadhri, Haryana- 135003
Pan-AEYPA3644Q
Email – sushilkumaragg1941@gmail.com
Mob-99910-70166

**...Respondent no.1**

**2. Lata Agarwal**
H.No.-1057 Sector 17, HUDA, Yamuna Nagar,
Jagadhri, Haryana- 135003
Pan-AEYPA3660A

**...Respondent no 2**

**AND**
**IN THE MATTER OF CP (IB) No. 301/Chd/Hry/2024:**

Sushil Kumar Agarwal & Ors

...Petitioner-Financial Creditor

*Versus*

Naryanam Organics Private Ltd.

...Respondent-Corporate Debtor

**Order Delivered on: 10.09.2026**

**Coram: HON'BLE MR KHETRABASI BISWAL, MEMBER (JUDICIAL)**
**HON'BLE MR SHISHIR AGARWAL, MEMBER (TECHNICAL)**

**Present:**

| | | |
|---|---|---|
| **For the Applicant** | : | Mr. Avneet Singh, Advocate<br>Mr. Pranav Jain, Advocate |
| **For the Respondent** | : | Mr. Ankush Thakur, Advocate |

**ORDER**

1. The present Application, has been filed by Mrs. Monica Agarwal *(hereinafter referred to as the "Applicant")*, a Director of Narayanam Organics Private Limited *(hereinafter referred to as the "Corporate Debtor")*, under Section 65(1) of the Insolvency and Bankruptcy Code, 2016 *(hereinafter referred to as the "Code")* read with Rule 11 of the National Company Law Tribunal Rules, 2016 *(hereinafter referred to as "Rule"),* for seeking initiation of appropriate proceedings against the Respondents for allegedly initiating insolvency proceedings against the Corporate Debtor fraudulently and with malicious intent for purposes other than resolution of insolvency.

**SUBMISSIONS BY THE APPLICANT**

2. The Applicant submits that the Corporate Debtor was incorporated on 13.08.2020 under the Companies Act, 2013 and is engaged in the business of manufacture of chemical products. The paid-up share capital of the Corporate Debtor is stated to be ₹10,00,000/-. It is stated that the Applicant and her husband, Mr. Hiren Agarwal, are the only shareholders and Directors of the Corporate Debtor, each holding 50% of the issued and paid-up equity share capital. The list of shareholders is annexed as Annexure-1 to the Application.

3. It is submitted that the Respondents, namely Mr. Sushil Kumar Agarwal and Mrs. Lata Agarwal, are the father-in-law and mother-in-law of the Applicant and the parents of Mr. Hiren Agarwal. The Respondents have no shareholding, direct or indirect, in the Corporate Debtor and have no ownership or management control over it.

4. It is submitted that the Respondents have filed *CP (IB) No. 301/Chd/Hry/2024* under Section 7 of the Code seeking initiation of Corporate Insolvency Resolution Process ("CIRP") against the Corporate Debtor on the basis of alleged unsecured loans advanced in various tranches. According to the Applicant, the said proceedings have not been initiated for resolution of insolvency but are the result of strained family relations, personal disputes and ulterior motives.

5. The Applicant contends that the alleged transactions do not constitute "financial debt" within the meaning of Section 5(8) of the Code, as, according to her, there is no financial contract, agreed stipulation regarding interest or disbursement against consideration for the time value of money. It is further alleged that the claim amount has been exaggerated, interest has been computed unilaterally and material facts have been suppressed by the Respondents.

6. It is further submitted that the Respondents are related parties of the Corporate Debtor by virtue of their relationship with the Directors and that the Section 7 proceedings have been instituted as a means of coercion and arm-twisting and for settling personal and familial disputes. The Applicant submits that the Corporate Debtor is a solvent and running concern and

that there was no financial or operational insolvency warranting invocation of the Code.

7. The Applicant has relied upon the judgment of the Hon'ble National Company Law Appellate Tribunal in *Wave Megacity Centre Pvt. Ltd. v. Rakesh Taneja & Ors.*, wherein it has been observed that where insolvency proceedings are initiated fraudulently or maliciously for a purpose other than resolution of insolvency, the Adjudicating Authority is not obliged to admit the insolvency application merely because debt and default are otherwise established.

8. It is also submitted that *IA No. 1476/2025* was filed in CP (IB) No. 301/Chd/Hry/2024 seeking permission for the Applicant to represent the Corporate Debtor. The said application was dismissed by this Tribunal vide order dated 17.09.2025. A copy of the said order has been placed on record as Annexure-2. According to the Applicant, the said order records that no valid Board Resolution authorising such representation had been filed and that there was a dispute between the two Directors of the Corporate Debtor.

**SUBMISSIONS BY THE RESPONDENTS**

9. The Respondents have opposed the Application and denied the allegations of fraudulent or malicious initiation of insolvency proceedings. At the outset, it is submitted that the present Application is not maintainable as the Applicant has already been held, vide order dated 17.09.2025 passed in IA No. 1476/2025 in *CP (IB) No. 301/Chd/Hry/2024*, to be unauthorised to represent or act on behalf of the Corporate Debtor in the absence of a valid Board Resolution.

10. It is submitted that the Corporate Debtor is a separate legal entity and the Applicant cannot represent the Corporate Debtor without authority merely by virtue of being its Director or shareholder. According to the Respondents, the present Application seeks dismissal of the Section 7 petition filed against the Corporate Debtor without any authorisation from the Corporate Debtor.

11. On merits, the Respondents submit that their relationship with the Directors of the Corporate Debtor is only by virtue of family ties. They have never been shareholders, Directors, key managerial personnel or otherwise in control of the Corporate Debtor. Such familial relationship, according to the Respondents, does not disentitle them from maintaining proceedings under Section 7 of the Code if the ingredients of financial debt are satisfied.

12. The Respondents contend that the Code does not contain any prohibition against a person being related to the Directors of a Corporate Debtor from initiating proceedings under Section 7 merely on account of such relationship. They submit that the nature of the transaction and whether the ingredients of "financial debt" under Section 5(8) are satisfied have to be examined independently.

13. Reliance has been placed upon the judgment of the Hon'ble NCLT, Ahmedabad Bench, in Vrundavan Residency Private Limited v. Mars Remedis Private Limited, to contend that mere existence of a relationship between the lender and the Corporate Debtor, or the holding of shares through relatives or connected entities, does not by itself render the debt invalid or take away its character as financial debt.

14. The Respondents further submit that the Applicant has made general allegations of fraud and malice without pleading or establishing specific particulars as to when, how and in what manner the alleged fraud was committed. It is contended that expressions such as “personal vendetta”, “arm-twisting”, “coercion” and “malicious intent” cannot, without supporting material, satisfy the requirements of Section 65(1).

15. The Respondents have submitted that, pursuant to the order dated 05.12.2024 passed in CP (IB) No. 301/Chd/Hry/2024, they have placed on record the promissory notes allegedly executed by the Corporate Debtor, a duly notarised authorisation and the audited balance sheet of the Corporate Debtor for FY 2021-22, vide Affidavit of Compliance filed through Diary No. 03634/1 dated 26.12.2024. According to the Respondents, the audited balance sheet records the liability allegedly owed to the Financial Creditors and corroborates the underlying transactions.

16. The Respondents have further relied upon documents filed through Diary No. 03634/3 dated 27.01.2025, stated to evidence the payments made on account of the Corporate Debtor, and have referred to the same as Annexures-A2 and A3.

17. It is also submitted that the Applicant’s own Annexure-A1 (List of Charges) discloses two charges created by the Corporate Debtor in favour of Punjab National Bank, each for ₹1,00,00,000/-, created on 12.04.2021, aggregating to ₹2,00,00,000/-. The Respondents contend that this circumstance contradicts the Applicant’s assertion that the Corporate

Debtor is a solvent concern with no financial exposure warranting insolvency proceedings.

18. The Respondents have also submitted that the Corporate Debtor has not filed balance sheets or annual financial statements with the Registrar of Companies since its incorporation and, therefore, the Applicant's assertion regarding the financial position of the Corporate Debtor is unsupported.

**ANALYSIS AND FINDINGS**

19. We have heard the learned counsel for the parties and perused the material available on record carefully.

20. In view of the pleadings and submissions of the parties, the issue that arises for consideration is whether the Respondents initiated CP (IB) No. 301/Chd/Hry/2024 fraudulently or with malicious intent for a purpose other than resolution of insolvency, so as to attract Section 65(1) of the Code?

21. The present Application has been filed by the Applicant under Section 65(1) of the Code alleging that the Respondents have invoked the insolvency jurisdiction against the Corporate Debtor not for resolution of insolvency but on account of personal and familial disputes and with an ulterior motive to exert pressure upon the Applicant. The Applicant has sought imposition of penalty upon the Respondents and dismissal of CP (IB) No. 301/Chd/Hry/2024 on the ground that the same has allegedly been initiated fraudulently and maliciously.

22. Section 65(1) of the Code is attracted where the insolvency resolution process is initiated fraudulently or with malicious intent for any purpose

other than for the resolution of insolvency. Thus, the mere existence of a dispute regarding the debt, or even an erroneous claim, would not by itself be sufficient to invoke Section 65(1). What is required to be established is that the initiation of the insolvency proceedings was actuated by fraud or malicious intent and that such proceedings were initiated for a purpose other than resolution of insolvency.

23. In the present case, the Applicant primarily seeks to infer such intent from the familial relationship between the parties. It is not in dispute that the Respondents are the father-in-law and mother-in-law of the Applicant and the parents of Mr. Hiren Agarwal, who is one of the two Directors of the Corporate Debtor. It is also the Applicant's case that the Corporate Debtor is a closely held company in which the Applicant and her husband each hold 50% shareholding. According to the Applicant, the Section 7 proceedings are a consequence of disputes within the family and have been instituted as a means of coercion and arm-twisting.

24. However, the existence of a family relationship or strained relations between the parties cannot, in itself, lead to a finding that the insolvency proceedings were initiated fraudulently or maliciously. The Applicant was required to place material before us demonstrating that the Respondents invoked the jurisdiction of this Tribunal for a purpose wholly alien to the insolvency resolution process. The allegations of personal vendetta, coercion and ulterior motive, without supporting material demonstrating such purpose, cannot by themselves satisfy the requirements of Section 65(1) of the Code.

25. A substantial part of the Applicant's case is also founded upon the contention that the alleged transactions do not constitute “financial debt” under Section 5(8) of the Code, as according to the Applicant there was no financial contract, agreed rate of interest or consideration for the time value of money. The Applicant has further contended that the Respondents, being related to the Directors of the Corporate Debtor, could not have maintained the proceedings under Section 7 of the Code.

26. These contentions, however, essentially relate to the maintainability and merits of the Section 7 petition and cannot, in the absence of further material, be equated with fraudulent or malicious initiation of the insolvency process. Whether the amounts claimed by the Respondents constitute financial debt, whether there was an obligation to repay the amounts advanced, and whether the requirements of Section 7 are otherwise satisfied are matters which fall for consideration in CP (IB) No. 301/Chd/Hry/2024. A challenge to the claim of debt cannot, by itself, establish that the creditor approached the Adjudicating Authority with a fraudulent or malicious intention.

27. The contention regarding the Respondents being related parties also does not, by itself, advance the case under Section 65(1). The Respondents have specifically stated that although they are related to the Directors of the Corporate Debtor by virtue of their familial relationship, they have never been shareholders, Directors or persons in control of the Corporate Debtor. The mere existence of such relationship does not establish that the debt

claimed by them, if otherwise established, was created or asserted for a collateral purpose.

28. More importantly, the material referred to by the Respondents demonstrates that their claim was not founded merely upon an assertion of a debt unsupported by any material. The Respondents have stated that, pursuant to the order dated 05.12.2024 passed in the main Company Petition, they placed on record the promissory notes executed by the Corporate Debtor, a duly notarised authorisation and the audited balance sheet of the Corporate Debtor for FY 2021-22, vide Affidavit of Compliance filed through Diary No. 03634/1 dated 26.12.2024. They have also relied upon the documents filed vide Diary No. 03634/3 dated 27.01.2025 in support of the payments allegedly made on account of the Corporate Debtor.

29. At this stage, we are not called upon to determine finally whether the documents relied upon by the Respondents establish the financial debt claimed in CP (IB) No. 301/Chd/Hry/2024. That question has to be examined in the proceedings arising from the Section 7 petition. However, the existence of contemporaneous documents relied upon by the Respondents in support of their claim is a relevant circumstance while examining the allegation that the insolvency proceedings were initiated merely as a sham or for a collateral purpose. The material on record does not demonstrate that the Respondents initiated the proceedings on the basis of a claim which was ex facie fictitious or wholly unsupported.

30. The Applicant has also relied upon the order dated 17.09.2025 passed in IA No. 1476/2025 in CP (IB) No. 301/Chd/Hry/2024, filed as

Annexure-2, whereby the Applicant's request to represent the Corporate Debtor was dismissed in the absence of a valid Board Resolution and in view of the subsisting dispute between the two Directors. The said order, however, does not contain any finding regarding fraudulent or malicious initiation of the Section 7 proceedings by the Respondents. Consequently, the said order cannot be relied upon as material establishing the ingredients of Section 65(1).

31. The Applicant has further asserted that the Corporate Debtor is a solvent and running concern and that there was no financial insolvency warranting initiation of CIRP. The Respondents, on the other hand, have relied upon the List of Charges filed by the Applicant itself as Annexure-A1, pointing out that two charges of ₹1 crore each were created in favour of Punjab National Bank on 12.04.2021. The Respondents have also contended that the Corporate Debtor has not filed its balance sheets or annual financial statements with the Registrar of Companies since its incorporation. These circumstances may be relevant to the assessment of the financial position of the Corporate Debtor in the main proceedings; however, they do not, by themselves, establish that the Respondents approached this Tribunal with fraudulent or malicious intent.

32. The judgment of the Hon'ble NCLAT in *Wave Megacity Centre Pvt. Ltd. v. Rakesh Taneja & Ors.*, relied upon by the Applicant, lays down that where initiation of insolvency proceedings is found to be fraudulent or malicious and for a purpose other than resolution of insolvency, the Adjudicating Authority is not bound to admit the insolvency application merely because

debt and default are established. The proposition is not in dispute. However, the exercise of power under Section 65(1) necessarily depends upon a finding, based on the facts and material of the particular case, that the initiation was fraudulent or malicious and was for a purpose other than resolution of insolvency.

33. In the present case, no such material has been brought on record. The Applicant has essentially sought to draw an inference of mala fide intention from the familial relationship between the parties, the disputes between the Directors, the Applicant's objections to the alleged financial debt and her assertion regarding the solvency of the Corporate Debtor. These circumstances, even when considered cumulatively, do not establish that the Respondents initiated CP (IB) No. 301/Chd/Hry/2024 for a purpose other than resolution of insolvency.

34. It is also pertinent to note that Section 65(1) is not intended to provide an alternative forum for adjudicating the substantive objections to a Section 7 petition. The remedy under Section 65 is attracted where the manner and purpose of initiation itself is shown to be fraudulent or malicious. If the Applicant disputes the existence of financial debt, the amount claimed, the computation of interest or the occurrence of default, such objections have to be considered in the main Section 7 proceedings in accordance with the provisions of the Code.

35. Having considered the pleadings and material placed before us, we find that the Applicant has failed to establish the foundational requirement of Section 65(1), namely, that the Respondents initiated the insolvency

resolution process fraudulently or with malicious intent for a purpose other than resolution of insolvency. The allegations of mala fide intention remain unsupported by sufficient material, whereas the Respondents have demonstrated that their claim was accompanied by documents which they rely upon in support of the alleged financial liability.

36. Accordingly, the issue framed above is answered against the Applicant. The ingredients necessary for invoking Section 65(1) of the Code are not made out.

37. Accordingly, we find that the Applicant has failed to establish the essential ingredients of Section 65(1) of the Code. The allegation that the Respondents initiated CP (IB) No. 301/Chd/Hry/2024 fraudulently or with malicious intent is, therefore, not made out.

38. In result thereof, the Application bearing *I.A.(I.B.C) No. 32 of 2026* is **dismissed** and **disposed of**.

**Sd/-**

**(SHISHIR AGARWAL)**
**MEMBER (TECHNICAL)**

**Sd/-**

**(KHETRABASI BISWAL)**
**MEMBER (JUDICIAL)**
Ruhani



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