IN THE NATIONAL COMPANY LAW TRIBUNAL

DIVISION BENCH (COURT NO- II)

KOLKATA

I.A (IB) No. 1130/KB/2026

In

C.P (IB) No. 4/KB/2019

An application under Section 60(5) of the Insolvency and Bankruptcy Code, 2016.

IN THE MATTER OF:

J.M. FINANCIAL ASSET RECONSTRUCTION COMPANY LIMITED

...Financial Creditor

-Versus-

HOWRAH MILLS COMPANY LIMITED

...Corporate Debtor

-And-

IN THE MATTER OF:

ABINANDAN HOLDINGS PRIVATE LIMITED

...Applicant

-Versus-

SANJAI KUMAR GUPTA, Interim Resolution Professional of Howrah Mills Company Limited

...Respondent

Case Citation: (2026) ibclaw.in 3552 NCLT

IN THE NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH (COURT NO- II)
KOLKATA

Coram:

Shri. Labh Singh, Member (Judicial)

Ms. Rekha Kantilal Shah, Member (Technical)

Appearances (via Physical/Video Conference):

For the Applicant:

Mr. Joy Saha, Sr. Adv.

Mr. Rishav Banerjee, Adv.

Mr. Shaunak Mitra, Adv.

Mr. Rahul Sharma, Adv.

For the Interim Resolution Professional:

Mr. Rahul Auddy, Adv.

Mr. Aditya Gooptu, Adv.

Date of Pronouncement: 15.09.2026

O R D E R

Per: Rekha Kantilal Shah, Member (Technical)

1. The court convened through physical/hybrid mode.

2. The present Interlocutory Application has been filed by **Mr. Prashant Damani** authorized representative of **Abinandan Holdings Private Limited** (herein referred to as 'AHPL') *inter alia* seeking following reliefs:

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a) *Necessary Order and/or orders be passed staying any meeting of the Committee of Creditors of Corporate Debtor till adjudication of this instant application;*

b) *Necessary order and/or orders be passed directing the Interim Resolution Professional or Resolution Professional and the Committee of Creditors not to vote on any resolution in any meeting of the Committee of Creditors till disposal of the instant application;*

c) *Pass an order and/or direction thereby setting aside the decision of the Interim Resolution Professional classifying the Applicant to be a related party financial creditor;*

d) *Necessary direction be passed upon the Interim Resolution Professional/Resolution Professional to admit the financial debt of Abinandan Holding Private Limited as a secured financial debt;*

e) *Direct the Respondent to not take any irreversible or prejudicial steps on the basis of the Applicant's classification as a related party financial creditor, particularly in relation to any decision requiring the approval of the Committee of Creditors, pending adjudication of the present application;*

f) *Stay on the operation and effect of the decision of the Respondent classifying the Applicant to attend the CoC of meeting till adjudication/decision of the present application;*

g) *Ad-interims orders in terms of the prayers above;*

h) *Pass any other or further order(s) as this Learned Tribunal may deem fit and proper.*

3. **BRIEF FACTS OF THE CASE**

I. The Applicant, **Abinandan Holdings Private Limited** (herein referred to as "AHPL"), is a company incorporated under the provisions of the Companies Act, 1956 and is stated to be a Non-Deposit Taking Non-Banking Financial Company (ND-NBFC). The Applicant is registered with the Reserve Bank of India and holds a Certificate of Registration issued by the RBI.

II. The Applicant and the Corporate Debtor entered into a **Memorandum of Understanding** (herein referred to as 'MOU') **dated 16.04.2014**, whereby the Corporate Debtor agreed to sell approximately 25,300 sq. ft. of super built-up area in its proposed residential project to the Applicant for an agreed consideration. The Applicant made payments pursuant to the said arrangement.

III. As the Corporate Debtor failed to commence the construction within the stipulated period, the parties subsequently entered into another **MOU dated 01.04.2017**, recording the outstanding amount payable by the Corporate Debtor and providing, inter alia, for payment of interest and security over the assets of the Corporate Debtor. The Corporate Debtor, however, failed to repay the outstanding dues in accordance with the agreed terms.

IV. Thereafter, the parties entered into further arrangements, including the **MOU dated 14.08.2020**, for restructuring/repayment of the outstanding dues. Under the

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arrangement dated 14.08.2020, the Applicant was also provided for appointment of a nominee on the Board of the Corporate Debtor for specified purposes concerning monitoring of utilisation of funds and repayment of the dues.

V. Pursuant thereto, **Mr. Prashant Damani** was appointed as a nominee director on the Board of the Corporate Debtor.

VI. Upon commencement of the **Corporate Insolvency Resolution Process** (herein referred to as 'CIRP') of the Howrah Mills Company Limited (herein referred to as 'HMCL'), the Applicant submitted its claim before the Interim Resolution Professional (herein referred to as 'IRP'). The claim comprised amounts claimed as **secured and unsecured financial debt** arising from the transactions and arrangements between the parties.

VII. The IRP, vide email dated **06.08.2026**, sought certain documents and clarifications from the Applicant in support of its claim. The Applicant, vide email dated **08.08.2026**, furnished the requisite clarification and supporting documents in relation to its claim. Thereafter, vide email dated **09.08.2026**, the IRP acknowledged receipt of the Applicant's claim and informed the Applicant that the claim was under verification.

VIII. Subsequently, vide email dated **11.08.2026**, the IRP informed the Applicant that a sum of approximately **Rs. 71.92 crore** had been admitted in respect of its claim. However, the claim was

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treated as an **"Unsecured Financial Creditor"** and further clarification was sought in relation to the claim arising out of the assignment arrangement with **JM Financial Asset Reconstruction Company Limited**. The Applicant thereafter continued to correspond with the IRP regarding the status and treatment of its claim.

IX. The Applicant's claim was thereafter subjected to further verification. The IRP also informed the Applicant regarding the proposed **meeting of the Committee of Creditors** (herein referred to as 'CoC'), and the Applicant raised objections to the manner in which its claim was being treated and sought clarification regarding its classification.

X. During the said process, objections were raised by other creditor and a third party in relation to the Applicant's status. A **Due Diligence Report** was thereafter obtained/considered by the IRP from D Cirrus in relation to the Applicant and its relationship with the Corporate Debtor. On the basis of the said exercise, the Applicant was subsequently classified as a **"Related Party Financial Creditor"** of the Corporate Debtor.

XI. The Applicant disputed the aforesaid classification and contended that its transactions with the Corporate Debtor were financial in nature and that the appointment of its nominee director was pursuant to the contractual arrangement between the parties. The Applicant has accordingly approached

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this Tribunal seeking appropriate directions regarding the classification of its claim and its consequential treatment in the **Committee of Creditors**.

4. **SUBMISSION ON BEHALF OF THE APPLICANT**

I. The Learned Counsel appearing for the Applicant submitted that the Applicant is a **financial creditor of the Corporate Debtor** and that its claim arises out of the financial transactions and arrangements entered into between the parties, including the MOUs dated **16.04.2014, 01.04.2017 and 14.08.2020**.

II. It was submitted that the Applicant had advanced substantial amounts to the Corporate Debtor and that the outstanding dues comprised both **secured and unsecured financial debt**. The Applicant's claim was accordingly lodged before the IRP during the CIRP.

III. The Learned Counsel submitted that the Applicant has been wrongly classified by the IRP as a **"Related Party Financial Creditor"** and that its claim has been treated as an unsecured financial debt. It was contended that such classification is contrary to the facts and the applicable provisions of the Insolvency and Bankruptcy Code, 2016.

IV. It was further submitted that the appointment of **Mr. Prashant Damani as a nominee director** pursuant to the contractual arrangement between the parties cannot, by itself, render the

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Applicant a related party of the Corporate Debtor. The Applicant contended that the nominee director was appointed only for the limited purpose of protecting its financial exposure and monitoring utilisation and repayment of the funds advanced.

V. The Learned Counsel further submitted that the Applicant neither exercised management or operational control over the Corporate Debtor nor participated in its day-to-day affairs. The Applicant, therefore, does not fall within the parameters of a "related party" as contemplated under Section 5(24) of the IBC, 2016.

VI. It was submitted that the Applicant's claim ought to be recognised as a **financial debt in accordance with law** and that the Applicant should not be deprived of its rights and participation in the CoC merely on the basis of an erroneous classification as a related party.

VII. Accordingly, the Learned Counsel prayed that the decision of the IRP classifying the Applicant as a **Related Party Financial Creditor** be set aside and appropriate directions be issued for treating the Applicant's claim in accordance with law, including permitting its participation and voting rights in the Committee of Creditors.

VIII. Lastly, the Learned Counsel relied on upon following orders to substantiate the above proposition: 1) HUDCO Vs Sarga Udaipur Hotels and Resort Pvt and Ltd [IA (IB) No.

514/KB/2022 In C.P (IB) No. 202/KB/2021] and 2) ODAT GmBH Vs RP of Darjeeling Organic Tea Estate Pvt Ltd. [CA (AT) (Insolvency) No. 1682 of 2023]

5. **REPLY AFFIDAVIT ON BEHALF OF THE RESPONDENT**

I. The Learned Counsel appearing for the Respondent/ IRP submitted that the present Application is misconceived and liable to be dismissed. It was submitted that the Applicant has no locus to seek the reliefs prayed for and that the Applicant has been classified as a **Related Party Financial Creditor** strictly on the basis of the documents and information available with the IRP.

II. It was submitted that, upon the Applicant lodging its claim on **03.08.2026**, the IRP noticed that **Mr. Prashant Damani** was a common director of the Applicant and the Corporate Debtor. The IRP accordingly sought clarification from the Applicant. The Applicant, vide its response dated **08.08.2026**, stated that Mr. Damani was only a nominee director appointed pursuant to the arrangement with the Corporate Debtor and did not participate in its day-to-day management.

III. The Learned Counsel submitted that, on the basis of the explanation initially furnished and the judicial precedents considered by the IRP, the Applicant was initially not treated as a Related Party and was allotted **25.60% voting share** in the Committee of Creditors. Subsequently, objections

were received from **JM Financial Asset Reconstruction Company Limited** and another third party regarding the Applicant's classification.

IV. It was further submitted that, in view of the said objections, the IRP engaged **D Cirrus**, a specialised agency for related-party due diligence, and furnished the available information relating to the Applicant for verification. Upon examination of the additional material and documents, the IRP found that **Mr. Prashant Damani, directly and through his family members, HUF, estates and connected entities, had an indirect shareholding in excess of 70% in the Applicant**.

V. The Learned Counsel further submitted that the **MOU dated 14.08.2020** between the Applicant and the Corporate Debtor specifically provided for the appointment of Mr. Damani as nominee director and further conferred upon such nominee director the **same rights and privileges as any other director, including voting rights**, besides empowering him to oversee, monitor and supervise the overall functioning of the Corporate Debtor.

VI. It was therefore submitted that, notwithstanding the nomenclature of "nominee director", the role and powers conferred upon Mr. Damani under the said MOU were not restricted merely to safeguarding the Applicant's financial exposure. The IRP accordingly concluded that Mr. Damani had powers and privileges of a director and that, through the

indirect shareholding pattern, he exercised or controlled substantial interest in the Applicant.

VII. The Learned Counsel submitted that the Applicant was consequently found to fall within the ambit of **Section 5(24)(d) of the Insolvency and Bankruptcy Code, 2016**, and was accordingly classified as a **Related Party** of the Corporate Debtor. The Applicant was duly informed of the said decision vide email dated **19.08.2026**.

VIII. It was further submitted that the IRP has not arrived at the aforesaid conclusion merely on the basis of the report of D Cirrus. The decision was taken after considering the additional information received, the documents available on record and the terms of the MOU executed between the Applicant and the Corporate Debtor. The allegations of arbitrary classification were therefore denied.

IX. The Learned Counsel also submitted that the suspended Board of Directors had not cooperated with the CIRP and had failed to provide relevant documents and records concerning the affairs and operations of the Corporate Debtor. It was stated that, as represented by the suspended Board, documents and records prior to 2024-25 had been destroyed in a fire, thereby limiting the ability of the IRP to independently ascertain the extent of Mr. Damani's involvement in the Corporate Debtor.

X. It was submitted that the Applicant's assertions regarding the limited role of Mr. Damani were not supported by sufficient corroborative material, whereas the terms of the **14.08.2020 MOU** expressly conferred upon him rights and powers comparable to those of any other director. The IRP, therefore, acted within the scope of law and on the basis of the material available before him.

XI. Accordingly, the Learned Counsel submitted that the classification of the Applicant as a **Related Party Financial Creditor** was neither arbitrary nor without application of mind and was made on the basis of the available documents and subsequent verification. The IRP stated that he would abide by any decision rendered by this Tribunal on the issue and prayed that the present Application be **dismissed**.

6. **ANALYSIS AND FINDINGS**

I. We have heard the Learned Counsel appearing for the Applicant and the Learned Counsel appearing for the IRP. Perused the Application, the Reply Affidavit, the documents placed on record and the submissions advanced by the parties.

II. The present Application has been filed by **AHPL** challenging its classification by the Respondent as a **"Related Party Financial Creditor"** of **HMCL** and seeking consequential reliefs in relation to its representation, participation and voting rights in the Committee of Creditors.

III. The sole issue requiring determination is ***"Whether the Applicant, Abinandan Holdings Private Limited is a "related party" of the Corporate Debtor within the meaning of Section 5(24) of the Insolvency and Bankruptcy Code, 2016."***

THE RIVAL POSITIONS, IN BRIEF

IV. The Applicant contends that Mr. Prashant Damani is a nominee director appointed under the MOU dated 14.08.2020 solely to protect AHPL's financial exposure; that his personal shareholding in AHPL is only 1.01%, below the 2% threshold in Section 5(24)(d); and that the Respondent's classification is an unreasoned, arbitrary exercise based on an incomplete due-diligence report that itself called for further verification never carried out.

V. The Respondent contends that Clause 3.3 of the 2020 MOU vests Mr. Damani with the same voting rights as any other director; that his shareholding, aggregated with connected family holdings, exceeds 70% of AHPL's capital; and that the classification under Section 5(24)(d) is accordingly sound.

FINDINGS ON THE STATUTORY ELEMENTS

VI. We first examine the applicability of **Section 5(24)(d)** of the Code, which read as follows:

*"**5.** In this Part, unless the context otherwise requires,—*

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*(24) "**Related party**", in relation to a corporate debtor, means–*

(d) A private company in which a director, partner or manager of the corporate debtor is a director and holds along with his relatives, more than two per cent. of its share capital;"

Section 5(24)(d) requires three elements: (i) a director of the Corporate Debtor, (ii) who is also a director of a private company, (iii) and who holds, along with his relatives, more than 2% of that company's share capital.

VII. In the present case, it is not in dispute that **Mr. Prashant Damani is a director of both the Corporate Debtor and AHPL.** The MCA records also reflect his position as a nominee director of the Corporate Debtor. The fact that he was described as a "nominee director" does not, by itself, take the case outside the statutory provision. The nature and extent of the powers conferred upon him are therefore relevant.

VIII. The Applicant has itself placed on record its **shareholding details as on 31.03.2026**. The said document discloses the following relevant holdings:

FOLIO NO.	SHAREHOLDER	SHAREHOLDING (%)
69	Prashant Damani	1.01
72	Prashant Damani (HUF)	12

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70	Deo Kishan Das Damani (HUF)	10.06
118	Estate of Deo Kishan Das Damani	9.06
71	Natwar Hosiery Industries Pvt. Ltd.	37.73

IX. The Applicant has relied upon the personal shareholding of Mr. Damani being only **1.01%**. However, the shareholding register filed by the Applicant itself records a further **12% holding in the name of "Prashant Damani (HUF)"**.

X. Significantly, in the affidavit dated 21.08.2026 sworn on behalf of the Applicant itself, it has been stated that **Mr. Deo Kishan Das Damani is the father of Mr. Prashant Damani**. The relationship of father and son is, therefore, established from the Applicant's own pleading and is not founded merely upon an inference from the names appearing in the shareholding register.

XI. Consequently, the holdings reflected under **Folio No. 70 in the name of "Deo Kishan Das Damani (HUF)"** and **Folio No. 118 in the name of the "Estate of Deo Kishan Das Damani"** are required to be considered in the context of the statutory expression **"holds along with his relatives"** occurring in Section 5(24)(d).

XII. Thus, Mr. Damani's individual holding of **1.01%**, together with the shareholding disclosed under **Folio No. 70 (10.06%)**, **Folio No. 72 (12%)** and **Folio No. 118 (9.06%)**, substantially exceeds the statutory threshold of **2%**.

XIII. Consequently, the shareholding reflected in Folios 69, 70, 72 and 118 gives Mr. Damani and his relative an aggregate registered holding of **32.13% in AHPL**, which is well above the statutory threshold of two per cent contemplated under Section 5(24)(d) of the Code.

XIV. We, therefore, find that the Applicant satisfies the requirements of **Section 5(24)(d)** of the Code. It is consequently not necessary for us to examine whether the shareholding of **Natwar Hosiery Industries Pvt. Ltd. under Folio No. 71** is liable to be taken into account.

XV. The Applicant's contention that Mr. Damani's relevant shareholding is confined to 1.01% is, therefore, rejected. The Applicant's own records, read with the relationship disclosed in its affidavit, establish that Mr. Damani, along with his relative, holds more than 2% of the share capital of AHPL.

EFFECT OF THE NOMINEE DIRECTORSHIP

XVI. The Applicant has further contended that Mr. Damani was merely a nominee director and that his appointment was intended only to protect the Applicant's financial exposure.

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The Relevant clause of the **MOU dated 14.08.2020** is extracted below:

> ***"3. APPOINTMENT OF NOMINATED DIRECTOR***
>
> *3.1* ***Nomination of Director****: AHPL shall have the right to appoint a nominated director on the Board of HMCL. The nominated director, namely Prashant Damani, shall represent AHPL and ensure that the funds provided by AHPL are utilized effectively for the intended purposes.*
>
> *3.2* ***Role of Nominated Director****: The nominated director shall oversee the financial operations of HMCL, with specific attention to:*
>
> - *Ensuring the proper utilization of the funds extended by AHPL.*
> - *Monitoring the repayment schedule for the debts owned by HMCL particularly the obligations towards AHPL and State Bank of India.*
> - *Advising and recommending actions to the Board of HMCL to ensure the the financial health of the company and safeguard the interests of AHPL.*
>
> *3.3* ***Rights of the Nominated Director****: The nominated director shall have the same rights and privileges as any other director on the Board of HMCL, including voting rights, but shall be obligated to act in the best interests of AHPL and its investment. The nominated Director shall be limited to any liabilities of HMCL, and nominee Director shall only oversee & monitor overall functioning of the Company."*

XVII. Clause 3.3 of the said MOU provides that the nominee director shall have the **same rights and privileges as any other director on the Board of the Corporate Debtor, including**

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voting rights. The said arrangement also contemplated a role in overseeing and monitoring the functioning of the Corporate Debtor.

XVIII. Learned Counsel for the Applicant has relied upon the decisions in ***HUDCO v. Sarga Udaipur Hotels & Resorts Pvt. Ltd.*** (supra) and ***ODAT GmbH v. CA Santanu Brahma, IRP of Darjeeling Organic Tea Estates Pvt. Ltd.*** (supra) it is submitted that the mere appointment of Mr. Prashant Damani as a nominee director cannot, by itself, make the Applicant a related party.

XIX. We have considered the aforesaid decisions. In *HUDCO* and *ODAT GmbH*, the Courts were considering the applicability of **Sections 5(24)(h)** and **5(24)(m)(i)** of the Code. The mere existence of a nominee or common director was not held sufficient, in the absence of material establishing that the affairs of the Corporate Debtor were being conducted on the advice, directions or instructions of the concerned creditor.

XX. The said decisions are, therefore, applicable to the extent that the Applicant's status cannot be determined merely on the basis of the nominee directorship or the contractual powers contained in the MOU dated 14.08.2020. The Due Diligence Report also contemplated further verification regarding the actual exercise of such powers. Accordingly, we are of the view that the Applicant does not fall under the

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definition of Sections **5(24)(h) and 5(24)(m)(i)** merely on the basis of the nominee directorship.

XXI. However, the position is different when the Applicant's status is examined under **Section 5(24)(d)** of the Code. The said provision proceeds on the basis of a prescribed shareholding threshold and does not require proof of actual exercise of control over the Corporate Debtor. Consequently, the decisions relied upon by the Applicant do not assist it in respect of **Section 5(24)(d),** as neither decision concerned a case where the relevant director's shareholding in the creditor company itself crossed the statutory threshold prescribed under the said provision.

XXII. We accordingly hold that, although the findings under Sections **5(24)(h) and 5(24)(m)(i)** cannot be sustained merely on the basis of the nominee-directorship arrangement, the Applicant is nevertheless a **related party of the Corporate Debtor under Section 5(24)(d)** on the basis of the shareholding disclosed in its own records.

DUE-DILIGENCE REPORT AND PROCEDURAL OBJECTION

XXIII. The Applicant has also challenged the manner in which the Respondent arrived at the conclusion of related-party status, particularly relying upon the fact that the Due Diligence Report dated 18.08.2026 recommended further verification of certain matters.

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XXIV. We have considered the said objection. It is true that the Due Diligence Report contemplated further verification of certain operational aspects, including the manner in which the powers of Mr. Damani were exercised in practice. However, the ultimate determination of the present Application does not depend upon establishing every aspect of his actual participation in the day-to-day affairs of the Corporate Debtor.

XXV. The material necessary for determining the statutory threshold under Section 5(24)(d), namely the shareholding record of AHPL, has been produced by the Applicant itself. Likewise, the MOU dated 14.08.2020, containing the relevant provisions concerning the nominee director, is also a document relied upon by the Applicant.

XXVI. Therefore, even assuming that the Respondent ought to have undertaken further verification before communicating its final classification, such procedural deficiency does not affect the substantive conclusion which can independently be reached on the basis of the documents now before this Adjudicating Authority. The question is whether, on the material available before us, AHPL falls within the statutory definition of a related party. We are satisfied that it does.

XXVII. We also note that the Respondent has explained that the classification was not based solely upon the Due Diligence Report but was arrived at after considering the documents and

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additional information received during the verification process. The allegation that the classification was wholly arbitrary or without application of mind, therefore, cannot be accepted.

ON CONDUCT OF THE INTERIM RESOLUTION PROFESSIONAL

XXVIII. Before examining the propriety of the Respondent's action, it is important to delineate the scope of the powers of an IRP in relation to claims and constitution of the CoC. Regulations 12 to 14 of the CIRP Regulations, 2016, contemplate submission, verification, collation and updation of claims. Regulation 13 requires the IRP/RP to verify the claims and maintain an updated list of creditors, while Regulation 14 permits estimation and subsequent revision of the **amount of a claim** where the same is not precise or where additional information warrants such revision. Further, under section 18 and 21 of the Code, the IRP compiles the list of creditors and sets up the CoC once the claims are verified. These provisions, however, do not vest in the IRP/RP an adjudicatory jurisdiction to conclusively determine disputed questions concerning the substantive legal status of a creditor.

XXIX. The distinction between the administrative/facilitative functions of the IRP and the adjudicatory jurisdiction of the Adjudicating Authority has been recognised by the Hon'ble

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Supreme Court, inter alia, in ***Swiss Ribbons Pvt. Ltd. v. UOI*** (2019) 4 SCC 17. The IRP is essentially required to facilitate and conduct the CIRP in accordance with the Code; he does not exercise judicial or adjudicatory powers for determination of disputed substantive rights. Consequently, the power to verify or update a claim cannot be equated with a power to adjudicate upon the legal character or status of a creditor, particularly where such determination has the consequence of altering the constitution or voting composition of an already constituted CoC.

XXX. The aforesaid principle finds direct application in ***Byju Raveendran v. Aditya Birla Finance Ltd. & Ors***., **(2025) ibclaw.in 610 NCLAT**, wherein the Hon'ble NCLAT considered the question of reclassification of a creditor after constitution of the CoC. The Appellate Tribunal held, in substance, that the IRP/RP could not unilaterally alter the constitution of an already constituted CoC on the basis of a subsequent determination of the status of a creditor. The role of the IRP/RP is facilitative and administrative, whereas determination of a disputed issue having the effect of modifying the CoC falls within the jurisdiction of the Adjudicating Authority.

XXXI. In the present case, the CoC was constituted on **09.08.2026**, at which stage the Applicant was not treated as a Related Party Financial Creditor and was allotted **25.60% voting**

share. Thereafter, on **19.08.2026**, the Respondent reclassified the Applicant as a Related Party Financial Creditor and consequentially altered its voting entitlement. Such action was not a mere revision or updation of the **amount of the claim** under Regulations 13 or 14; rather, it involved a substantive alteration of the Applicant's legal classification, resulting in a corresponding change in the voting composition of an already constituted CoC.

XXXII. In these circumstances, the Respondent, upon forming an opinion that the Applicant was liable to be treated as a Related Party Financial Creditor, ought to have placed the disputed issue before the Adjudicating Authority rather than unilaterally giving effect to such determination by altering the list of creditors and reconstitution or voting composition of the CoC. The Respondent, in so acting, travelled beyond the limited administrative and facilitative functions contemplated under the Code and the CIRP Regulations and entered into the realm of adjudication, which is not vested in the IRP/RP.

XXXIII. It is, however, clarified that the aforesaid finding concerns only the **manner and competence of the Respondent in implementing the reclassification** and does not, by itself, confer upon the Applicant any substantive right to participate or vote in the CoC contrary to the provisions of the Code. The substantive question as to whether the

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Applicant is a Related Party Financial Creditor is already being determined separately by this Adjudicating Authority. The present finding is confined to holding that, after constitution of the CoC, a disputed reclassification having the direct consequence of altering its composition and voting rights could not have been unilaterally implemented by the Respondent without recourse to the Adjudicating Authority.

7. **CONCLUSION**

In view of the foregoing discussion, we find and hold that:

I. Mr. Prashant Damani is a director of both the Corporate Debtor and AHPL.

II. The Applicant's own affidavit establishes that **Deo Kishan Das Damani is the father of Mr. Prashant Damani**. The shareholding record of AHPL reflects **1.01%** shareholding in the name of Mr. Prashant Damani under Folio No. 69, **12%** under Folio No. 72 in the name Prashant Damani (HUF), **10.06%** under Folio No. 70 in the name of Deo Kishan Das Damani (HUF), and **9.06%** under Folio No. 118 in the name of the Estate of Deo Kishan Das Damani. The aforesaid holdings, taken together, exceed the statutory threshold of **2%** prescribed under Section 5(24)(d) of the Code.

III. In view of the above, the requirement of Section 5(24)(d), namely, that the director of the Corporate Debtor, being also a director of the private company, holds **along with his**

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relative more than two per cent of the share capital of such private company, stands satisfied. Accordingly, AHPL falls within the definition of **"Related Party"** of the Corporate Debtor under **Section 5(24)(d)** of the Code.

8. Accordingly, **I.A (IB) No. 1130/KB/2026** in **C.P No. 4/KB/2019** is **dismissed** and **disposed of.**

9. The Registry is directed to send copies of the Order forthwith to all the parties and their representative.

10. Certified Copies of this order may be issued, if applied for, upon compliance of all requisite formalities.

(Rekha Kantilal Shah)
Member (Technical)

(Labh Singh)
Member (Judicial)

Order signed on the 15th day of September, 2026

S.T. (LRA)

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