IN THE NATIONAL COMPANY LAW TRIBUNAL
COURT-V, NEW DELHI

CP IB NO. 226/(ND)/2026

An 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:

PUNJAB AND SIND BANK
Having its Corporate Office
At Samvert, 1st Floor, NBCC Building,
East Kidwai Nagar, New Delhi-110003
Email: Ho.samvertical@psb.bank.in

...Applicant/Financial Creditor

Versus

AMAN HOSPITALITY PVT. LTD.
Having its Registered Office At
L-4, Green Park Extension,
New Delhi-110016
Email: ambience@ambiencegroup.in
compliance@ambienceisland.com

...Respondent/Corporate Debtor

Order Delivered on: 01.10.2026

CORAM:

SHRI MANNI SANKARIAH SHANMUGA SUNDARAM,
HON'BLE MEMBER (JUDICIAL)

MS. REENA SINHA PURI,
HON'BLE MEMBER (TECHNICAL)

APPEARANCES:

For the Applicant : Mr. Karan Gandhi, Ms. Riya Jain, Advs.

For the Respondent : Mr. Sunil Fernandez, Sr. Adv., Mr. Anush Raajan, Mr. Pradyumn Yadav, Advs.

ORDER

This Application has been filed by Punjab and Sind Bank, the Financial Creditor, under Section 7 of IBC[1] read with Rule 4 of the Insolvency and Bankruptcy Rules[2], seeking initiation of CIRP[3] against Aman Hospitality Pvt. Ltd., the Corporate Debtor.

2. The Applicant has claimed an aggregate amount comprising two components. The first is a sum of Rs. 67,14,71,913.29, stated to be outstanding towards principal and interest in respect of the credit facilities extended to the Corporate Debtor as on 31.03.2026. The second is a sum of Rs. 177,40,96,104.34, claimed in relation to the amount earlier converted into equity pursuant to the SDR[4] Scheme.

3. The Applicant, as a member of a consortium of lenders, sanctioned a Term Loan of Rs 50 Crores to the Corporate Debtor on 28.09.2011 for construction of a five-star hotel project at Shahdara, Delhi. The loan and security documents were executed on 29.09.2011. Subsequently, a Cash Credit facility of Rs 35 Crores was sanctioned on 04.09.2012. On a request made by the Corporate Debtor on 26.12.2014, restructuring of the loan account was approved on 30.12.2014, pursuant to which the total exposure, including the FITL[5], stood enhanced to Rs 95.85 Crores.

4. According to the Applicant, the Corporate Debtor failed to adhere to the repayment obligations even after restructuring and its account continued to remain irregular, with defaults in servicing interest and instalments. Thereafter, pursuant to a revival request dated 30.06.2017 made by the Corporate Debtor, the consortium lenders considered restructuring under the SDR Scheme in the Joint Lenders' Forum meetings held on 18.07.2017 and 26.07.2017. A Shareholders Subscription cum Conversion Agreement was consequently executed on 09.01.2018, pursuant to which a substantial portion of the outstanding dues was converted into equity shares of the

[1] Insolvency and Bankruptcy Code, 2016
[2] Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016
[3] Corporate Insolvency Resolution Process
[4] Strategic Debt Restructuring
[5] Funded Interest Term Loan

Corporate Debtor. The lenders thereby acquired an aggregate majority shareholding of 51% in the Corporate Debtor. A Supplemental Term Loan Agreement was thereafter executed on 08.03.2018.

5. The restructuring measures, however, did not result in regularisation of the account. The account of the Corporate Debtor was ultimately classified as NPA[6] on 30.06.2018 with effect from 29.07.2017. The Applicant thereafter issued a demand notice dated 18.09.2018 under Section 13(2) of the SARFAESI Act[7], calling upon the Corporate Debtor to discharge its liabilities within the statutory period of 60 days i.e., upto 17.11.2018. According to the Applicant, the amount remained unpaid.

6. The Applicant further relies upon the financial statements of the Corporate Debtor for the financial years 2019-20 and 2020-21 and various OTS[8] proposals submitted by the Corporate Debtor during the period 2021 to 2024 as acknowledgements of the subsisting liability. The OTS proposals were not accepted by the Applicant.

7. Recovery proceedings were also initiated by the Applicant by filing an Original Application T.A. No. 58/2022 before the Debts Recovery Tribunal (DRT). The proceedings culminated in a final order dated 07.10.2025. By the said order, the DRT crystallised the amount recoverable in respect of the loan facilities at Rs 39,11,96,578.81, together with pendente lite and future interest in terms of the order. The DRT also dealt with the claim relating to the amount converted into equity under the SDR Scheme.

8. Aggrieved by the order dated 07.10.2025, the Corporate Debtor preferred Appeal No. 2004/2025 before the Debts Recovery Appellate Tribunal (DRAT). In connection with the appeal, amounts of Rs 35,72,70,653 and Rs 15,35,77,440 were deposited by the Corporate Debtor before the DRAT on 07.11.2025 and 25.11.2025 respectively, aggregating to Rs. 51,08,48,093. A further amount of Rs. 3,39,26,926, representing disputed penal interest, was

[6] Non-Performing Asset
[7] Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
[8] One-Time Settlement

also deposited on 25.11.2025. The Applicant also preferred Appeal No. 2126/2025 against the order of the DRT.

9. During the pendency of the aforesaid proceedings, another member of the consortium, Bank of India, had filed CP (IB) No. 276/2025 under Section 7 of the Code against the Corporate Debtor. The Corporate Debtor was admitted into CIRP in that proceeding by order dated 12.01.2026. The order of admission was challenged before the Hon'ble NCLAT. By order dated 22.01.2026, the proceedings arising from CP (IB) No. 276/2025 came to be disposed of in view of the settlement proposed towards the dues of Bank of India. The Applicant had also earlier instituted CP (IB) No. 213/2025 against the Corporate Debtor. The said petition was disposed of on 12.01.2026 consequent upon the Corporate Debtor having already been admitted into CIRP in CP (IB) No. 276/2025.

10. After disposal of the aforesaid CIRP proceedings, the present Petition has been pursued by the Applicant for initiation of CIRP on account of the amounts asserted to remain outstanding. This Adjudicating Authority, by order dated 07.05.2026, directed the parties to file brief notes on maintainability. The Applicant and the Corporate Debtor have accordingly placed their respective submissions on record.

11. Learned Counsel for the Corporate Debtor submits that the very liability on the basis of which the present Petition has been filed, already formed the subject matter of T.A. No. 58/2022 before the DRT and was adjudicated by final order dated 07.10.2025. It is submitted that the DRT crystallised the liability at Rs 39,11,96,578.81, together with pendente lite and future interest, and that the amounts required to satisfy the said adjudicated liability were subsequently deposited before the DRAT. It is pointed out that execution proceedings had been initiated by the Applicant before the Recovery Officer by way of RC No. 41/2025. However, after deposit of the amounts before the DRAT, the Recovery Officer recorded that recovery proceedings could not proceed in view of the deposit of the amount payable under the DRT order and Recovery Certificate.

12. The Corporate Debtor further submits that it had no objection to the Applicant appropriating the amount deposited before the DRAT, except the disputed component of penal interest, subject to its rights in appeal and its right to seek restitution of any excess amount depending upon the final outcome thereof. It is further submitted that, by order dated 24.06.2026, the DRAT permitted the Applicant to withdraw Rs 51,08,48,093 deposited before it and directed transfer of the said amount to the Applicant.

13. On the second component of the Applicant's claim, namely the amount asserted in respect of the equity shares acquired pursuant to the SDR Scheme, the Corporate Debtor relies upon the finding of the DRT that the portion of debt converted into equity ceased to subsist as debt and that the liability of the Corporate Debtor to that extent stood discharged. It is therefore contended that the Applicant cannot once again treat the amount represented by the equity shares as a financial debt under the IBC.

14. The Corporate Debtor also contends that the present Petition amounts to a second attempt by the Applicant to invoke Section 7; that the adjudicated dues stand secured/paid; and that the proceedings under the Code ought not to be permitted to operate as an additional recovery mechanism. It is accordingly prayed that the Petition be rejected.

15. On the other hand, the Ld. Counsel for the Applicant submits that the original transactions undeniably have the commercial effect of borrowing and constitute 'financial debt' within the meaning of Section 5(8) of the IBC.

16. As regards the amount converted into equity under the SDR Scheme, it is argued that such conversion did not extinguish the intrinsic character of the borrowing. According to the Applicant, the SDR Scheme subsequently failed and the Corporate Debtor itself continued to acknowledge the liability by making OTS proposals from time to time.

17. The Applicant relies upon the decisions of the Hon'ble Supreme Court in ICICI Bank Ltd. v. Era Infrastructure (India) Ltd.[9], and Power Trust (Promoter of Hiranmaye Energy Ltd.) v. Bhuvan Madan & Ors. (IRP of Hiranmaye Energy

[9] *ICICI Bank Ltd. v. Era Infrastructure (India) Ltd.*, 2026 SCC OnLine SC 314

Ltd.),[10] to contend that, for purposes of Section 7, the material enquiry is into the existence of financial debt and occurrence of default. It is submitted that where debt and default above the statutory threshold are established, pendency of proceedings before another forum cannot defeat the remedy available to a Financial Creditor under the IBC.

18. Insofar as the deposits made before the DRAT are concerned, the Applicant submits that the same were initially made in compliance with the statutory requirement applicable to the Corporate Debtor's appeal. According to the Applicant, such statutory pre-deposit cannot be equated with voluntary discharge of the financial debt.

19. Reliance has also been placed upon *State Bank of India v. Abhijeet Ferrotech Ltd.*[11] to contend that proceedings before the DRT/DRAT and proceedings under Section 7 operate independently and that recourse to the recovery jurisdiction does not extinguish the remedy under the IBC. The Applicant consequently seeks admission of the Corporate Debtor into CIRP.

Analysis and Findings

20. We have heard the Ld. Counsels for the Applicant and Corporate Debtor and have perused the Petition and short notes on maintainability filed by both sides, along with other relevant documents placed on record.

21. Before examining the two components of the claim, we deal with the objections raised by the Corporate Debtor. First, we are unable to accept the contention that recourse to proceedings before the DRT or DRAT bars the Applicant from invoking Section 7 of the IBC. The proceedings under the Recovery of Debts and Bankruptcy Act, 1993 and proceedings under the IBC provide distinct statutory remedies.

22. In *Kotak Mahindra Bank Ltd. v. A. Balakrishnan & Anr.*[12], (2022) 9 SCC 186, the Hon'ble Supreme Court held that a liability crystallised in a decree or Recovery Certificate does not cease to possess the character of financial debt. A Recovery Certificate can itself furnish a cause of action for initiation of

[10] *Power Trust (Promoter of Hiranmaye Energy Ltd.) v. Bhuvan Madan (Interim Resolution Professional of Hiranmaye Energy Ltd.)*, 2026 SCC OnLine SC 248
[11] *State Bank of India v. Abhijeet Ferrotech Ltd., 2024 SCC OnLine NCLAT 2349*
[12] *Kotak Mahindra Bank Ltd. v. A. Balakrishnan & Anr.*, (2022) 9 SCC 186

insolvency proceedings, subject to the requirements of the Code. More recently, in *ICICI Bank Ltd. v. Era Infrastructure (India) Ltd.*[13], the Hon'ble Supreme Court reiterated that the remedies available to a financial creditor under the IBC cannot be curtailed in the absence of an express statutory prohibition and that an application under Section 7 is required to be examined independently on its own merits. The mere pendency of proceedings before the DRT/DRAT or the fact that recovery remedies have also been invoked does not preclude recourse to Section 7.

23. Second, the contention, that the Corporate Debtor is solvent or possesses assets sufficient to discharge the claim, cannot determine the present proceedings. In *Power Trust (supra)*, the Hon'ble Supreme Court has reiterated that the enquiry at the admission stage principally concerns the existence of financial debt and occurrence of default; business viability or financial capacity does not displace this statutory enquiry.

24. Third, the earlier Petition filed by the Applicant cannot operate as a bar to the present proceedings merely because it was disposed of when the Corporate Debtor had already been admitted into CIRP in proceedings instituted by another financial creditor. There was no adjudication of the Applicant's claim on merits in the earlier Section 7 proceeding. The present Petition cannot therefore be rejected solely on that ground.

25. Thus, the decisive issue is whether the Applicant has established, on the date relevant for consideration of the present Petition, a financial debt which is due and remains unpaid, thereby constituting 'default' within the meaning of Section 3(12) of the IBC. Section 3(12) defines 'default' as non-payment of a debt when the whole or any part or instalment thereof has become due and payable and is not paid. Thus, the existence of an original borrowing transaction is not by itself sufficient. For initiation of CIRP under Section 7, there must be a financial debt which is due and in respect of which default subsists.

26. The present Petition has been filed under Section 7 of IBC on account of alleged outstanding financial debt arising from two segments. The first

[13] *ICICI Bank Ltd. v. Era Infrastructure (India) Ltd., 2026 SCC OnLine SC 314*

segment being non-payment of Rs 67,14,71,913.29 towards the credit facilities extended to the Corporate Debtor; and the second segment being non-payment of amount of Rs 177,40,96,104.34 held as equity shares by the Applicant, in lieu of conversion of dues into equity shares.

27. The first component claimed by the Applicant arises from the Term Loan, Cash Credit and related facilities extended to the Corporate Debtor. There is no dispute that these facilities were in the nature of financial debt. However, the liability arising from the credit facilities became the subject matter of T.A. No. 58/2022 and was adjudicated by the competent DRT by its final order dated 07.10.2025. The DRT crystallised the recoverable amount at Rs 39,11,96,578.81, together with pendente lite and future interest in terms of its order. Appeals have been preferred against the said order by both sides. However, no material has been placed before us to establish that operation of the DRT order has been stayed or that the adjudication therein has ceased to operate.

28. The Applicant cannot, in proceedings under Section 7, seek an independent re-computation of the very liability which has already been adjudicated by the DRT. Section 7 is not a substitute for appellate or recovery proceedings for determination of the precise amount recoverable between the parties. The operative adjudication of the DRT therefore constitutes the relevant starting point for determining whether any amount presently remains due and unpaid under this component. The record shows that the Corporate Debtor deposited Rs 35,72,70,653 and Rs 15,35,77,440 before the DRAT, aggregating to Rs 51,08,48,093. A further sum of Rs 3,39,26,926, representing disputed penal interest, was also deposited.

29. We are conscious that the amount of Rs 51,08,48,093 was initially deposited before the DRAT in connection with the appeal preferred by the Corporate Debtor. A statutory pre-deposit, merely because it has been made before an appellate forum, cannot automatically be regarded as payment to or appropriation by the Financial Creditor. The position, however, materially changed when the DRAT, by its order dated 24.06.2026, permitted the Applicant to withdraw the amount of Rs 51,08,48,093 and directed its transfer to the Applicant.

30. Once an amount deposited before the appellate forum is released to the Financial Creditor towards the adjudicated dues, it cannot simultaneously be treated as continuing to remain unpaid for purposes of establishing default under Section 7.

31. Significantly, after giving effect to the amount permitted to be withdrawn by the Applicant, no reconciliation or computation has been placed before us establishing any definite amount that presently remains payable in terms of the operative order of the DRT and continues to be unpaid above the statutory threshold. The Applicant's claim in the present Petition of Rs 67,14,71,913.29 cannot, without reconciling the amount with the subsequent DRT adjudication and the amount released pursuant to the DRAT order, itself establish a subsisting default.

32. We therefore hold that on the material placed before us, after the adjudication by the DRT and the subsequent release of Rs. 51,08,48,093 to the Applicant, no presently due and unpaid amount under the first component has been established so as to constitute a subsisting default for purposes of Section 7.

33. Turning to the second component of Rs 177,40,96,104.34, claimed by the Applicant in respect of the amount which had earlier been converted into equity shares pursuant to the SDR Scheme, the record shows that pursuant to the Shareholders Subscription-cum-Conversion Agreement dated 09.01.2018, a substantial part of the then outstanding debt, stated to include an amount of Rs 65,97,07,850, was converted into equity shares of the Corporate Debtor.

34. The consequence of this conversion was specifically considered by the DRT in its final order dated 07.10.2025. The DRT held that the portion of debt so converted into equity ceased to subsist as debt in the books of the lender and the borrower.

35. The Applicant contends that failure of the SDR Scheme and the subsequent OTS proposals submitted by the Corporate Debtor demonstrate that the underlying borrowing liability continued notwithstanding the conversion. We are unable to accept this contention.

36. An amount which has been converted into equity does not continue to retain the character of 'debt' merely because the commercial restructuring subsequently failed. For the converted amount to revive as debt, there must be a legal or contractual basis producing such consequence.

37. No provision of the SDR arrangement, Shareholders Subscription cum Conversion Agreement or any other binding instrument has been placed before us which establishes that upon failure of the restructuring, the equity shares would automatically reconvert into a debt obligation payable by the Corporate Debtor to the Applicant. More importantly, the competent DRT has already expressly adjudicated upon this very aspect and held that the converted amount ceased to subsist as debt. The OTS proposals cannot convert an existing equity holding into a debt contrary to the determination of the DRT unless modified or set aside in appeal.

38. We therefore find that the second component of Rs. 177,40,96,104.34 has also not been established as a financial debt presently due and unpaid by the Corporate Debtor.

39. In *Innoventive Industries Ltd*[14], the Hon'ble Supreme Court explained that the scheme of Section 7 requires the Adjudicating Authority to ascertain whether a financial debt is due and whether default has occurred. In *Kotak Mahindra Bank Ltd. v. A. Balakrishnan & Anr.*, *(2022) 9 SCC 186*, the Hon'ble Supreme Court reiterated that the trigger for CIRP is 'default', which occurs when a debt in respect of a claim has become due and remains unpaid.

40. The recent judgments in Power Trust (*supra*) and Era Infrastructure (India) Ltd. (*supra*) reinforce the centrality of the statutory requirements of debt and default and require the Adjudicating Authority to examine a Section 7 application on its own merits.

41. Applying these principles to the present case, the original credit facilities undoubtedly possessed the character of financial debt. That, however, does

[14] *Innoventive Industries Ltd. v. ICICI Bank*, (2018) 1 SCC 407

not conclude the enquiry. The Applicant must establish that a financial debt is presently due and remains unpaid.

42. In respect of the first component, the liability was subsequently crystallised by the DRT and amounts aggregating Rs. 51,08,48,093 have thereafter been permitted to be withdrawn by the Applicant. No reconciled statement establishing any residual amount presently due and unpaid under the operative adjudication has been placed before us.

43. In respect of the second component, the amount had been converted into equity under the SDR Scheme and the DRT has specifically held that the converted portion ceased to subsist as debt. No presently operative legal basis for treating such equity as a financial debt due from the Corporate Debtor has been established.

44. We accordingly find that the Applicant has failed to establish, on the material presently before us, a subsisting financial debt which is due and unpaid so as to constitute default under Section 3(12) read with Section 7 of the Code.

45. The Petition fails because, the amounts released to the Applicant pursuant to the DRAT proceedings, and the legal status presently attached to the amount converted into equity, the essential statutory requirement of a presently subsisting default has not been established.

46. In view of the foregoing discussion, **CP (IB) No. 226/ND/2026** filed by Punjab and Sind Bank under Section 7 of the Insolvency and Bankruptcy Code, 2016 against Aman Hospitality Private Limited stands dismissed as not maintainable.

Accordingly, **CP (IB) No. 226/ND/2026** stands dismissed. No order as to costs.

SD/-	**SD/-**
(REENA SINHA PURI)	**(MANNI SANKARIAH SHANMUGA SUNDARAM)**
MEMBER (TECHNICAL)	**MEMBER (JUDICIAL)**