IN THE NATIONAL COMPANY LAW TRIBUNAL

AHMEDABAD

COURT – 2

ITEM No.302

IA/260(AHM)2026 in CP(IB) 397 of 2018

Proceedings under Section 60(5) of the IBC,2016 r/w Rule 11 of the NCLT Rules,2016

IN THE MATTER OF:

Union Bank of India **.....Applicant**

(Erstwhile Andhra Bank)

V/s **.....Respondent**

Mr.Kiran Chinubhai Shah RP,KSL & Industries Limited

Order delivered on: 28/10/2026

Coram:

Mrs. Chitra Hankare, Hon'ble Member(J)

Dr. Velamur G Venkata Chalapathy, Hon'ble Member(T)

ORDER

This case is fixed for pronouncement of order

The order is pronounced in open court vide separate sheet

-SD-

DR. V. G. VENKATA CHALAPATHY
MEMBER (TECHNICAL)

-SD-

CHITRA HANKARE
MEMBER (JUDICIAL)

SJ/AD/AP

BEFORE THE ADJUDICATING AUTHORITY
THE NATIONAL COMPANY LAW TRIBUNAL
AHMEDABAD (COURT - II)

IA No. 260 of 2026
with
CP(IB) No. 397 of 2018

(Filed under Section 60(5) of the Insolvency & Bankruptcy Code, 2016, read with Rule 11 of the NCLT Rules, 2016)

IN THE MATTER OF:

Union Bank of India
(Erstwhile Andhra Bank)
Stressed Asset Management Branch,
14, Ground Floor, Bharat House,
M.S. Marg, Fort, Mumbai-400023
E-Mail: samvmumbai@unionbankofindia.bank

… Applicant

Versus

MR. KIRAN CHINUBHAI SHAH,
Resolution Professional,
KSL & Industries Ltd.
Office at: 608, Sakar-1, Near
Gandhi Gram Railway Station, Opposite
Nehru Bridge, Ashram Road,
Ahmedabad- 380009
E-MAIL: kiranshah.ip@gmail.com

… Respondent

Order pronounced on 28.10.2026

CORAM:
MRS. CHITRA HANKARE
HON'BLE MEMBER (JUDICIAL)

DR. V. G. VENKATA CHALAPATHY
HON'BLE MEMBER (TECHNICAL)

Present:

For the Applicant : Mr. Amey Hadwale Adv. and Ms. Geeta Lundwani Adv.

For the Respondent : Mr. Arjun Sheth Adv.

JUDGEMENT

1. This application, is filed under Section 60(5) of the Insolvency and Bankruptcy Code, 2016, read with Rule 11 of the NCLT Rules, 2016, aggrieved by the arbitrary and unlawful partial rejection of its admitted financial claim by the Resolution Professional of KSL & Industries Ltd seeking following reliefs:

   a. *To set aside the decision of the Respondent RP, communicated vide emails dated 29.12.2025 and 08.01.2026, whereby the claim of the Applicant was arbitrarily restricted to Rs. 26,00,00,000/-*

   b. *To direct the Respondent RP to admit the full claim of the Applicant amounting to Rs. 76,25,34,655.55/-, as submitted in Form C dated 29.11.2019, strictly in terms of the Guarantee Deeds dated 25.03.2011;*

   c. *To direct the Respondent RP to strictly comply with the Hon'ble NCLAT Order dated 08.12.2025 by reconstituting the Committee of Creditors with the voting share of the*

Applicant proportionate to its full claim amount of Rs. 76,25,34,655.55 /;

d. To stay the voting on any resolution plan or any other major decision by the Committee of Creditors until the voting share of the Applicant is rectified and the CoC is properly reconstituted;

2. The brief facts of the case are that the Applicant had extended credit facilities to Krishna Knitwear Technology Ltd. (KKTL) and Eskay Knit India Ltd. (EKIL), secured by corporate guarantees of Rs. 16 crore and Rs. 10 crore, respectively, furnished by the Corporate Debtor. Upon default by the principal borrowers, the Applicant filed Original Applications bearing O.A. No. 150/2016 and O.A. No. 329/2016 before the Debts Recovery Tribunal-II, Ahmedabad, seeking recovery of the outstanding dues. The said proceedings are pending adjudication.

3. It is submitted that the application filed by the Corporate Debtor under Section 10 of the IBC, being C.P. (IB) No. 397/2018, was admitted on 06.09.2019. The Applicant submitted its claim of Rs. 76,25,34,655.55/- before the IRP, which was initially admitted, and the Applicant was included

in the Committee of Creditors (CoC). However, the RP subsequently rejected the claim on the ground that the corporate guarantees had not been invoked and excluded the Applicant from the CoC.

4. Aggrieved thereby, the Applicant filed I.A. No. 54/2022 before this Tribunal, seeking admission of its claim. The said application was dismissed vide order dated 10.11.2023. Thereafter, the Applicant preferred Company Appeal (AT) (Ins.) No. 121 of 2024 before the Hon'ble NCLAT. Vide order dated 08.12.2025, the Hon'ble NCLAT directed the RP to consider and admit the Applicant's claim after verification, without insisting upon proof of invocation of the guarantees, reconstitute the CoC by allotting appropriate voting share to the Applicant, and convene a fresh CoC meeting for reconsideration of the resolution plan.

5. Pursuant to the aforesaid order, the Applicant requested admission of its entire claim of Rs. 76,25,34,655.55/-. However, the RP, vide emails dated 29.12.2025 and 08.01.2026, restricted the claim to Rs. 26 crore, relying upon the Board Resolutions dated 12.03.2011 and 14.03.2011, which authorised guarantees of Rs. 16 crore for KKTL and Rs.

10 crore for EKIL. The RP contended that contractual interest, penal interest and incidental charges beyond the aforesaid limits were not admissible, as the Board Resolutions did not specifically authorise such amounts. The Applicant objected to the partial admission vide email dated 02.01.2026.

6. The Applicant contended that the RP has erred in restricting the claim by relying upon the internal Board Resolutions while ignoring the terms of the Guarantee Deeds dated 25.03.2011. It is submitted that Clause 1 of the Guarantee Deeds distinguishes the principal amount from the interest component, while Clause 9 extends the guarantee to the ultimate balance due to the Bank from the principal borrowers. The Applicant further relies upon Section 128 of the Indian Contract Act, 1872, contending that the liability of the surety is co-extensive with that of the principal debtor, unless otherwise provided by the contract.

7. The Applicant accordingly submits that the partial admission of its claim has reduced its voting share in the reconstituted CoC to 1.30%, thereby prejudicing its rights in the CIRP, and seeks admission of its entire claim in terms of the Guarantee

Deeds and the order dated 08.12.2025 passed by the Hon'ble NCLAT.

8. The Applicant filed additional affidavit to bring on record the Board Resolutions dated 12.03.2011 and Board resolution dated 14.03.2022 which were attached to the Form C, submitted to the Resolution Professional.

9. The Respondent filed its reply and submitted that the order dated 08.12.2025 passed by the Hon'ble NCLAT directed the Respondent to consider and verify the Applicant's claim and did not mandate admission of the entire amount claimed. It is contended that, pursuant to the said order, the Respondent undertook verification of the relevant documents and records and, after affording opportunities to the Applicant to substantiate its claim, admitted the claim to the extent of Rs. 26 crore and communicated the reasons for partial admission through emails dated 29.12.2025 and 08.01.2026.

10. It is submitted that the Respondent, in discharge of its statutory duties under the IBC, is required to independently verify the claims of creditors and determine the admissible amount on the basis of supporting documents. The Respondent contends that the Board Resolutions dated

12.03.2011 and 14.03.2011, which were themselves submitted by the Applicant along with its claim, authorised corporate guarantees of Rs. 16 crore for Krishna Knitwear Technology Ltd. and Rs. 10 crore for Eskay Knit India Ltd., respectively. Accordingly, the Respondent restricted the admissible claim to Rs. 26 crore, as the authorisations did not permit liability beyond the aforesaid limits.

11. The Respondent further submits that the Guarantee Deeds executed pursuant to the aforesaid Board Resolutions cannot enlarge the liability beyond the limits authorised therein. It is contended that the Applicant cannot rely selectively upon the terms of the Guarantee Deeds while disregarding the Board Resolutions forming part of its own claim documents. The Respondent also disputes the applicability of the doctrine of indoor management, as the Applicant was aware of the Board Resolutions and had itself furnished them along with the claim.

12. It is further submitted that the Respondent had invited the Applicant to furnish statutory provisions, judicial precedents or other supporting material justifying admission of the claim beyond Rs. 26 crore and had indicated that the claim could be

reconsidered upon receipt of additional material. However, according to the Respondent, the Applicant failed to furnish the requisite justification or supporting legal authorities and instead filed the present Application.

13. The Respondent stated that, after admitting the claim to the extent of Rs. 26 crore, it reconstituted the CoC in accordance with the revised claim position, included the Applicant therein and invited it to the subsequent CoC meeting. Accordingly, the Respondent denies any non-compliance with the order dated 08.12.2025 passed by the Hon'ble NCLAT and contended that the claim was partially admitted after bona fide verification in discharge of its statutory obligations. The allegations of arbitrariness, mala fides and wrongful rejection are denied, and dismissal of the present Application is sought.

14. Heard, learned advocates for the parties and perused the record alongwith written submissions.

15. Observations:

a. The Respondent RP has justified the reasons for restricting the claim as there is an embedded board resolution which restricts the liability to Rs.26 crores. Any corporate guarantee subsequently without any modification by board

resolution cannot be treated to be enforceable, even if the respondents have executed such guarantee. Further the applicant has not provided the necessary documents in support of his additional claim, merely has submitted that the applicant has lost its share in the COC which would be enhanced if considered. Further the said entity to whom such guarantee is given are also under CIRP.

b. Further it is observed that the said corporate guarantee was issued on 25.03.2011 and it is not submitted whether these guarantees were invoked within the period allowed under limitation Act. Further they lose their legal enforceability if they are not submitted with documents of approval by the Board of the CD. The applicant has not provided the relevant documents and facts.

c. The applicant has not submitted documents also whether the claim before the CD to whom the corporate guarantee was effectively discharged (Krishnaknitwear Technology Ltd and Eskay Knit India Limited) before filing another claim on account of corporate guarantee stated to have been issued by the respondent RP.

16. In view of the same, we pass the following order.

ORDER

The Interlocutory Application No. 260 of 2026 in CP(IB) No. 397 of 2018 is rejected and disposed of.

-SD- **-SD-**

DR.V. G. VENKATA CHALAPATHY
MEMBER (TECHNICAL)

CHITRA HANKARE
MEMBER (JUDICIAL)

KJ-LRA