2026 LiveLaw (SC) 418

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION
PAMIDIGHANTAM SRI NARASIMHA; J., ALOK ARADHE; J.
CIVIL APPEAL NO. 8247 OF 2022; APRIL 23, 2026
ANJANI TECHNOPLAST LTD. *versus* **SHUBH GAUTAM**

Insolvency and Bankruptcy Code, 2016 – Section 7 vs. Civil Court Decree Execution – Primary Objective of the IBC vs. Debt Recovery Mechanism — The primary focus of the IBC is to ensure the revival and continuation of the corporate debtor as a going concern, protecting it from its own management and liquidation - It is a beneficial legislation and not a debt recovery mechanism for individual creditors seeking to enforce money decrees - Initiating the Corporate Insolvency Resolution Process (CIRP) purely to secure payment of individual dues, bypassing established civil execution remedies against a solvent and functioning company, constitutes an abuse of the process - The insolvency jurisdiction under the IBC is not designed to resolve intense disputes regarding the computation or quantum of a decretal amount. *[Paras 19, 21 - 33]*

Insolvency and Bankruptcy Code, 2016 – Section 7 – General Rule on Fresh Cause of Action vs. Contextual Misuse— While a judgment or decree for money in favor of a financial creditor gives rise to a fresh cause of action to initiate proceedings under Section 7 of the IBC, this principle does not operate in a vacuum - Every decree-holder who happens to be a financial creditor is not entitled, as a matter of right, to invoke the insolvency process in preference to execution - Whether the invocation of the IBC amounts to a misuse of the process or a recovery mechanism must be contextually examined based on the unique facts of each case. *[Relied on Swiss Ribbons (P) Ltd. v. Union of India, (2019) 4 SCC 17; Pioneer Urban Land and Infrastructure Ltd. v. Union of India, (2019) 8 SCC 416; GLAS Trust Co. LLC v. BYJU Raveendran, (2025) 3 SCC 625; Tottempudi Salalith v. State Bank of India, (2024) 1 SCC 24; Para 31-33]*

For Appellant(s): Mr. Dama S. Naidu, Sr. Adv. Mr. Pankaj Pandey, Adv. Mr. Girish Tripathi, Adv. Mr. Digvijay, Adv. Mr. Ashish Yadav, Adv. Ms. Ranjeeta Rohatgi, Adv. Ms. Megha Karnwal, AOR

For Respondent(s): Mr. Kapil Sibal, Sr. Adv. Mr. S. Niranjan Reddy, Sr. Adv. Ms. Shloka Narayanan, AOR Mr. Gaurav Singh, Adv. Ms. Rajeshwari, Adv. Ms. Shubhani D Krishan, Adv.

J U D G M E N T

1. The appellant has preferred this appeal under Section 62 of the Insolvency and Bankruptcy Code, 2016 (“the IBC”), assailing the order dated 01.11.2022 of the National Company Law Appellate Tribunal, Principal Bench, New Delhi (“the NCLAT”) in Company Appeal (AT) (Insolvency) No. 904 of 2022. By that order, the NCLAT set aside the order of the National Company Law Tribunal, New Delhi Bench-IV (“the NCLT”) dated 20.06.2022 and directed the admission of a petition filed under Section 7 of the IBC by the respondent.

2. The respondent is a money lender. On 24.02.2010, he advanced a loan of Rs. 2,50,00,000/- to the appellant for a period of two months, carrying interest at 12.75% per annum payable on a half-yearly basis. The loan agreement also provided that in the event of default, the appellant would remain liable to pay interest at the stipulated rate. On 31.03.2010, a further loan of Rs. 2,00,00,000/- was taken by the appellant for a period of fifteen days, at 3% per month, again payable half-yearly. The appellant furnished cheques as security against both loans.

3. When presented, the cheques were dishonoured, leading to the respondent filing a complaint under Section 138 of the Negotiable Instruments Act, 1881, before the Metropolitan Magistrate, Tis Hazari, Delhi. During the pendency of those proceedings, the parties entered into a compromise on 31.08.2013, by which the appellant agreed to pay Rs. 3,22,02,660/- within twelve months. It is a fact that by 31.07.2014, the appellant had, in aggregate, made payments of Rs. 3,53,51,520/- to the respondent.

4. When the appellant did not honour the compromise in full, the respondent filed a summary suit before the Delhi High Court on 01.02.2016, praying for a decree of Rs. 4,38,00,617/- with pendente lite and future interest at 24% per annum. Under a second compromise deed dated 23.12.2016, which was executed between the parties during the pendency of the suit, the appellant agreed to pay Rs. 2,38,61,907/- as full and final settlement.

5. The suit was decreed by the learned Single Judge of the Delhi High Court on 11.01.2018 for Rs. 4,38,00,617/- with interest at 24% per annum from 01.02.2016. The decree also directed that Rs. 25,00,000/- paid by the appellant on 06.01.2018 be deducted, and that costs of Rs. 5,00,000/be awarded. The appellant challenged this decree by way of RFA(OS) No. 48 of 2018 before the Division Bench, which was dismissed on 27.07.2018 with costs of Rs. 25,000/-. The appellant's Special Leave Petition[1] was also dismissed by this Court on 22.10.2021. The decree accordingly attained finality.

6. Rather than proceeding to execute the decree, the respondent filed a petition under Section 7 of the IBC before the NCLT on 13.12.2021, being CP No. (IB)-766(ND)/2021, alleging that the decretal amount constituted a financial debt and that the appellant was in default thereof.

7. The NCLT dismissed the petition on 20.06.2022, primarily on the following four broad reasons. Firstly, the NCLT held that a decree holder is a separate class of creditor under Section 3(10) of the IBC and does not automatically become a "Financial Creditor" under Section 5(7). Secondly, the NCLT found that the debt in question did not qualify as a "financial debt" under Section 5(8) of the IBC. The original loan advances were for extremely short periods and the respondent had not produced adequate evidence, such as financial statements, to establish that the amounts were disbursed against consideration for the time value of money. Thirdly, the NCLT observed that the appellant was a solvent and functioning enterprise, with revenue of approximately Rs. 35 crores and profits of Rs. 8 crores, employing 95 full-time staff. Fourthly, and most significantly for our purposes, the NCLT recorded that the IBC is not a recovery mechanism and that the respondent was misusing the insolvency process against a solvent company. It noted that the respondent's claim was based on the Civil Court decree and not on the underlying loan transactions.

8. The NCLAT, by the impugned order dated 01.11.2022, reversed the NCLT's findings. On the question of whether the debt qualified as a "financial debt," the NCLAT held that both loan agreements expressly provided for interest rates and repayment periods and therefore satisfied the "time value of money" requirement under Section 5(8) of the IBC. The NCLAT observed that interest rates of 12.75% per annum and 3% per month were stipulated in the two agreements, respectively, and that the juridical relationship between the parties, as financial creditor and corporate debtor, was established by the loan agreements themselves. The NCLAT also held that the NCLT had

[1] Diary No. 22264 of 2021

erred in failing to notice that the interest rates in the loan agreements predated the 24% per annum interest awarded in the High Court decree.

9. On the question of whether a decree gives rise to a cause of action for initiating CIRP, the NCLAT placed heavy reliance on this Court's decision in ***Dena Bank (Now Bank of Baroda) v. C. Shivakumar Reddy***[2], particularly paragraph 141 thereof, which states that a judgment or decree for money in favour of a financial creditor would give rise to a fresh cause of action for the financial creditor to initiate proceedings under Section 7 of the IBC within three years from the date of the judgment or decree. The NCLAT also referred to the three-Judge Bench decision in ***Kotak Mahindra Bank Ltd. v. A. Balakrishnan***[3], which upheld the correctness of the *Dena Bank* ratio. On this basis, the NCLAT set aside the NCLT order and directed the admission of the Section 7 application.

10. The NCLAT also rejected the appellant's allegations of fraud in the obtaining of the decree. It was observed that the appellant had not challenged the decree on the ground of fraud before the High Court and could not raise such a plea for the first time before the appellate tribunal. The present appeal was filed by the appellant on 03.11.2022, and this Court issued notice on 11.11.2022.

11. Incidentally, upon realising that the respondent has not been computing the amounts credited in its favour accurately, the appellant moved the High Court by filing an Interlocutory Application No. 17634 of 2022 under Section 151 of the Code of Civil Procedure for redetermination of the amount due under the decree. The appellant contended that the respondent had obtained the decree without accounting for substantial payments already made, and had taken inconsistent positions before different authorities. Taking note of the appellant's undertaking to pay all amounts lawfully due, the learned Single Judge directed the respondent to file a computation of the balance outstanding after crediting all payments received, and directed the appellant to deposit Rs. 5,00,000/- and Rs. 25,000/- by way of costs, together with a further sum of Rs. 3,00,00,000/-, with the Registrar General of the Delhi High Court within ten days. The appellant deposited Rs. 3,00,00,000/- on 02.11.2022. The respondent challenged the said order before this Court by way of SLP (C) Nos. 21131-21132 of 2022, which was dismissed on 28.11.2022. IA No. 17634 of 2022 remains pending before the Delhi High Court, and no final order has been passed therein.

12. Separately, with respect to Assessment Year 2012–13, the Income Tax Authorities raised a demand against the respondent on account of interest income allegedly received from the appellant for TDS of Rs. 9,22,855/- having been deposited by the appellant in the respondent's name on an interest income of Rs. 92,28,545/-. The respondent's appeal before the Commissioner of Income Tax (Appeals) was dismissed on 21.09.2020. The respondent then approached the Income Tax Appellate Tribunal ("the ITAT") in ITA No. 555/KOL/2020. Before the ITAT, the respondent himself placed on record a computation chart showing the balance outstanding against the appellant. That chart, as extracted in the ITAT's judgment dated 01.09.2022, arrived at an amount of only Rs. 96,48,480/- due from the appellant as on 31.03.2012, after accounting for all loan disbursals, repayments, and adjustments made through M/S. Sriram Compounds Pvt. Ltd. No explanation has been offered by the respondent as to how the amount due can now be claimed to exceed Rs. 12 crores.

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[2] (2021) 10 SCC 330.

[3] (2022) 9 SCC 186.

13. On 18.10.2024, this Court noted the appellant's statement that it was ready to deposit the full balance decretal amount and directed that the same be deposited within six weeks. In compliance, the appellant deposited Rs. 60,98,847/- by demand draft dated 29.11.2024 with the Registrar General, Delhi High Court, representing the appellant's computation of the balance due under the decree after crediting all prior payments. The appellant also placed on record, by way of a compliance affidavit, a further sum of Rs. 1,27,91,843/- paid by it to the respondent that had not been appropriated or reflected in the respondent's computation.

14. On 11.02.2025, this Court also took note of the respondent's computation chart placing the total dues at over Rs. 11,00,00,000/- and directed the appellant to file an alternative chart if it disputed those figures. The gap between the two computations was considerable. The respondent's chart proceeded on the basis that interest at 24% per annum was on the principal of Rs. 4,38,00,617/- from 01.02.2016 and continued to run, adding approximately Rs. 1,05,12,148/- in interest each year without crediting any of the payments made by the appellant, arriving at Rs. 12,51,18,074.49/- as the amount due as on 28.02.2026.

15. By its order dated 02.02.2026, this Court recorded that there was a serious contest about the very existence of the debt. While Mr. Mukul Rohatgi, learned senior counsel appearing for the appellant contended that no amount was payable, Mr. Gaurav Singh learned counsel for the respondent stated that nothing of the decretal amount had been paid at all. In view of this serious contest on the amount due and payable, we directed NCLAT to examine the issue of the existence of debt and pass an order within four weeks, so as to enable this Court to decide the appeal.

16. The NCLAT promptly took up the matter by way of I.A. No. 1151 of 2026 in Company Appeal (AT) (Insolvency) No. 904 of 2022 and passed a detailed order on 26.02.2026. The NCLAT examined the rival computation charts, the orders of the Income Tax Authorities, and the proceedings before the Delhi High Court. After a thorough examination, the NCLAT has arrived at six major conclusions. Firstly, the NCLAT found that in the summary suit filed by the respondent before the Delhi High Court, various payments made by the appellant were not considered. Secondly, it noted that the respondent had been found by the Income Tax Authorities to have not reflected interest income for Assessment Year 2012–13, against which TDS had been deducted and deposited by the appellant. Thirdly, it observed that the ITAT, in its judgment dated 01.09.2022, had extracted the respondent's own calculations before it, which showed the outstanding amount against the appellant as only Rs. 96,48,480/- as on 31.03.2012, a figure which was plainly at odds with the claim of Rs. 4,38,00,617/- in the summary suit. Fourthly, the NCLAT held that the income tax proceedings relating to the Assessment Year 2012– 13, decided on 01.09.2022 after the High Court decree of 11.01.2018, were relevant and could be considered. Fifthly, it noted that I.A. No. 17634 of 2022 was pending before the Delhi High Court under Section 151 CPC, and that the entertaining of that application by the High Court, with reference to the income tax proceedings, *prima facie* cast a doubt on the amount claimed in the summary suit, a question which would be finally determined by the Delhi High Court. Sixthly, the NCLAT concluded that the respondent's computation chart claiming Rs. 12,51,18,074/- as on 28.02.2026, though computed as per the decree dated 11.01.2018, could not be accepted as it would amount to disregarding the above observations.

17. We have heard the learned counsel for the parties.

18. The central question before us is not whether the respondent is owed money by the appellant. That may well be the case. The question is whether, in the facts and

circumstances of this case, the initiation and continuation of the Corporate Insolvency Resolution Process under the IBC is justified and whether the respondent can seamlessly resort to the insolvency process as a substitute for the execution of a Civil Court decree. In other words, an alternative execution process is a recovery mechanism.

19. The legislative object of the IBC is well settled and requires no extended elaboration. The Code was enacted to provide for the reorganisation and insolvency resolution of corporate persons in a timebound manner for the maximisation of the value of assets. It is not a debt recovery legislation. This Court has held so in clear and express terms on more than one occasion. In ***Swiss Ribbons (P) Ltd. v. Union of India***[4], while upholding the constitutional validity of the IBC, this Court explained the nature and object of the Code in paragraph 28 as follows:

"28. It can thus be seen that the primary focus of the legislation is to ensure revival and continuation of the corporate debtor by protecting the corporate debtor from its own management and from a corporate death by liquidation. The Code is thus a beneficial legislation which puts the corporate debtor back on its feet, not being a mere recovery legislation for creditors. The interests of the corporate debtor have, therefore, been bifurcated and separated from that of its promoters/those who are in management…"

The above referred passage identifies the essential character of the IBC, whose purpose is the rescue and revival of the corporate debtor as a going concern. It is not a proceeding for the benefit of individual creditors seeking to recover their dues. The moratorium under Section 14 operates in the interest of the corporate debtor itself. The resolution process is not intended to be adversarial toward the corporate debtor but rather to be protective of its interests.

20. The same principle was affirmed by this Court in ***Pioneer Urban Land and Infrastructure Ltd. v. Union of India***[5], where a three-Judge bench made it clear that the IBC is not a forum for individual creditors to realise their dues through the back door of insolvency. The moment a Section 7 petition is admitted, the process moves entirely beyond the control of the petitioning creditor and operates for the collective benefit of all stakeholders. The insolvency mechanism cannot, therefore, be pressed into service as a substitute for ordinary execution or recovery proceedings.

21. In another instance, a three-Judge Bench of this Court in ***GLAS Trust Co. LLC v. BYJU Raveendran***[6], consolidated the position in paragraph 39.3 in the following terms:

"39.3. IBC must not be used as a tool for coercion and debt recovery by individual creditors. Improper use of the IBC mechanism by a creditor includes using insolvency as a substitute for debt enforcement or attempting to obtain preferential payments by coercing the debtor using insolvency proceedings. That the mechanism under the IBC must not be used as a money recovery mechanism has been reiterated in a consistent line of precedent by this Court."

This statement of the law is directly applicable to the present case. The respondent, holding a final decree and having the full machinery of civil execution at his disposal, chose instead to invoke the insolvency jurisdiction. Such conduct is precisely what this Court in *GLAS Trust* (supra) has characterised as an improper use of the IBC using insolvency as

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[4] (2019) 4 SCC 17.
[5] (2019) 8 SCC 416.
[6] (2025) 3 SCC 625.

a substitute for debt enforcement and as a means of coercing the corporate debtor into payment.

22. This Court had occasion to state the same principle with equal clarity in ***Tottempudi Salalith v. State Bank of India***[7], while dealing with the interplay between proceedings before the Debt Recovery Tribunal and the initiation of CIRP under the IBC, held as follows:

"21. IBC itself is not really a debt recovery mechanism but a mechanism for revival of a company fallen in debt, but the procedure envisaged in IBC substantially relates to ensuring recovery of debts in the process of applying such mechanism. The question of election between the fora for enforcement of debt under the 1993 Act and initiation of CIRP under IBC arises only after a recovery certificate is issued. The reliefs under the two statutes are different and once CIRP results in declaration of moratorium, the enforcement mechanism under the 1993 Act or the SARFAESI Act gets suspended. In such circumstances, after issue of recovery certificate, the financial creditor ought to have option for enforcing recovery through a new forum instead of sticking on to the mechanism through which recovery certificate was issued."

(emphasis supplied)

23. The distinction drawn above by this Court is important and bears emphasis. While the IBC incidentally results in the satisfaction of creditors' claims, that consequence is a byproduct of the resolution process and not its primary object. The object is the revival of the corporate debtor as a going concern. It follows that a creditor who approaches the NCLT not with any genuine concern for the resolution of the corporate debtor but purely to secure payment of his individual dues is acting contrary to the purpose and spirit of the Code. The existence of adequate and efficacious alternative remedies makes such misuse all the more apparent.

24. Lastly, Section 65 of the IBC provides that if any person initiates the insolvency resolution process fraudulently or with malicious intent for any purpose other than the resolution of insolvency, the Adjudicating Authority may impose a penalty. The presence of this provision in the statute itself underscores the legislative intent that the IBC is not to be misused as a tool for recovery or as a lever to coerce payment.

25. Applying the principles set out above to the facts of this case, we are satisfied that the initiation and maintenance of CIRP proceedings against the appellant cannot be sustained. The respondent holds a decree of the Delhi High Court dated 11.01.2018 for Rs. 4,38,00,617/- with interest at 24% per annum. The decree was affirmed in appeal, and this Court dismissed the Special Leave Petition on 22.10.2021. The decree has attained finality. No one disputes this.

26. The natural and ordinary remedy available to the respondent was to execute the decree under the provisions of the Code of Civil Procedure, 1908. The decree is a money decree, and the machinery for its execution is well established and effective. The respondent chose not to avail of this remedy. Instead, he filed a petition under Section 7 of the IBC on 13.12.2021, barely two months after the SLP was dismissed.

27. The conduct of the respondent in bypassing execution proceedings and directly invoking the insolvency process calls for scrutiny. The appellant is, on its own showing, a solvent company. The learned Single Judge of the Delhi High Court, in the order dated 31.10.2022, passed in I.A. No. 17634 of 2022, recorded the appellant's submission that it

[7] (2024) 1 SCC 24.

was a running company with revenue of approximately Rs. 35 crores, profits of Rs. 8 crores, and 95 full-time employees. The appellant gave an undertaking before the High Court to pay the entire amount due under the decree and immediately deposited Rs. 3,00,00,000/- with the Registrar General. A further sum of Rs. 60,98,847/- was deposited in compliance with this Court's order dated 18.10.2024. These are not the habits of an insolvent entity; these are instincts of an earnest judgment debtor willing and able to satisfy its liability, but disputing the quantum claimed.

28. The question that the respondent really wishes to have determined is a question of execution and computation. It is a question that the Delhi High Court is best placed to answer and is, in fact, already seized of by way of I.A. No. 17634 of 2022. The NCLT and NCLAT are not the appropriate fora for this exercise, and the insolvency jurisdiction under the IBC was not designed to resolve disputes about the quantum of a decretal amount.

29. We must also note the inconsistency in the respondent's own position. Before the ITAT, the respondent placed a chart showing the outstanding amount as Rs. 96,48,480/- as on 31.03.2012. Before the Delhi High Court, the amount claimed in the summary suit was Rs. 4,38,00,617/-. Before this Court, the respondent's computation chart showed the dues to be over Rs. 12,51,18,074/-. These are not minor discrepancies. They go to the very root of the claim and raise serious questions about the reliability of the respondent's accounting. A party that takes contradictory positions before different forums on the same set of facts cannot be permitted to press an insolvency proceeding as though the quantum were an established and undisputed fact. The NCLAT, in effect, was unable to determine the existence and quantum of the debt as a settled matter. This is hardly the foundation on which an insolvency resolution process ought to proceed.

30. We are not expressing any opinion on the merits of the dispute about the quantum, which is properly before the Delhi High Court pending under I.A. No. 17634 of 2022. We also make it clear that we do not disturb the decree dated 11.01.2018, which remains final. What is in dispute is not the decree itself, but the computation of amounts due under it, including the credit to be given for payments made. That is a matter for execution proceedings or for the proceedings already pending before the Delhi High Court, and not for the insolvency jurisdiction.

31. We have considered the NCLAT's reliance on this Court's decision in *Dena Bank* (supra). It is true that in paragraph 141 of that judgment, this Court held that a decree for money in favour of a financial creditor would give rise to a fresh cause of action for initiating proceedings under Section 7 of the IBC. We do not doubt that proposition as a general statement of law. However, that principle does not operate in a vacuum. It does not mean that every decree holder who also happens to be a financial creditor is entitled, as a matter of right, to invoke the insolvency process in preference to execution. The question of whether, in each case, the invocation of the IBC amounts to misuse of the process or to the use of the Code as a recovery mechanism remains a question to be examined on the facts.

32. In the present case, the facts speak for themselves. The respondent held a decree. He did not file execution proceedings. He chose instead to file a Section 7 petition against a solvent, functioning company. The quantum of the 'debt' itself, as contemplated under the code, is seriously disputed. The appellant has deposited Rs. 3,60,98,847/- with the Registrar General of the Delhi High Court and has consistently maintained its willingness to pay whatever is lawfully due. The proceedings pending before the Delhi High Court, including the application under Section 151 of the CPC and the proceedings under Section 340 of the CrPC, remain undetermined. In these circumstances, the initiation of CIRP is

nothing more than the use of the IBC as a recovery mechanism. We will term it as an abuse of the process.

33. For the reasons stated above, we are of the view that the NCLAT erred in setting aside the NCLT's order dated 20.06.2022 and directing the admission of the Section 7 application. The NCLT was correct in holding that the IBC proceedings, in the facts of this case, amounted to an abuse of the insolvency process and were in the nature of a recovery mechanism. The insolvency process is a remedy with far-reaching consequences and must be reserved for cases of genuine insolvency or financial distress, not for the enforcement of money decrees.

34. The present appeal is allowed accordingly, setting aside the impugned order of the NCLAT dated 01.11.2022 and the order of the NCLT dated 20.06.2022, which dismissed the Section 7 application filed by the respondent, is restored. The respondent is at liberty to pursue the execution of the decree dated 11.01.2018 in accordance with the law.

35. All pending interlocutory applications are disposed of.

36. The appellant is entitled to reasonable costs quantified at Rs. 5,00,000/-, which shall be paid by the respondent within five weeks from today.

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