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NCLT Mumbai Dismantles Technical Defences in Section 7 IBC Proceedings: The JBS Enterprises Case

AUTHOR Shrishail Kittad, Rahul Sundaram

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Introduction

The National Company Law Tribunal, Mumbai BenchVI, delivered a significant judgment titled Insta Capital Private Limited & Richbond Capital Private Limited v. M/s JBS Enterprises Limited, systematically rejecting technical defences raised by a corporate debtor. This case illuminates the Tribunal's approach to procedural objections, the doctrine of indoor management, joint applications by financial creditors, and the evidentiary value of settlement attempts in establishing debt and default under Section 7 of the Insolvency and Bankruptcy Code, 2016.

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Factual Matrix

The proceedings originated from two credit facilities extended in January 2024. Insta Capital Private Limited sanctioned a working capital loan of ?96,00,000/, disbursed on 29th January 2024, with repayment structured through monthly instalments of ?8,00,000/ over twelve months. Simultaneously, Richbond Capital Private Limited extended a shortterm loan of ?1,80,00,000/ vide sanction letter dated 4th January 2024, secured through board resolutions, bills of exchange, and promissory notes, with repayment through twelve monthly instalments of ?15,00,000/ at 2.75% monthly interest.

The corporate debtor, M/s JBS Enterprises Limited was converted from a private limited to public limited company on 13th September 2023 a fact central to its subsequent defensive strategy.

The credit relationship deteriorated when the corporate debtor defaulted on repayment obligations. It confirmed outstanding balances of ?82,00,000/ to Insta Capital and ?1,42,50,000/ to Richbond Capital, acknowledging that partial payments had been adjusted towards interest charges for delayed payments. Despite these acknowledgments, defaults persisted continuously since March 2024.

Legal notices cum loan recall notices were issued on 18th19th March 2025, demanding repayment of ?86,63,317/ and ?1,51,38,250/ respectively, with default reckoned as 28th March 2025. The joint petition claimed combined outstanding of ?2,44,61,838/, exceeding the ?1 crore threshold under Section 7. The petitioners proposed Mr. Rajeev Mannadiar as Interim Resolution Professional.

Procedural History and Settlement Attempts

Notice issued on 11th June 2025 led to substituted service and paper publications when direct service failed. The corporate debtor's reply was initially closed, but subsequently permitted through IA3856 of 2025, filed by Managing Director Mr. Milind Devidas Thekedar.

The Tribunal granted multiple settlement opportunities. On 12th September 2025, the corporate debtor requested settlement time, which the applicants granted. This process continued through September, November, and December 2025. On 19th November 2025, two cheques totaling ?137.69 lakhs were tendered?56,58,940/ for Insta Capital and ?81,11,695/ for Richbond Capital. Both cheques were subsequently dishonoured. Despite further time sought citing GST issues, no payment materialized by 15th December 2025, leading to the matter being heard and reserved for orders.

Corporate Debtor's Defences

The reply affidavit raised nine objections: defective petition with false debt representation; noncompliance with Section 180 of Companies Act, 2013 regarding special resolutions; conversion from private to public limited company on 13th September 2023

while loan documents retained the erstwhile name “JBS Enterprises Private Limited”; reliance on unstamped documents; insufficient ?100 stamp paper for verifying affidavit; lack of proper authorization for persons affirming the application; invalid default record in the new company name; and presence of “Kamar Infrastructure Private Limited” in the board resolution instead of the corporate debtor’s name.

Legal Framework and Precedents

The petitioners relied upon the Explanation to Section 7(1) IBC, which permits default owed to any financial creditor not necessarily the applicant to support joint applications. The Supreme Court’s judgment in Manish Kumar v. Union of India established that multiple financial creditors may jointly file even if individual debts are below threshold, provided aggregate default exceeds ?1 crore. The Court clarified that applicants need not have amounts due to them individually if default exists qua any financial creditor.

For determining the date of default, the petitioners invoked Koncentric Investments Ltd. v. Standard Chartered Bank (NCLAT, 27th January 2022), where the Tribunal held that Section 7(1) does not specify “first default,” making each default a fresh cause of action. This was reinforced in Indiabulls Housing Finance Ltd. v. Revital Realty Pvt. Ltd. (NCLAT, 24th May 2023), validating the date of entire loan recall notice as the default date, notwithstanding earlier partpayment defaults.

The foundational precedent of Innoventive Industries Ltd. v. ICICI Bank Ltd. (Supreme Court, 2017) established the limited scope of the Adjudicating Authority’s power merely ascertaining default from records within fourteen days. The Court held that disputed debts are admissible if “due” (payable in law or fact), and admission is mandatory once default is established unless the application is incomplete.

Name Change Objection: The Tribunal rejected this technical plea, observing that the corporate debtor executed documents in its erstwhile name and availed benefits by receiving and using disbursed funds. After obtaining transaction benefits, the corporate debtor could not plead wrongful execution in its erstwhile name. Bank statements proved actual disbursement, and subsequent conduct including debt acknowledgments validated the transactions.

“Kamar Infrastructure” in Resolution: This technical defence was similarly rejected. Though the heading contained this name, the resolution body referred to the transaction with Insta Capital, was printed on the corporate debtor’s letterhead, and signed by its authorized signatory. The corporate debtor’s conduct issuing acknowledgments, offering payment through courttendered cheques rendered such objections unsustainable.

Stamping and Section 180 Objections: The Tribunal held that insufficient stamping cannot defeat Section 7 proceedings when sufficient material proves debt and default. Regarding Companies Act compliance, the doctrine of indoor management was applied the corporate debtor cannot exploit its own noncompliance after availing and using funds. This protects creditors relying upon ostensible authority of company officers.

Settlement Conduct as Evidence: The Tribunal accorded significant weight to repeated settlement attempts and dishonoured cheques as conclusive proof of debt existence and default. The corporate debtor’s conduct in seeking adjournments, issuing cheques, and failing to honour them demonstrated acknowledgment of liability that technical objections could not overcome.

Applying Innoventive Industries, the Tribunal confirmed its limited mandate ascertaining default from records. The application was complete, with debt and default exceeding ?1 crore established, and within limitation. Disputed debts do not preclude admission if “due.”

Final Order

The Tribunal admitted the petition and initiated CIRP against M/s JBS Enterprises Limited, declaring moratorium under Section 14 IBC prohibiting suits, asset transfers, security enforcement, and property recovery by owners. Essential goods/services supply was protected from termination. The moratorium was ordered to continue until CIRP completion, resolution plan approval under Section 31(1), or liquidation order under Section 33.

Mr. Rajeev Mannadiar was appointed Interim Resolution Professional with fees per IBBI regulations. Management vested in the IRP, with corporate officers directed to provide assistance under threat of coercive steps under Rule 11 of NCLT Rules, 2016. The IRP was directed to notify statutory authorities and submit periodical progress reports.

Financial creditors were directed to deposit ?3,00,000/ towards initial CIRP costs, repayable on priority from Committee of Creditors funds. Administrative directions included notifying the Registrar of Companies and IBBI, with Registry communicating

the order through speed post, email, and WhatsApp.

Conclusion

he JBS Enterprises judgment represents a significant contribution to IBC jurisprudence, systematically prioritizing substantive debt existence over technical procedural defences. The application of indoor management doctrine, evidentiary recognition of settlement conduct, and affirmation of joint financial creditor applications collectively advance the legislative intent of enabling timely insolvency resolution. This precedent establishes that Adjudicating Authorities must ascertain the commercial reality of debt and default, ensuring borrowers cannot evade insolvency consequences through selfcreated technicalities or procedural noncompliance. The decision ultimately upholds credit ecosystem integrity by preventing technical objections from defeating legitimate creditor claims.

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