



INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

(Company formed by ICAI under Section 8 of the Companies Act 2013)

IBC Case Law Capsule

Number 255

(December 22, 2025)



Punjab National Bank Vs Damara Gold Private Limited

C.P. (IB)/294(MB)2025

Date of NCLT Judgement: 08th December 2025

Facts of the Case: -

The present Company Petition was instituted by Punjab National Bank (“PNB”), the Financial Creditor (“FC”), under Section 7 of the Insolvency and Bankruptcy Code, 2016 (“IBC/the Code”), seeking initiation of the Corporate Insolvency Resolution Process (“CIRP”) against Damara Gold Private Limited, the Corporate Debtor (“CD”). The FC asserted that a financial debt had been disbursed to the CD and that a default had occurred, thereby satisfying the statutory requirements for admission of the petition under the IBC.

PNB had sanctioned various credit facilities to the CD, including a term loan of ₹5.70 crores and bank guarantees aggregating to ₹21.50 crores. These facilities were renewed and enhanced from time to time, with the last sanction being issued vide letter dated 17.03.2022. To secure the said facilities, the CD executed several loan and security documents such as deeds of hypothecation, counter-indemnities and other related instruments. Additionally, the directors of the CD executed personal guarantees in favour of the FC to further secure the repayment obligations.

Over time, the CD failed to service its liabilities regularly and did not rectify the irregularities in its cash credit account despite repeated reminders. Consequently, the account was classified as a Non-Performing Asset (“NPA”) in accordance with RBI guidelines. As on the date of default, the FC claimed outstanding dues of ₹38.32 crores under the cash credit facility and ₹87.43 lakhs under the term loan facility, aggregating to approximately ₹39 crores.

Prior to filing the present petition, the FC initiated recovery proceedings under the SARFAESI Act, 2002 by issuing a demand notice under Section 13(2), followed by possession and sale notices in respect of the secured assets. Upon issuance of notice by the Adjudicating Authority (“AA/Tribunal”), the CD filed a reply raising objections relating to alleged absence of default, wrongful debit of bank guarantees, invalid classification of the account as NPA, excess charges, and misuse of the IBC as a recovery tool. The FC filed a rejoinder refuting these objections, asserting that the debt and default stood duly established and that the application was complete in all respects.



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NCLT's Observations:

The AA examined the material placed on record by the FC and noted that all essential loan and security documents had been duly produced. These included sanction letters, loan agreements, security instruments, guarantees and authenticated statements of account, which collectively established the sanction, disbursement and subsistence of financial debt owed by the CD. The AA was satisfied that the documentary evidence sufficiently demonstrated the existence of a financial relationship between the parties and the occurrence of default. Significant reliance was placed on the authenticated record of default generated through the National e-Governance Services Ltd. (NeSL) platform. The Tribunal held that the NeSL certificate constituted credible and statutorily recognised proof of default under Section 7 of the IBC. On this basis, it concluded that the default had been duly established in terms of the Code.

The Tribunal rejected the CD's contention that the FC had wrongly debited the amounts arising from invocation of bank guarantees to the cash credit account. It observed that the cash credit account functioned as the operating account of the CD, and therefore such debit entries could not be faulted. Consequently, this objection was held to be untenable. Further, the AA declined to entertain disputes raised by the CD regarding interest rates, alleged excess charges, and interpretation of contractual terms. It held that such issues fall outside the limited scope of enquiry at the admission stage of a Section 7 application and cannot be adjudicated at this juncture.

Relying on the Supreme Court judgment in *Innovative Industries Ltd. v. ICICI Bank & Anr. (2017)*, the Tribunal reiterated that once the existence of debt and default is established, admission of the application becomes mandatory. It concluded that the debt exceeded the statutory threshold of ₹1 crore, the application was filed within limitation, and all procedural requirements were duly satisfied.

Order/Judgement: The National Company Law Tribunal admitted the petition under Section 7(5)(a) of the Code, directing commencement of CIRP against the CD.

Case Review: *CIRP application admitted.*