



INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

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

IBC Case Law Capsule

Number 267

(March 16, 2026)



Central Bank of India Ltd. Vs. Narmada Extrusions Ltd.

CP(IB)/21(MP)2025

Date of NCLT Indore Bench's Judgment: 13th March 2026

Facts of the Case: -

The present case concerns a petition filed by the Central Bank of India, acting as the Financial Creditor, seeking initiation of the Corporate Insolvency Resolution Process (CIRP) against Narmada Extrusions Limited, the Corporate Debtor (CD), under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC). The petition arises from an alleged default in repayment of financial debt amounting to approximately ₹95.31 crore, inclusive of interest.

The Financial Creditor submits that it had extended various credit facilities to the CD, including cash credit, term loans, letters of credit, and bank guarantees, which were periodically enhanced, with the latest sanction issued in 22.09.2022. Due to persistent irregularities and failure to service the debt, the loan account of the Corporate Debtor became overdrawn, particularly following the devolvement of letters of credit. Despite repeated reminders and opportunities for regularization, the CD failed to clear its outstanding dues, leading to classification of the account as a Non-Performing Asset (NPA).

Subsequently, the Financial Creditor initiated recovery proceedings under the SARFAESI Act and issued notice dated 02.03.2024. However, the CD did not discharge its liability. The Financial Creditor contended that the CD was financially distressed, with declining operations and insufficient income, and that its liabilities significantly exceeded its assets, indicating an inability to meet its financial obligations. The debt is also stated to have been acknowledged in the Corporate Debtor's balance sheets. The CD, however, opposed the petition on grounds of maintainability, disputing the occurrence and timing of default. However, the CD argued that continued "holding-on" operations negated any crystallized default. It claimed to be a going concern, making payments and pursuing multiple restructuring proposals. The CD also alleged suppression of material facts by the Financial Creditor and contended that parallel SARFAESI and IBC proceedings amounted to forum shopping and misuse of insolvency proceedings for recovery purposes.

Thus, the dispute centers on the existence of default, the maintainability of the insolvency petition in light of ongoing proceedings under the SARFAESI Act.



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NCLT's Observations:

The NCLT Bench observed that a longstanding banking relationship existed between the parties, spanning over four decades, during which multiple credit facilities were extended. It noted that despite repeated follow-ups, the CD failed to regularize its account, which remained overdrawn and was classified as NPA in accordance with RBI norms.

It was further observed that a recall notice was duly issued and served; however, the CD failed to repay the outstanding dues. The Tribunal noted that although a final opportunity through “holding-on operations” was granted, it was conditional and temporary in nature. However, the CD failed to repay the amount or regularize the loan account. The Tribunal observed that documentary evidence, including account statements and records, sufficiently established the existence of financial debt under Section 5(8) of the Code. Further, the objection regarding authority of the bank officer was rejected, with the Tribunal observing that the officer was duly authorized by the Financial Creditor.

The Tribunal further observed that pendency of SARFAESI proceedings does not bar initiation of CIRP, as both operate in distinct legal domains. Proceedings under SARFAESI are in the nature of enforcement of security interest, whereas proceedings under the IBC are aimed at resolution of insolvency of the CD as a whole. Citing the Supreme Court judgement in the case of *Innoventive Industries Ltd. v. ICICI Bank Ltd. (2018)*, the Bench said that at this stage the Adjudicating Authority is required to ascertain whether a financial debt exists and whether a default has occurred.

Finally, the Tribunal observed that the CD's objections regarding holding-on operations, restructuring, and parallel SARFAESI proceedings did not affect the determination of default. Accordingly, it concluded that the Financial Creditor had successfully established the existence of financial debt and default.

Order/Judgement: After considering the material on record and the applicable legal position, the NCLT concluded that the Financial Creditor had successfully established the existence of financial debt and the occurrence of default on the part of the Corporate Debtor.

Case Review: *CIRP Application Admitted.*