



INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

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

IBC Case Law Capsule

Number 268

(March 23, 2026)

**Gopal Trading Company Vs. RP of Matrushri Fibres Pvt Ltd & Ors
Company Appeal (AT) (Insolvency) No. 222 of 2026
Date of NCLAT, New Delhi Judgment: 17th March 2026**

Facts of the Case: -

The present appeal arises from an order dated 15.12.2025 passed by the NCLT, Ahmedabad Bench, whereby two Interlocutory Applications (IAs) — IA No. 1316(AHM)/2024 and IA No. 643(AHM)/2025—were allowed, resulting in termination of the Corporate Insolvency Resolution Process (CIRP) of Matrushri Fibres Pvt. Ltd. (Corporate Debtor or CD) and imposition of financial liabilities on the Appellant, Gopal Trading Company, an Operational Creditor.

The Appellant had initially filed a CIRP application under Section 9 of the Insolvency and Bankruptcy Code, 2016 (IBC), leading to the admission of the CD into CIRP on 25.09.2023. Following admission, the Interim Resolution Professional (IRP) verified claims and constituted the Committee of Creditors (CoC), which comprised solely two Operational Creditors—Assistant Commissioner of GST (95.01% voting share) and Assistant Commissioner of State Tax (4.99% voting share). During the CIRP, the RP faced significant challenges due to non-cooperation from the suspended management of the CD, which failed to provide essential financial records despite repeated communications. Additionally, the Appellant initially did not deposit CIRP costs citing financial constraints, prompting the RP to initiate contempt proceedings.

Due to lack of progress in the CIRP, the RP filed IA No. 1316 of 2024 seeking termination of CIRP, payment of fees and expenses, and discharge from duties, without impleading the Appellant. Subsequently, IA No. 643 of 2025 was filed impleading the Appellant, alleging fraudulent initiation of CIRP under Section 65 of the IBC. By a common order, the Adjudicating Authority allowed both applications, terminated the CIRP, imposed a penalty of ₹10 lakh on the Appellant, and directed payment of ₹6 lakh toward CIRP costs, in addition to ₹2 lakh already paid.

Aggrieved by the judgement, this appeal was filed wherein the Appellant contending that the CIRP had been validly admitted, and that its failure was due to non-cooperation by the suspended management and inaction by the RP under Section 19(2), not the Appellant. It also challenged the *ex-parte* proceedings and disproportionate financial liabilities imposed.



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NCLAT's Observations:

The NCLAT observed that Section 65 embodies a clear legislative mandate to prevent abuse of the insolvency process and empowers the AA to intervene at any stage, even *suo-motu*, if fraudulent or malicious intent is evident from the surrounding facts and circumstances.

The Appellate Tribunal further noted that the CIRP had stagnated after expiry of the statutory period, and the RP had filed IA No. 643 of 2025 alleging fraudulent initiation. The NCLAT affirmed the AA's finding that the conduct of the Appellant was unusual and indicative of ulterior motive. Despite initiating CIRP for an operational debt of ₹3.80 crore, the Appellant failed to file its claim pursuant to the public announcement and did not participate further in the process. This omission, without any credible explanation, was held to be inconsistent with the conduct of a genuine creditor and suggested lack of bona fide intent.

The Tribunal further noted that the only tax authorities filed the claims during CIRP, whose recovery proceedings were effectively halted due to the moratorium under Section 14. The timing of CIRP initiation, coinciding with pending tax recovery, indicated that the process was invoked to circumvent statutory liabilities rather than for insolvency resolution. "Thus, what seems to underpin the reason for triggering CIRP proceedings was clearly to circumvent the tax liability," said the Court. Appellant claimed non-filing of claims was due to lack of legal awareness. NCLAT rejected this because the Appellant had issued a legal notice dated 11.01.2022 demanding ₹3.90 crore and had also lodged police complaints — showing deliberate legal preparation. The plea was held to be an after-thought. The Appellant's proprietor was the real brother of the Corporate Debtor's director and was also an ex-director of the CD. NCLAT gave this independent weight in upholding the Section 65 finding. The NCLAT further noted that Section 65 is designed to deter misuse and protect the integrity of the insolvency framework, the Adjudicating Authority was not off the mark in examining the overall conduct of the Appellant in the surrounding circumstances and in satisfying itself that the threshold elements of malicious intent was met in the facts of the present case. Finally, the Appellate Tribunal held that given the absence of assets, a non-functional CoC, and prima facie abuse of CIRP, the Adjudicating Authority rightly exercised its residuary jurisdiction to direct the Appellant to bear the RP's fees and expenses.

Order/Judgement: The Appellate Tribunal found no merit in the appeal and find no cogent reasons to interfere with the impugned order of the Adjudicating Authority (AA) in any manner.

Case Review: *Appeal Dismissed.*