SANJAY BANSAL & ORS. VS UTKAL STEEL AND POWER PRIVATE LIMITED

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Case Summary:

Details of the Parties:

- **Appellants:** Sanjay Bansal & Ors., shareholders of SSAB Energy and Minerals Limited.
- **Respondent:** Utkal Steel and Power Pvt. Ltd.
- **Counsel for Appellants:** Ms. Misha Rohatgi Mohta and Ms. Riya Dhingra.
- **Counsel for Respondent:** None appeared.

Facts of the Case:

1. The Appellants entered into a **Share Transfer Agreement (STA)** on **26.02.2021** with the Respondent for a consideration of ₹9,59,34,418/-.
2. The STA included a clause regarding the sale of **iron ore stock (~8,000 MT)** either by the Appellants or the Respondent, with proceeds to be remitted to the Appellants.
3. The iron ore was sold in **May and June 2021**, but the Respondent remitted only ₹1 crore (₹25 lakhs each to the Appellants).
4. Despite repeated reminders and a legal notice on **22.08.2021**, the balance amount of ₹1.65 crore was not paid.
5. The Appellants filed an **Application under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC)** before

the NCLT, Cuttack Bench, claiming ₹1.65 crore as unpaid dues.

6. The NCLT rejected the application on **30.08.2022**, observing that the transaction lacked the “time value of money” and that the date of default was unclear.

Issues Involved:

1. Whether the unpaid sale proceeds of iron ore constitute a **“Financial Debt”** under Section 5(8)(e) of the IBC.
2. Whether the NCLT erred in rejecting the Section 7 application based on the absence of time value of money and lack of clarity regarding the date of default.

Judgment:

1. The NCLAT held that the unpaid sale proceeds of iron ore fell within the definition of **Financial Debt** under Section 5(8)(e) of the IBC, as it constituted a liability for repayment of an amount in connection with the business transaction.
2. The Tribunal observed that:
    - The STA clearly stipulated that the sale proceeds of the iron ore stock were separate from the share transfer consideration.
    - Correspondence between the parties showed that ₹1 crore was paid towards the sale of iron ore, not the share purchase consideration.
    - The Respondent’s conflicting stands before the NCLT and the NCLAT undermined their defense.
3. The NCLAT set aside the NCLT order and allowed the appeal, directing:
    - The Respondent to deposit ₹1.65 crore with the NCLT within two months.
    - Failing such payment, the NCLT should admit the Section 7 application and proceed accordingly.

Conclusion:

The NCLAT recognized the unpaid sale proceeds of iron ore as a Financial Debt under the IBC. It directed the Respondent to deposit the balance amount of ₹1.65 crore within two months, failing which insolvency proceedings would commence against the Respondent. The decision underscores the broad interpretation of Financial Debt under the IBC, including liabilities arising from business transactions.