

**NATIONAL COMPANY LAW TRIBUNAL**

**COURT ROOM NO. 1**

**MUMBAI BENCH**

**Item No. 18**

**IA 12/2025 IA(IBC)(PLAN) 45(MB)2025 IA 552/2025 IA(I.B.C)/2316(MB)2025  
IA(I.B.C)/3762(MB)2025 IN C.P. (IB)/1318(MB)2022**

CORAM:

**SH. PRABHAT KUMAR                      SH. SUSHIL MAHADEORAO KOCHEY**  
**HON'BLE MEMBER (TECHNICAL)      HON'BLE MEMBER (JUDICIAL)**

ORDER SHEET OF THE HEARING ON **23.09.2025**

NAME OF THE PARTIES: **AXIS BANK LIMITED V/s MORARJEE TEXTILES  
LIMITED**

Section 7 of the Insolvency and Bankruptcy Code, 2016

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**ORDER**

Adv. Rahul Sarada a/w Adv. Nandgaonkar for the Applicant in IA 2316 of 2025. Adv. Aniruth Purushothaman G. for the Unsuccessful RA is present. Adv. Rishabh Sethi i/b Adv. Dhruvad Vaghani for the Resolution Professional present. Adv. Yash Dhruva a/w Adv. Niyati Merchant i/b MDP Legal for Respondent Nos.1 & 7 present through VC. Adv. Jatin Kumar, Adv. Aashray Chaudhary and Adv. Shaunak Hiwarkhedkar for the Successful Resolution Applicant present through VC. Adv. Neelam Jaiswani for the Respondent No.1 to 3 is present through VC in IA No. 552 of 2025.

**IA 12/2025**

1. This is an Application filed by Mr. Ravi Sethia, Resolution Professional of Morarjee Textiles Limited under Section 60(5) of the Insolvency and Bankruptcy Code, 2016 and Rule 11 of NCLT Rules, 2016 seeking directions to the CoC members to release the interim finance. The Respondent No. 1 to 11 are CoC members.

2. The Applicant submits that Respondent No. 2 viz. Axis Bank Limited approached this Tribunal for initiating CIRP against the Corporate Debtor by filing an application under Section 7 of the Code, which was admitted by this Tribunal vide an order dated 9th February 2024. By and under the Admission Order, the Applicant was appointed as the interim resolution professional ("IRP") of the Corporate Debtor.
3. The Applicant submits that The IRP constituted the Committee of Creditors ("CoC") of the Corporate Debtor in accordance with Section 21 of the Code and conducted the pt meeting on 13<sup>th</sup> March 2024 wherein the Applicant informed the CoC regarding the critical issues related to the said plant (as defined below) and requested the Respondents to contemplate the possibility of providing interim finance for this. However, the said request was rejected by the Respondents.
4. Thereafter, in the 3<sup>rd</sup> CoC meeting of the Corporate Debtor held on 15th May 2024, appointed the IRP as the resolution professional ("RP") of the Corporate Debtor.
5. The Applicant submits that during various CoC meetings of the Corporate Debtor, the Applicant informed the Respondents about the insurance policies that had expired on 31<sup>st</sup> March 2024 and other insurance policies including all risk policy for IT hardware, director liability, boiler explosion, cash in transit, fidelity insurance policy for the said plant expired during the months of May 2024 to July 2024 and couldn't be renewed due to unavailability of funds. The Applicant apprised the Respondents that it is critical to provide interim finance to take the insurance for the Corporate Debtor at the earliest for the security of assets of the Corporate Debtor since the current cash flows of the Company are not sufficient to take renewal for 12 months. During these meetings various other critical issues such as payment of wages to laborers, outstanding electricity dues owed to MSEDCL were also informed by the Applicant for which interim finance was

- required. However, the Respondents have rejected the agenda during these CoC meetings.
6. The Applicant submits that an agenda for the release of interim finance of INR 1,78,03,840/- for the purpose of taking annual insurance of assets of the Corporate Debtor was put up for voting during the 5th CoC meeting and the same is still pending approval by the Respondents.
  7. The Applicant submits that this Tribunal that vide its Order dated 3<sup>rd</sup> September 2024 in I.A. No. 4168 of 2024 filed by the Applicant against MSEDCL ("MSEDCL Application"), directed the Applicant to pay the 4 outstanding dues towards electricity consumed at the said plant within a period of 15 days and further directed MSEDCL to restore the electricity.
  8. The Applicant submits that during the 9th CoC meeting of the Corporate Debtor held on 19<sup>th</sup> September 2024, once again reiterated the need for interim finance funding, thereafter, the agenda for approval of interim finance of INR 15,00,00,000/- was put to vote. In the same meeting, the Applicant requested the Respondents to consider the job work proposal as the same shall help in paying the critical costs. The agenda with respect to approval of job work has not been approved by the Respondents.
  9. The Applicant submits that this Tribunal vide Order dated 15<sup>th</sup> October in the MSEDCL Application this Tribunal directed the Respondents to conclude the voting on the interim finance within one week.
  10. In view of the above, during the 11<sup>th</sup> CoC meeting of the Corporate Debtor held on 18th October 2024, the Applicant requested the Respondents to conclude the voting on the said agenda for raising interim finance till 22<sup>nd</sup> October 2024. However, the said agenda was rejected by the Respondents on 22nd October 2024.
  11. The Applicant submits that during the hearing held on 24th October 2024, this Tribunal in the MSEDCL Application directed the Applicant to pay the total

- outstanding towards electricity dues, since the resolution on the interim finance approval was rejected by the Respondents on 22<sup>nd</sup> October 2024 and further reserved the application for orders.
12. During the 12<sup>th</sup> CoC meeting of the Corporate Debtor held on 25<sup>th</sup> October 2024, the Applicant the agenda for approval for interim finance was once again rejected by the CoC due to the lack of a requisite majority. On request of the Respondents, the agenda for approving the interim finance was again put to vote during the same meeting and the voting on the same is not concluded yet.
13. Hence this present Application is being filed by the Applicant praying that the Tribunal direct the Respondents to contribute, in proportion to their voting percentage or as maybe decided amongst the COC members, a sum of INR 15,00,00,000/- as interim finance.
14. **Heard Ld. Counsel for the Applicant and perused the material on record.**  
**This issue has recently been dealt in case of *ODAT GmbH...v... CA Santanu Brahma (IRP) and Ors. (2025) ibclaw.in 581 NCLAT.***
15. The term contribution is not defined in the Code and hence the contribution is nothing else but interim finance which can be raised only with 66% voting by the CoC in compliance with the provisions of Section 28 of the Code. RP had raised the issue of CIRP costs and relied upon Regulation 33 and 34 of the Regulations which talks about the costs of the Interim Resolution Professional and Resolution Professional costs. The word contribution is conspicuous by its absence in Regulation 33 and 34 of the Regulations. Section 5(13) of the Code defines Insolvency Resolution Process Costs and Section 5(15) defines Interim Finance. Since the Interim Finance is a Financial Debt, raised by the Resolution Professional during the Insolvency Resolution Process, therefore, it has been provided in Section 28 of the Code that the Interim Finance can be raised only after approval by vote of 66% of the voting share of the CoC.

16. The idea that if they don't contribute, their claim will not be considered is more extreme, and we do **not find** a clean precedent confirming exactly for disqualification of a claim for non-contribution of costs.
17. Non-payment or refusal to contribute may lead to other consequences (e.g. legal costs, voting rights issues, or being treated differently), but a claim being extinguished or non-considerable seems large and would likely need specific CoC Resolution or NCLT order with clear legal basis.
18. The Hon'ble National Company Law Appellate Tribunal in the case of ***ODAT GmbH...v... CA Santanu Brahma (IRP) and Ors. (2025) ibclaw.in 581 NCLAT, at para 23 & 27 observed as under:***

*“23. There is no dispute that the RP had claimed the CIRP costs from the Appellant in proportion to its voting share right in the CoC which has been allowed by the Tribunal as contribution. The Respondent has failed to refer to definition of contribution in the Code or Regulations. However, the definition of interim finance has been provided in Section 5(15) which means any financial debt raised by the RP during the insolvency resolution process period. Section 5(13)(a) also provides that insolvency resolution process costs means the amount of any interim finance and the costs incurred in raising such finance. Since it would be a financial debt to be raised by the RP during the insolvency resolution process, therefore, a mechanism has been provided in the Code to ensure that the RP may not misuse the finances of the CD which is already in distress. In this regard, Section 28(1)(a) provides that the RP, during the insolvency resolution process, shall not raise any interim finance in excess of the amount as may be decided by the CoC in their meeting and Section 28(3) further provides that no action under sub-section (1) shall be approved by the CoC unless approved by a vote of 66% of the voting share.*

*27. If the CIRP cost is to be incurred or even the fee as provided in Regulation 34(B), it has to be by way of interim finance for which the resolution has to be voted by 66% voting share of the CoC. However, with the negative voting of the Appellant having 39.4% voting share of the CoC the said resolution has failed, therefore, in such circumstances, the Tribunal has committed an*

*error in passing the impugned order in a slipshod manner which has resulted into a serious miscarriage of justice to the Appellant”.*

19. In that view of the matter, we are of the considered view that the present Interlocutory Application is sans merit and deserves to be dismissed. Accordingly, the Interlocutory Application bearing IA No. 12 of 2025, is **disposed of as dismissed.**

20. File be consigned to records. There will, however, be no order as to costs.

**IA(I.B.C)/3762(MB)2025**

1. Learned Counsel for the EPFO seeks time. Two (2) weeks' time is granted.
2. List this matter on Board on **09.10.2025**.

**IA(I.B.C)/2316(MB)2025 & IA(IBC)(PLAN) 45(MB)2025**

The Ld. Counsel submits that the appeal of unsuccessful resolution applicant against the order passed by this Tribunal and upheld by Hon'ble NCLAT is still pending before Hon'ble Supreme Court and the Ld. Counsel for the parties appearing thereat have agreed not to press this matter on this date.

List this matter on Board on **29.10.2025** for further consideration.

**IA 552/2025**

1. None present for the Respondent when the matter is called out.
2. The learned Counsel for the Applicant informs that the pleadings are complete in the matter. Post this matter for final arguments.
3. List this matter on Board on **28.10.2025**.

-Sd/-

**PRABHAT KUMAR  
MEMBER (TECHNICAL)**

Rehan Shaikh

-Sd/-

**SUSHIL MAHADEORAO KOCHEY  
MEMBER (JUDICIAL)**