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ROSELAND BUILDTECH P. LTD. V. VIHAAN 43 REALITY P. LTD.,

C.S. (COMM.) 812 of 2025, (2026) 266 Comp Cas 281: 2026 SCC OnLine Del 7 (Delhi High Court, 5 January 2026, Purushaindra Kumar Kaurava J.)

AUTHORED BY - SANIYA ARFA
Amity University Kolkata

Introduction

When a financial creditor files a Section 7 petition, a corporate debtor that says the debt never existed has two possible routes. It can fight before the NCLT, or it can file a civil suit seeking declarations that the debt is discharged and the underlying documents are forged. In *Roseland Buildtech*, the Delhi High Court held that the second route is closed. It rejected the plaint under Order VII Rule 11(d) CPC and described the suit as an "anti-tribunal" action.

Facts

Roseland, the plaintiff, borrowed Rs. 80 crore in 2006 under a loan agreement with Sonata Investments (defendant no. 2), with repayment later extended by a supplementary agreement. In 2020, the lender's rights were allegedly assigned to Vihaan 43 Reality (defendant no. 1) under a "business transfer agreement" (BTA).

In February 2024, the 50% shareholder in Roseland (defendant no. 5) agreed to sell its stake to defendant no. 6 under a share purchase agreement. According to Roseland, the arrangement also required its loan liabilities to be cleared on defendant no. 2's instructions, and Roseland made payments to Vihaan in FY 2023-24 and 2024-25 on that basis. When defendant no. 2 transferred its own shareholding elsewhere, the arrangement fell apart.

Vihaan then filed a Section 7 petition on 2 July 2024 before the NCLT, relying on the BTA. Roseland's case is that the BTA is forged, fabricated and void, that the loan stood discharged, and that the insolvency process was initiated fraudulently. Roseland first moved the NCLT under Section 60(5) read with Section 65 (I.A. No. 1012 of 2025). While that was pending, it filed a commercial suit on 7 August 2025 seeking:

- declarations that the loan was discharged, the BTA was void and certain letters were never issued,

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- a mandatory injunction for rendition of accounts, and
- an injunction restraining Vihaan from enforcing the loan agreement or the BTA.

Vihaan applied for rejection of the plaint under Order VII Rule 11.

The arguments

For the financial creditor (Mr. Darpan Wadhwa, Senior Advocate). The suit was a mala fide attempt to derail a statutory process, a case of clever drafting and abuse of process. Prayers (a) to (c) attacked the existence of the debt, the validity of the assignment and the authenticity of the documents on which the Section 7 petition rests, and all of these lie within the NCLT's domain under a self-contained code (Sections 63, 64(2), 65, 75, 231 and 238). The suit sought indirectly what the Code does not permit directly, which was to stall a statutory proceeding and obtain findings on issues already before the NCLT, and this amounted to forum shopping. Alternatively, the plaint disclosed no cause of action, was barred by delay and acquiescence, and suppressed material facts. Reliance was placed on *Embassy Property*, *Swiss Ribbons*, *Gujarat Urja* and *Innoventive*, among others.

For the corporate debtor (Mr. Tanmaya Mehta). At the Section 7 stage the NCLT cannot adjudicate the validity of an assignment deed, and the BTA is, on its face, sham and antedated. Section 9 CPC presumes civil court jurisdiction, so the ouster clauses (Sections 63, 64(2) and 231) must be read strictly. The NCLT cannot grant declaratory relief, a borrower can only raise a defence before it and cannot initiate proceedings against a creditor, and it cannot decide fraud, forgery or disputes about the existence of debt. In rejoinder, counsel argued that the right asserted pre-exists under common law and is neither created by nor dependent on the IBC, and that even if the NCLT's jurisdiction overlaps, the civil court's powers are plenary. At the Order VII Rule 11 stage, if even one prayer merits trial, the plaint cannot be rejected as a whole. Reliance was placed on *Sian Participation*, *Central Bank of India v. Prabha Jain*, *Frontline*, *Rajkumar Nagpal*, *TCS v. Vishal Ghisulal Jain*, *Innoventive*, *M. Suresh Kumar Reddy*, *Radha Exports* and *MSA Global*.

The court's reasoning

1. The ouster clauses are only as wide as the statute. Sections 63 and 231 are classic ouster clauses, and their reach depends on what the specialised Tribunal is empowered to decide. The court therefore looked at the NCLT's powers rather than at the clauses in isolation.

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2. Three provisions give the NCLT power over fraud and forgery.

- *Section 65.* Following *Embassy Property Developments v. State of Karnataka*, the court held that the NCLT can inquire into fraudulent initiation of proceedings and fraudulent transactions, and that this includes collusion. It also noted that NCLT and NCLAT practice already reflects this (*James Hotels*, *Zaggle Prepaid*, *Hytone Merchants*).
- *Section 75.* This allows the Tribunal to test the truth of statements and documents in a Section 7 application, and works as a deterrent against false information.
- *Section 60(5)(c).* This residuary power covers questions of law or fact arising out of or in relation to insolvency. The court read it, following *Gujarat Urja Vikas Nigam v. Amit Gupta*, as requiring a nexus with the corporate debtor's insolvency and a textual hook in the Code. It treated the clause as a bridge to Sections 65 and 75, so that the NCLT can decide whether initiation was fraudulent and whether the creditor's documents, including assignment deeds, are false.

The NCLT Rules, 2016 supply the machinery: evidence by affidavit, cross-examination, summoning of witnesses, and production and discovery of documents. The court observed that these Rules cannot create jurisdiction by themselves and are reached only through the Code's substantive sections.

3. Section 7's narrow scope does not revive civil jurisdiction. The court agreed with the plaintiff that, under *Innoventive Industries* and *M. Suresh Kumar Reddy*, a Section 7 court asks only whether a default on a due debt has occurred, and that a pre-existing dispute on the debt does not stop admission. But it held that this limit does not confer jurisdiction on a civil court. What matters is that the Tribunal is ultimately the forum for these questions, and that a question being decided later does not entitle a party to litigate it elsewhere in the meantime. Any unfairness in the design, the court said, is an argument against the legislation's vires and not a source of civil jurisdiction.

4. The common law right argument failed. The court asked what right was actually being asserted, and concluded it was a right to make an adjudicatory body decide fraud, forgery and validity of an assignment after a Section 7 petition is filed but before it is decided. That right does not exist independently of the plaintiff's status as a corporate debtor, and enforcing it would require acting against the Code. A claim demanding disobedience of the law, the court said, is not a legal right but "mere obstinacy."

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5. The plaintiff's authorities were distinguished.

- Prabha Jain and Frontline (SARFAESI Section 34): the DRT's jurisdiction is much narrower than the NCLT's, and the IBC has express fraud provisions in Sections 65 and 75.
- *Rajkumar Nagpal*: nothing in the relevant statutes empowered the adjudicators to decide that dispute.
- *TCS v. Vishal Ghisulal Jain*: the nexus test is satisfied here because the grievance is the Section 7 filing itself.
- *Sian Participation*: a BVI liquidation case, not relevant.
- *MSA Global*: an anti-arbitration injunction granted in the rarest of rare cases, and it did not override a statutory bar.

6. Substance over form. The court held that all reliefs flowed from prayer (a), the non-existence of the debt, so the argument that one triable prayer saves the plaint failed. It treated the suit as, in essence, an anti-tribunal injunction presented as a declaratory claim, relying on *Frost International v. Milan Developers*. It directed civil courts to strip such plaints of their nomenclature and decline them at the threshold, and imposed costs of Rs. 2,00,000 payable to DSLSA, noting that urgent hearing of this suit had displaced a genuine litigant's matter. The plaint was rejected, and the court stated that nothing in the judgment expressed a view on the merits of the debt.

Critical comment

The ruling is consistent with the Supreme Court's emphasis on a unified forum in *Gujarat Urja*, but three points deserve scrutiny.

First, the practical difficulty. *Innoventive* confines the NCLT at admission, while the court itself leaves open, at paragraph 88, how scrutiny should work when Section 7 and Section 65 applications are pending together. A debtor with a strong forgery case may reach admission before fraud is heard. The court's answer, that this goes to vires rather than jurisdiction, is a doctrinal response to a practical concern.

Second, the remedy. The Telangana High Court's decision in *Ramky Infrastructure*, which the court cited, took the view that the consequence of fraudulent initiation is limited to the monetary penalty under Section 65. The Delhi High Court went further, observing that findings of fraud may affect the continuation of the process itself (para 68). That is a significant gloss,

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and one that is likely to be tested.

Third, the caution in *Gujarat Urja* that the NCLT cannot act on the Code's spirit. The court's reliance on Section 60(5)(c) as a bridge to Sections 65 and 75 respects that caution, but it widens the residuary clause by treating the power to decide a question as incidental to a penal provision.

Conclusion

Roseland Buildtech gives corporate debtors a clear message. A challenge to the debt or to an assignment behind a Section 7 petition belongs before the NCLT, through Section 65 or 75 applications and Section 60(5) pleas, with evidence led under the NCLT Rules. A parallel civil suit risks rejection at the threshold and costs. Creditors gain a firm authority against forum shopping. What remains open is how the NCLT will balance fraud scrutiny against the narrow admission standard.

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