

# IBC DOSSIER

Bulletin on Landmark Judgments under IBC, 2016



## **GLS Films Industries Private Limited Vs. Chemical Suppliers India Private Limited**

### **Brief Facts**

GLS Films Industries Pvt. Ltd. was served a demand notice under Section 8 of the Insolvency and Bankruptcy Code (IBC) by Chemical Suppliers India Pvt. Ltd., claiming outstanding dues of ₹2.92 crore for chemical supplies. The appellant disputed this liability, alleging that several consignments supplied between 2020–2021 were defective, and issued debit notes to adjust the accounts. They also filed a police complaint in September 2021, alleging coercive tactics by the supplier, and repeatedly sought reconciliation of accounts. The National Company Law Tribunal (NCLT) accepted that genuine disputes existed prior to the demand notice and dismissed the insolvency application. However, the National Company Law Appellate Tribunal (NCLAT) reversed this finding, admitting the application on the ground that the appellant's defence was not substantial.

## **Decision**

The Supreme Court observed that correspondence regarding defective supplies dated back to December 2020, well before the demand notice of November 2021, and that the police complaint and reconciliation requests demonstrated a genuine pre-existing dispute. It noted inconsistencies in the respondent's claims (₹4.60 crore vs. ₹2.92 crore) and held that insolvency proceedings cannot be used as a substitute for debt recovery when a plausible dispute exists. Applying the principle laid down in *Mobilox Innovations v. Kirusa Software*, the Court concluded that NCLAT erred in admitting the case. The appeal was allowed, the NCLT's dismissal of the application was restored, and each party was directed to bear its own costs.

## **Link of the Order**

<https://ibbi.gov.in/uploads/order/6b4acaf0d87b7b89e6a86c485e40dcd0.pdf>



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