NATIONAL COMPANY LAW TRIBUNAL
CHANDIGARH BENCH, COURT-I, CHANDIGARH

I.A. No.83 of 2026 In
CP(IB) No. 325/Chd/Pb/2023
(Admitted)

[Application under section 60(5) of Insolvency and Bankruptcy Code, 2016 read with Rule 11 of the National Company Law Tribunal Rules, 2016*]*

I.A. No.83 of 2026

Asset Reconstruction Company (India) Limited

Acting in its capacity as trustee of Arcil-JCT III Trust [ARCIL]

Office: The Ruby, 10th Floor, 29 Senapati Bapat Marg,

Dadar, (West), Mumbai- 400028

Through its Authorised Representative

Email: angira.bhattacharjee@arcil.co.in

Mobile: +919903922863

PAN: AAECA3878M

....Applicant

Versus

1. Mr. Umesh Garg
   Resolution Professional of JCT Limited,
   IBBI Registration No.: IBBI/IPA-001/IP-P00135/2017-2018/1027
   Having his office at: E-45, LGF, Block-E,
   Lajpat Nagar-III, New Delhi -110024.

.......Respondent No. 1

2. Committee of Creditors of JCT Limited,
   Having its office at: SAM Branch,
   First Floor, 17 Parliament Street,
   New Delhi-110001

.....Respondent No. 2

IN THE MAIN MATTER OF CP(IB) No. 325/Chd/Pb/2023 (Admitted):

Phoenix ARC Pvt. Ltd.

...Financial Creditor

Versus

JCT Limited

... Corporate Debtor

Order delivered on: 10.07.2026

Coram: SH. KHETRABASI BISWAL, HON'BLE MEMBER (JUDICIAL)
SH. SHISHIR AGARWAL, HON'BLE MEMBER (TECHNICAL)

Present:

For the Applicant in IA No. 83/2026	:	Ms. Munisha Gandhi, Senior Advocate Mr. Abhinav Sood, Advocate Ms. Salina Chalana, Advocate Ms. Anmol Gupta, Advocate Ms. Achintaya Soni, Advocate
For the RP	:	Mr. Aalok Jagga, Advocate Mr. APS Madaan, Advocate Mr. Sahil Lohan, Advocate Mr. Aryaman Jagga, Advocate
For the CoC in IA No. 83/2026	:	Mr. Manish Jain, Senior Advocate Ms. Divya Sharma, Advocate Mr. Siddhant Jain, Advocate

ORDER

The present Application has been filed by Asset Reconstruction Company (India) Limited, acting in its capacity as trustee of Arcil-JCT III Trust *(hereinafter referred to as "ARCIL" or "the Applicant")* with the following prayers:

> *"(a) Quash and set aside the Letter/Order dated 07.01.2026 issued by the Resolution Professional rejecting the Applicant's financial claim in the CIRP of JCT Limited, being illegal, arbitrary and without jurisdiction;*
>
> *(b) Admit and recognise the Applicant's financial claim of Rs. 34,82,31,36,084/- (Rupees Three Thousand Four Hundred and Eighty Two Crores Thirty-One Lakhs Thirty Six Thousand and Eighty-Four only) as a Financial Debt of the Corporate Debtor under Sections 5(7) and 5(8) of the Insolvency and Bankruptcy Code, 2016, and treat the Applicant accordingly as a Financial Creditor with all consequential rights under the Code. And/Or*
>
> *(c) Alternatively, direct the Resolution Professional to forthwith admit and recognise the Applicant's financial claim of Rs. 34,82,31,36,084/- (Rupees Three Thousand Four Hundred and Eighty Two Crores Thirty-One Lakhs Thirty Six Thousand and Eighty-Four only) as a Financial Debt of the Corporate Debtor under Sections 5(7) and 5(8) of the Insolvency and Bankruptcy Code, 2016;*
>
> *(d) Direct re-constitution and correction of the voting share of the Applicant in the Committee of Creditors (CoC) on the basis of the full admitted claim amount;*
>
> *(e) Restrain the Resolution Professional from taking any further material steps in the CIRP, including conducting CoC meetings, placing any resolution for voting, evaluating resolution plans, (including any distribution-affecting decisions) or acting upon any decisions of the CoC, based on the present defective constitution of the CoC, till the Applicant's claim is duly admitted and voting share is correctly determined;*
>
> *(f) Pass such other and further orders as this Hon'ble Tribunal may deem fit and proper in the interest of justice, equity and good conscience."*

BRIEF FACTS

2. The brief facts of the case, as submitted by the Applicant, are summarised as follows:

(i) The Applicant acting as Trustee of ARCIL-JCT III Trust, is a company incorporated under the erstwhile Companies Act, 1956 and registered as an Asset Reconstruction Company under Section 3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (hereinafter SARFAESI). The present Application has been filed before this Tribunal in the Corporate Insolvency Resolution Process of JCT Limited (the "Corporate Debtor"), being conducted under CP(IB) No. 325/2023.

(ii) JCT Electronics Limited ("JCTEL"), a subsidiary of the Corporate Debtor, availed three distinct credit facilities from IFCI Limited between 1993 and 1998: (a) Equipment Credit Scheme of Rs.400 Lakhs vide agreement dated 01.09.1993; (b) Foreign Currency Loan of DM 16,566,406 (equivalent to Rs.3,580 Lakhs), vide agreement, dated 27.03.1998; and (c) Rupee Term Loan of Rs.1,248 Lakhs vide agreement dated 21.07.1998. To secure these facilities, the Corporate Debtor executed irrevocable, unconditional and continuing corporate guarantees in favour of IFCI Limited, rendering itself jointly and severally liable for repayment of the entire debt upon default by JCTEL. The guarantees expressly provided that they would remain in full force until repayment in full of all moneys due, and were unaffected by any change in the constitution or status of the borrower or guarantor.

(iii) Upon JCTEL's persistent default, IFCI classified the loan account as a Non-Performing Asset (NPA) on 14.10.2001, issued a loan recall notice on 26.11.2001, and on 25.01.2002 invoked the corporate guarantee of JCT Limited demanding repayment of the entire outstanding dues. On 31.01.2002, IFCI filed Original Application No. 23 of 2002 before the Debts Recovery Tribunal, Chandigarh, claiming a consolidated recovery of Rs.220,16,75,188.63/-, of which Rs.56,68,92,019/- was specifically claimed from the Corporate Debtor as corporate guarantor in respect of the two guaranteed facilities, together with pendente lite interest at a weighted average rate of 18.13% per annum.

(iv) In 2005, JCTEL's accumulated losses exceeded its net worth and it was declared a sick industrial undertaking by the BIFR on 12.12.2005. The Board for Industrial and Financial Reconstruction (hereinafter BIFR) sanctioned Rehabilitation Scheme SS-07 on 12.03.2007. Pertinently, Clause IV, Paragraph 21 of the sanctioned scheme expressly preserved all existing loan agreements, securities and guarantees, stipulating that they shall "remain in full force and binding between the parties. Clause IV(2) further stipulated that the right to revoke the rehabilitation package and revert to original loan terms could be exercised only with the prior approval of the BIFR.

(v) Vide Assignment Agreement dated 13.05.2015, IFCI Limited assigned the loan account of JCTEL, together with all underlying rights, securities and guarantees including the corporate guarantee of the Corporate Debtor, to ARCIL in accordance with the SARFAESI Act, 2002. The ARCIL thereby stepped into the shoes of IFCI as the rightful creditor, with co-extensive rights of enforcement. The ARCIL was also substituted as the Applicant in the pending DRT proceedings.

(vi) The BIFR, vide Orders dated 08.07.2015 and 14.10.2015, declared the Rehabilitation Scheme as failed and recommended winding up of JCTEL under Section 20(1) of Sick Industrial Companies (Special Provisions) Act, 1985 (hereinafter SICA). Hon'ble Punjab and Haryana High Court admitted the winding-up petition on 01.02.2016 and ordered winding up on 26.08.2016. The Applicant contends that upon failure of the scheme, by operation of Section 22(4)(b) of SICA, all concessions and modifications stood automatically withdrawn and original rights and liabilities revived. Accordingly, the ARCIL issued a statutory demand notice under Section 13(2) of the SARFAESI Act on 04.11.2015 demanding repayment of Rs.4,651,65,58,436/-. In its reply dated 11.02.2016, the Corporate Debtor did not dispute the execution or validity of the corporate guarantee but raised objections only to the computation of the claimed amount.

(vii) The Corporate Insolvency Resolution Process against the Corporate Debtor was commenced vide Order of this Tribunal dated 25.10.2024, and Mr. Hasti Mal Kachhara was appointed as the Interim Resolution Professional (for short IRP). In response to the public announcement, the ARCIL filed its claim in Form C on 21.01.2025 for a total of Rs.34,82,31,36,084/-, comprising principal, contractual interest, penal charges, liquidated damages and other recoverable components under the facility agreements, supported by comprehensive documentation including loan agreements, corporate guarantees, the assignment deed, DRT pleadings, and a detailed computation of outstanding dues.

(viii) The IRP provisionally admitted only the principal component of Rs.56,68,92,019/- while keeping the interest and other components under verification, citing inability to access the Corporate Debtor's SAP accounting system which had been deactivated with effect from 01.04.2025. The ARCIL was inducted into the Committee of Creditors (for short CoC) on the basis of this provisional admission and participated in CoC meetings, exercised voting rights, and was called upon to make CIRP cost contributions as a Financial Creditor.

(ix) Having been unable to secure complete verification, the Applicant filed IA No. 1422 of 2025 before this Tribunal seeking directions for verification, whereafter Mr. Umesh Garg was appointed as the Resolution Professional (For short RP). Subsequently, IA No. 1712 of 2025 was filed seeking time-bound verification, and this Tribunal vide order dated 18.11.2025 directed the RP to complete verification within two weeks. Pursuant to this direction, the RP raised successive queries between 20.11.2025 and 07.01.2026 relating to the validity and invocation of the guarantee, limitation, interest computation, the BIFR scheme, and the requirement of a BIFR revocation order all of which were comprehensively answered by the Applicant with supporting documentation, including the loan agreements, guarantee deeds, assignment deed, DRT pleadings, SARFAESI notices, BIFR orders, winding-up orders, annual reports, and detailed interest workings.

(x) Notwithstanding the Applicant's complete and prompt compliance, the RP vide letter dated 07.01.2026 issued just four days before the scheduled resolution plan submission date of 11.01.2026 rejected the Applicant's entire claim including the principal amount already admitted by the erstwhile IRP, without identifying any specific documentary deficiency and without addressing the detailed clarifications placed on record. It is this rejection that is the subject matter of the present application.

REPLY OF THE RESPONDENT NO. 1

3. The reply filed by the Respondent No.1 is summarised as follows:

(i) The Resolution Professional submitted that JCTEL, a group company of the Corporate Debtor, availed credit facilities from IFCI Limited during 1993-1998, secured by a corporate guarantee executed by JCT Limited vide deed dated 01.09.1993. The loan account was classified as NPA on 14.10.2001, following which IFCI issued a demand notice on 25.01.2002 claiming Rs.42,06,16,763/- and filed OA No. 23/2002 before the DRT, Chandigarh. JCTEL was declared sick under SICA in 2005, and a Rehabilitation Scheme was sanctioned by BIFR on 12.03.2007. IFCI subsequently assigned the loan account to ARCIL on 13.05.2015, on the basis of which ARCIL filed its claim in Form C dated 21.01.2025 for Rs.34,82,31,36,084/-.

(ii) The claim was examined and rejected vide letter dated 07.01.2026 on the following grounds:

(a) no authenticated statement of account of the borrower was provided;
(b) date of default was not disclosed;
(c) copy of the Modified Draft Rehabilitation Scheme was not furnished;
(d) no prior BIFR order reverting to original loan terms was produced;
(e) no implementation report of the rehabilitation scheme was provided; and
(f) no document establishing that the debt is within limitation was furnished, particularly in view of the Corporate Debtor's annual records consistently recording a dispute of the sums claimed.

(iii) As regards to power to verify by the RP, it is submitted that the RP has acted strictly within the scope of his duties under Section 18(1)(b) of the IBC read with Regulations 10, 13 and 14 of the CIRP Regulations, 2016. Verification is not adjudication; verification involves examination of supporting documents and assessment of claims against available information, whereas adjudication involves appreciation of contesting legal positions. The RP is not expected to rubber-stamp claims without due diligence, and a creditor cannot resist furnishing documents by asserting that the RP lacks adjudicatory powers, as held by the Hon'ble NCLAT in Umesh Kumar v. Narendra Kumar Sharma (CA (AT) (INS) No. 100 of 2024).

(iv) As regards to the provisional admission, it is submitted that the claim was only provisionally admitted, as is evident from Annexure A-19 and the IRP's email dated 07.07.2025 (Annexure A-20), which expressly recorded that admission was pending corroboration from the Corporate Debtor's records and verification of the guarantee terms. The Applicant's own filing of IA No. 1422 of 2025 on 09.09.2025 seeking directions to verify and accept the entire claim conclusively demonstrates its awareness that the initial admission was not final. Despite the Tribunal's order dated 18.11.2025 and repeated requests vide emails dated 01.11.2025, 21.11.2025, 29.11.2025 and 31.12.2025, the Applicant failed to furnish: (a) the Corporate Debtor's reply to the SARFAESI demand notice; (b) the BIFR scheme implementation report; (c) statements of loan accounts of JCT Limited and JCTEL; and (d) the actual date of default. It is further submitted that the Applicant filed a false undertaking in Form C concealing the existence of the rehabilitation scheme under which it received benefits from April 2007 to March 2011 amounting to approximately Rs.15,24,20,385/-.

(v) On limitation, it is submitted that by operation of Clause 12 of the Guarantee Deed dated 01.09.1993, limitation commenced upon the written demand of 25.01.2002 and the claim filed as on the CIRP commencement date of 25.10.2024 is hopelessly time-barred. Even extending the benefit of the rehabilitation scheme, payments were made only until March 2011 as admitted by the Applicant in its own BIFR application dated 20.03.2015, and no unequivocal acknowledgment of debt exists thereafter.

(vi) The Applicant's reliance upon annual reports for the period 2010-11 to 2022-23 as constituting acknowledgment under Section 18 of the Limitation Act, 1963, is misconceived, as a perusal of those reports including for the years 2011-12 and 2016-17 reveals that the Corporate Debtor consistently disputed ARCIL's claim and recorded that the demand was not legally sustainable. A disputed balance sheet entry entered with a caveat cannot amount to acknowledgment of liability, as held by the Hon'ble Supreme Court in Asset Reconstruction Company v. Bishal Jaiswal ((2021) 6 SCC 366).

(vii) On the BIFR scheme, it is submitted that Clause III(b) of the sanctioned Scheme required all secured creditors to withdraw pending DRT recovery suits within three months of sanction, i.e., by 11.06.2007. The Applicant received scheme benefits of Rs.15,24,20,385/- while deliberately failing to withdraw OA No. 23/2002 the obligation to withdraw was solely that of the creditor and required no consent of the borrower. Further, Clause IV(2) of the scheme expressly required prior BIFR approval before reversion to original loan terms, which was never obtained. The Applicant cannot simultaneously avail the benefits of the scheme and disregard its mandatory conditions. The DRT order dated 07.11.2025 relied upon by the Applicant is of no assistance as it was passed post-CIRP commencement during the moratorium period and was passed in an application by a co-defendant rather than the Corporate Debtor, and is overridden by Section 238 of the IBC.

(viii) It is accordingly submitted that the claim is barred by limitation, the balance sheet entries do not constitute valid acknowledgments, no BIFR order reviving original loan terms was obtained, and the Applicant failed to furnish material documents despite repeated opportunities. The rejection vide letter dated 07.01.2026 was a lawful exercise of the RP's statutory verification mandate and the present application is liable to be dismissed.

REPLY OF THE RESPONDENT NO.2

4. The reply filed by the Respondent No.2, Committee of Creditors (CoC), is summarised hereunder:

(i) The Respondent No. 2 fully supports the Resolution Professional's decision on rejection of the Applicant's claim and opposes the grant of any relief that would stall or derail the ongoing CIRP. It is settled law that individual creditor disputes cannot be permitted to obstruct a time-bound insolvency resolution process governed by the strict timelines of Section 12 of the Code, which is intended to serve the collective interest of all stakeholders. The CIRP period of 270 days was ending on 03.03.2026, resolution plans had already been received for appraisal, and the process was at its final stage of completion. Entertaining the present application would cause unwarranted delay and irreversibly prejudice the CIRP.

(ii) As regards to Limitation, the Respondent No.2 submitted that the corporate guarantees of the Corporate Debtor dated 01.09.1993 and 27.03.1998 were invoked by IFCI Limited vide notice dated 25.01.2002, and by operation of Clause 12 of the Guarantee Deed, the three-year limitation period commenced from 25.01.2002 and expired on 24.01.2005 well prior to the initiation of CIRP. Reliance is placed upon B.K. Educational Services Pvt. Ltd. v. Parag Gupta & Associates ((2019) 11 SCC 633), which categorically holds that the IBC cannot be used to resurrect time-barred claims. The pendency of OA No. 23 of 2002 before the DRT does not extend this period, as settled by the Hon'ble NCLAT in Bimal Kumar Manubhai Savalia v. Bank of India & Anr. (2020 SCC OnLine NCLAT 400), upheld by the Supreme Court vide order dated 14.03.2023 in Civil Appeal No. 2988/2022.

(iii) Even extending the most favourable computation, the Rehabilitation Scheme sanctioned by BIFR on 12.03.2007 failed due to default by JCTEL from April 2011, and BIFR referred the company for winding up on 14.10.2015. Even treating the SARFAESI demand notice dated 04.11.2015 as a fresh invocation of the guarantee, the three-year period from that date expired on 03.11.2018. The Applicant lodged its claim only on 21.01.2025, nearly six years after this worst-case expiry, without any explanation for the delay. It is further submitted that the SARFAESI notice of 2015 cannot constitute a fresh invocation since the guarantee had already been invoked by IFCI on 25.01.2002.

(iv) Upon assignment, ARCIL stepped into the shoes of IFCI and took over all its disadvantages including limitation, as held by the NCLAT in Pankaj Yadav & Anr. v. SBI & Anr. ((2021) 14 Comp. Cas-OL 329). The Applicant deliberately chose not to file an application under Section 7 of the IBC between 03.11.2018 and 21.01.2025, being aware that such an application would have been dismissed as time-barred, and cannot now achieve indirectly through the present claim what it could not have done directly.

(v) On acknowledgment, it is submitted that the Corporate Debtor's annual reports and balance sheets placed on record by the Applicant itself at Annexure A-29 consistently contain a board-approved statement disputing ARCIL's notice and recording that the demand is not legally sustainable. The Corporate Debtor's reply dated 11.02.2016 to the SARFAESI demand notice (Annexure A-15) categorically disputed the liability. The liability towards the Applicant has thus never been unequivocally admitted by the Corporate Debtor, and the disputed balance sheet entries cannot constitute acknowledgment under Section 18 of the Limitation Act as settled in Asset Reconstruction Company v. Bishal Jaiswal ((2021) 6 SCC 366).

(vi) On the provisional admission, it is submitted that the IRP's admission was strictly provisional under Regulation 14(1) of the CIRP Regulations, subject to final verification. The Applicant is estopped from claiming the benefit of a provisional admission made without due verification of documents. The RP, having sought and received additional information, rightly rejected the claim in accordance with law. Since the claim is time-barred and not maintainable, ARCIL cannot form part of the CoC, and the CIRP cost contributed by the Applicant as a CoC member shall be reimbursed and refunded by the CoC accordingly.

(vii) The present application is wholly devoid of merit, not maintainable in law, and is evidently designed to delay and derail the ongoing resolution process at its most advanced and time-sensitive stage. It is accordingly liable to be dismissed.

REJOINDER OF THE APPLICANT

5. The Rejoinder submissions of the Applicant to the Reply filed by the RP are briefly summarised hereunder:

(i) The impugned rejection is not based on any documentary insufficiency, but on alleged unenforceability of the guarantee, limitation, alteration of contractual rights under the BIFR scheme, and absence of a BIFR revival order. Each of these issues requires interpretation of contracts, statutory schemes and legal enforceability, which are adjudicatory functions vested exclusively in the Adjudicating Authority under Section 60(5) of the IBC. Even the judgment relied upon by the RP in Umesh Kumar v. Narendra Kumar Sharma holds that questions of validity and enforceability of contractual arrangements fall outside the RP's purview. The rejection is therefore vitiated by jurisdictional overreach.

(ii) The contention that the principal claim was only "provisionally admitted" and could later be rejected is untenable. The Applicant was inducted into the CoC, assigned voting share, voted on the RFRP and Evaluation Matrix, and contributed to CIRP costs, showing that the admission had attained operational finality. Regulation 14 permits revision of quantum, but not annulment of an admitted debt or retrospective divestment of creditor status. Once acted upon for CoC constitution, the RP became functus officio qua such admission, and any unilateral reversal amounts to review, which is not vested in him under the IBC.

(iii) All primary documents establishing the financial debt were furnished with the Form-C claim, and all subsequent queries were duly responded to, as reflected in Annexures A-20, A-24, A-25 and A-26. The additional documents sought were collateral materials such as BIFR implementation reports and borrower correspondence, and were not foundational to a claim arising from a corporate guarantee. Non-furnishing of such supplementary material could not justify rejection of a crystallised financial debt or reversal of an already admitted principal amount.

(iv) The finding on limitation is misconceived. Clause 12 of the Guarantee Deed only postpones commencement of limitation until invocation by written demand and does not extinguish enforcement rights thereafter. The Guarantee Deed, read as a whole, makes the guarantor's liability unconditional, irrevocable and continuing until full repayment. Invocation crystallises liability; it does not exhaust the right of enforcement. The liability has been continuously pursued through DRT proceedings, SARFAESI notices and repeated statutory disclosures. Whether these constitute acknowledgements extending limitation is a matter for judicial determination, which the RP could not have summarily decided.

(v) The Corporate Debtor's audited financial statements over successive years consistently recorded the corporate guarantees, their invocation and outstanding exposure, thereby constituting board-approved acknowledgements of a subsisting jural relationship. The RP has selectively relied on caveats while ignoring the substantive admission of liability in the same documents. Disputes regarding quantum or enforcement framework do not erase acknowledgement of the underlying liability, and treating such disclosures as non-acknowledgements is itself an adjudicatory exercise beyond the RP's jurisdiction.

(vi) The alleged requirement of prior BIFR approval to revert to original claim terms is legally unsustainable. The rehabilitation scheme did not extinguish or novate the underlying loan agreements or corporate guarantees. Upon failure of the scheme, all concessions stood automatically withdrawn by operation of Section 22(4)(b) of SICA, reviving original rights by force of law without any separate BIFR order. The allegation of non-compliance for not withdrawing OA No. 23 of 2002 is equally untenable, as the DRT proceedings were kept in abeyance by the Ld. DRT itself due to BIFR pendency, as reflected in the DRT orders from 2008 to 2013 at Annexures A-2 and A-3. Court-sanctioned abeyance cannot be treated as non-compliance.

(vii) Reliance on the DRT order dated 07.11.2025 is only for parity and evidentiary value. The Ld. DRT held that guarantees subsist until full satisfaction of the entire debt and rejected the contention that payments to the principal borrower extinguished guarantee liability. The corporate guarantees of the Corporate Debtor are governed by identical contractual clauses, and the RP cannot selectively disregard this judicial recognition. The moratorium under Section 14 of the Code bars coercive enforcement, but neither extinguishes the debt nor renders findings in pending proceedings irrelevant for evidentiary purposes.

(viii) The Corporate Debtor executed corporate guarantees, the same were duly invoked, recovery proceedings were initiated, the debt was assigned to the Applicant, and the guaranteed liability remains subsisting and unpaid.

6. The Rejoinder submissions of the Applicant to the Reply filed by the Respondent No.2 are briefly summarised hereunder:

(i) It is the assertion of Respondent No.2 that the present Application seeks to derail the CIRP is wholly misconceived. The Applicant has approached this Hon'ble Tribunal only because the RP, without jurisdiction, rejected an already admitted financial debt, thereby unlawfully altering the composition and voting share of the CoC. Seeking rectification of such illegality cannot be treated as an attempt to stall the CIRP.

(ii) Respondent No.2 has erred in asserting that a "provisionally admitted" claim can thereafter be rejected in toto at the unilateral discretion of the RP. The principal component of the Applicant's claim was admitted by the erstwhile IRP, reflected in the List of Financial Creditors, and acted upon by all stakeholders. The Applicant was inducted into the CoC, participated in meetings, voted on the RFRP and Evaluation Matrix, and contributed to CIRP costs. These are substantive consequences flowing from admission of a financial debt, not ministerial acts. Regulation 13 read with Regulation 14 permits verification and revision of quantum, but not extinguishment of a crystallised financial debt. No new document, supervening event or adverse finding by any competent forum emerged after admission to justify such reversal.

(iii) The case of Respondent No.2 on the aspect of limitation proceeds on an erroneous legal premise. The liability of a corporate guarantor is continuing and co-extensive with that of the principal borrower under Section 128 of the Indian Contract Act, and does not extinguish upon invocation. Invocation crystallises liability.

(iv) The Hon'ble Supreme Court in China Development Bank v. Doha Bank Q.P.S.C. has held that existence of a financial debt under Section 5(8) does not depend upon default, and default becomes relevant only for initiation of CIRP under Section 7, not for recognition or admission of a claim. The judgments in B.K. Educational Services and Bimalkumar Savalia relied upon by the Respondent No.2 operate in different contexts, the former relating to initiation of CIRP on a time-barred default and the latter to a case where limitation had run out without acknowledgement. They are inapplicable where the debt remains live, continuously acknowledged and independently enforceable. Further, in Union Bank of India v. Kiran Shah, the Hon'ble NCLAT held that questions of limitation do not bar filing or admission of claims during CIRP.

(v) OA No. 23 of 2002 was kept in abeyance/adjourned sine die by the Ld. DRT itself on account of pendency of BIFR proceedings, as evident from successive DRT orders from 2008 to 2013. Such court-sanctioned abeyance cannot be equated with non-compliance. The rehabilitation scheme subsequently failed and, upon such failure, all concessions and procedural arrangements stood automatically withdrawn by operation of Section 22(4)(b) of SICA, restoring original rights and liabilities by force of law.

(vi) The assertion that the Applicant's claim is a "disputed claim" is equally misconceived, as a financial debt founded upon a duly executed corporate guarantee does not become disputed merely because the Corporate Debtor denies liability or records a caveat in its balance sheets. The Respondent No.2 has not disputed the execution of the guarantees, assignment of the debt, or subsistence of the underlying financial exposure.

ANALYSIS AND FINDINGS

7. We have heard the learned counsel for the parties and perused the material available on record carefully.

8. The present Application raises the following issues for our determination:

Issue No. 1

Whether, in the facts and circumstances of the present case, the Resolution Professional acted within the scope of his statutory mandate under Section 18(1)(b) of the Code read with Regulations 13 and 14 of the CIRP Regulations while rejecting/revising the Applicant's claim vide letter dated 07.01.2026, or whether such rejection amounted to an impermissible adjudication of disputed rights?

Issue No. 2

Whether the Applicant's claim, founded upon corporate guarantees invoked in 2002, was within limitation as on the insolvency commencement date, having regard to the invocation of guarantee, the effect of the BIFR rehabilitation scheme, the admitted default from April 2011, subsequent SARFAESI/DRT proceedings, and the alleged acknowledgments relied upon by the Applicant?

Issue No. 3

Whether the Corporate Debtor's balance sheet disclosures of the corporate guarantee as a contingent liability, accompanied by an express board-approved caveat disputing the legal sustainability of the Applicant's claim, constitute valid and unequivocal acknowledgements of liability under Section 18 of the Limitation Act, 1963?

Issue No. 1

9. At the outset, we deem it necessary to go through the statutory framework. Under Section 18(1)(b) of the Code, the RP is obligated to receive and collate all claims submitted by creditors. Regulation 13 of the CIRP Regulations, 2016, requires the RP to verify the claims so received, while Regulation 14 empowers revision of the amount admitted, including provisional estimates, upon coming across additional information warranting such revision. In our considered view, these provisions are relevant to the facts of the present case and vest the RP with a duty of a substantive character, and it is not a mere ministerial exercise of affixing a rubber stamp. The RP is required to satisfy himself that the claimant has demonstrated entitlement as a creditor, that the documents furnished establish a prima facie debt, and that the claim is supported by an adequate documentary record.

10. The role of a Resolution Professional in the claim verification process, though administrative in character, is not a passive or ministerial function. Under the CIRP Regulations, 2016, the RP is mandated to receive, collate and verify claims, to call for such evidence as may be necessary, and to revise admitted amounts upon receipt of additional information. The Hon'ble NCLAT in ***Umesh Kumar v. Narendra Kumar Sharma (CA (AT) (Insolvency) No. 100 of 2024)*** has unequivocally held that the RP is not expected to rubber-stamp claims without exercising due diligence, and that a failure to conduct basic verification would render the Information Memorandum defective with adverse consequences for the CIRP process. The RP is accordingly required to

examine whether the claim is supported by sufficient documentary material for collation and whether any defect is apparent on the face of the record, without undertaking adjudication of disputed contractual rights or finally determining the validity of contractual arrangements between the parties.

11. To hold that the RP must admit a claim notwithstanding ex facie defects in the documents would defeat the purpose of the verification exercise entirely. The relevant paras of ***Umesh Kumar (supra)*** are reproduced for ready reference: –

> *"**16.** If we look at the statutory construct and the regulatory framework of the IBC, broadly speaking, we find that the mandate of the RP includes receiving, collating, and verifying the claims received by him during CIRP. It is also settled law that the RP is not vested with adjudicatory powers as decided in the **Swiss Ribbons** judgement of the Hon'ble Apex Court. The RP is required to prepare a list of creditors on the basis of the proofs of claim submitted before it. Basis these claims, it is the responsibility of the RP to publish the Information Memorandum so that a genuine resolution applicant gets an accurate idea about the amount that has to be settled in order to take over and revive the business of the Corporate Debtor.*
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> ***17.** Given this mandate, the role of the RP becomes vital to the efficient and transparent conduct of the CIRP process. When claims are submitted to the RP, even though there are no adjudicatory powers vested on the RP in respect of the claims filed before him, it remains undisputed that there is an express provision in the CIRP Regulations which enables RP to seek information towards establishment of the correctness of a claim. The RP is entitled to seek substantiation of claims under Regulation 10 of CIRP Regulations. The duty to verify the claims by the IRP/RP has also been expressly provided under Regulation 13 of the CIRP Regulations. This verification exercise entails upon the RP the responsibility to go through the supporting proof/documents to establish the truth and accuracy of information contained therein in support of the claim so filed. On verification, if the RP finds that the evidence given in support of a claim is weak and unconvincing, the RP can always ask for more proof to substantiate the claim. Towards substantiating a claim, a creditor is ordinarily expected to provide proof to make it solid or believable. If credible and satisfactory evidence is not forthcoming from the creditor in spite of*

adequate opportunity made available to provide the same, the RP can always keep in abeyance the decision to accept/reject the said claim."

....XXX....

*"**24.** After going through the invoices, the RP was of the view that there were no underlying records and hence undertook to verify the genuineness of the claims. We are of the considered opinion that the RP is not expected to rubber stamp the claims filed by the creditors without exercising due diligence while examining the invoices. By merely filing their claims, the creditor cannot rest on its oars and refrain from providing further evidence if it so sought by the RP by taking shelter on the ground that the RP lacks adjudicating powers. If such basic verification is not done, the logical corollary is that the Information Memorandum is likely to be defective and flawed thereby having consequential adverse impact on the CIRP process. Allowing such perfunctory submission of invoices without proper examination has the potential to defeat the objectives of the IBC. At this juncture it may however not be out of place to mention here that the observations made by the RP regarding the Agreement basis which the Adjudicating Authority has termed the Agreement as nebulous is not in order. We are of the considered opinion that examining the validity/sustainability of any contractual agreement including its formatting etc lies outside the purview of the charter of duties and responsibilities of the RP. In fact, determination of the tenability/validity of a contractual agreement falls in the realm of a civil dispute and therefore outside the scope and jurisdiction of both the Adjudicating Authority and the Appellate Tribunal. Be that as it may, this does not prevent the RP from seeking additional information from any creditor to substantiate his claims."*

....XXX....

*"**26.** The IBC framework has endowed the RP with the cardinal responsibility as facilitator of the CIRP process. This obligates the RP to take reasonable care and diligence while performing his duties. That being so the RP is very much required to undertake appropriate verification and analysis of the claims filed. RP cannot afford to be unmindful of the fact that he is expected to assist in the CIRP process in a fair and objective manner in the best interest of all stakeholders. As an officer of the court vested with administrative powers, the RP is expected to conduct the CIRP process with fairness, diligence, forthrightness and highest sense of responsibility. It is quite clear from the sequence of events in the present facts of the case that the RP had been consistently pointing out that he is not in a position to verify the claims due to want of documents substantiating the claims."*

12. Turning to the facts of the present case, the Applicant filed its claim in Form-C on 21.01.2025 claiming a total amount of Rs. 34,82,31,36,084/-.

To substantiate this figure, the Applicant failed to produce an authenticated Statement of Account of the principal borrower (JCTEL) maintained in the ordinary course of business by IFCI or ARCIL. Instead, the Applicant submitted a self-calculated 'Total Dues Calculation Work Sheet'. This worksheet was flawed as it improperly consolidated the principal outstanding across seven distinct loan facilities, producing a combined principal figure of Rs. 116.10 Crores as on 12.03.2007. Crucially, the Corporate Debtor, JCT Limited, had executed corporate guarantees in respect of only two of those specific facilities. The RP was therefore confronted with a claim computation that failed to distinguish between guaranteed and unguaranteed exposures. This documentary deficiency persisted despite repeated and specific requests made by the RP vide emails dated 03.11.2025, 11.11.2025, 21.11.2025, 29.12.2025, and 31.12.2025. Moreover, this failure continued despite this Tribunal's express Order dated 18.11.2025 in IA No. 1712 of 2025, wherein the Applicant's Counsel had explicitly assured the Bench that the requisite details for claim verification would be provided expeditiously. The discrepancy and documentary deficiency went to the very foundation of the claimed amount, making it administratively impossible for the RP to accurately verify or admit the claim in the fundamentally defective form presented.

13. The Applicant contended that the RP's grounds for rejecting the claim, namely, limitation, the unenforceability of the guarantee, and the effect of the BIFR scheme, were adjudicatory in character and were thus beyond the RP's statutory jurisdiction. This submission, however, fails to

appreciate the fundamental distinction between adjudicating a disputed question of law and discharging the administrative duty of verifying claims against admitted facts and foundational documents. The RP was bound by the express contractual terms of the Guarantee Agreement dated 01.09.1993, specifically Clause 12, which dictates the strict commencement of limitation and reads verbatim as follows:

> *"12. Any demand for payment or notice under this guarantee shall be sufficiently given if sent by post to or left at the last known addresses of the guarantor or their successors or assigns, as the case may be, and such demand or notice is to be made or given, and shall be assumed to have reached the addressee in the course of post, if given by post, and no period of limitation shall commence to run in favour of the guarantor until after demand for payment in writing shall have been made or given as aforesaid and in proving such notice when sent by post it shall be sufficiently proved that the envelope containing the notice was posted and a certificate by any of the responsible officers of IFCI that to the best of his knowledge and belief, the envelope containing the said notice was so posted shall be conclusive as against the guarantor, even though it was returned unserved on account of refusal of the guarantors or otherwise."*

14. Where the materials produced by the claimant do not enable the RP to verify the claim, and where the claim appears ex facie unsupported or barred on the basis of the claimant's own documents, the RP is not bound to collate the claim mechanically. Such refusal, when based on apparent defects, insufficiency of proof, and the claimant's own foundational documents, falls within the verification function and does not, by itself, amount to adjudication of disputed civil rights. Identifying such defects from the face of the record is consistent with the due diligence mandate recognised by the Hon'ble NCLAT in ***Umesh Kumar (supra).*** Furthermore, as settled by the Hon'ble NCLAT in ***M/s SMS Foundation & Investment LLP v. Harsha Exito Engineering Pvt. Ltd.***, the mere

rejection of a claim by the RP does not in itself amount to an impermissible adjudication.

15. The Applicant has relied upon ***L&T Finance Ltd. v. Divyesh Desai (RP) (I.A. No. 4404 of 2024, NCLT Mumbai, decided 10.09.2025)*** and ***Hitesh Hasmukhlal Damania v. Manish Lalji Dawda (RP) (IA/942/2024, NCLT Mumbai, decided 18.07.2025)*** to contend that the RP, having once admitted the principal claim, became *functus officio* and was barred from reversing it. The legal proposition that a Resolution Professional cannot suo-motu overturn a finally admitted claim is well-settled and is not in dispute. What is in dispute is whether that proposition has any application to the facts of this case.

16. The ratio in both cited decisions rests on one indispensable factual premise that the claims therein had been verified and unequivocally admitted, without any such qualification or reservation. In ***L&T Finance (supra)***, the admission email of 23.04.2024 was unconditional; the reversal three days later was a pure suo-motu review of a concluded decision. In ***Hitesh Damania (supra)***, the IRP had admitted the claim after examining the allotment letter, MOU and registered agreement for sale, and the claim stood duly reflected in the IBBI portal's list of creditors. In both cases, there was a final, acted-upon admission, which is the sine qua non of the protection these decisions afford. That premise, in our considered view, is wholly absent here as the IRP's email dated 07.07.2025, explicitly records that the Corporate Debtor's SAP system had been deactivated, making verification of books of account impossible, and formally caveats: ***"The claim is provisionally admitted of all the***

creditors as information/details/clarification/documents from the books of accounts and/or the respective creditor is pending." This is not a final admission but is a temporary holding position squarely constituting a best estimate under Regulation 14(1) of the CIRP Regulations, 2016.

17. The subsequent RP's rejection, upon a thorough review of the foundational documents, was therefore not a prohibited reversal of a concluded decision. It was the discharge of a mandatory duty under Regulation 14(2) of the CIRP Regulations, 2016, which obligates the RP to revise provisional estimates as soon as additional information warrants such revision. The cited decisions have no application to the present facts.
18. We observe that the Resolution Professional's rejection of the claim was a lawful exercise of his statutory verification mandate. The rejection was grounded not merely in legal conclusions but in demonstrable documentary deficiencies and the failure of the Applicant to produce foundational documents despite repeated requests and a Tribunal direction. The impugned rejection does not, in the circumstances, amount to an impermissible exercise of adjudicatory power.
19. Accordingly, on Issue No. 1, we find that the Resolution Professional's rejection of the Applicant's claim vide letter dated 07.01.2026 was in exercise of powers conferred under the provisions of the Code and the Regulations made thereunder. The impugned rejection does not amount to an impermissible exercise of adjudicatory power.

20. Furthermore, vide Order dated 18.11.2025, this Tribunal disposed of IA No. 1712 of 2025 upon recording the Resolution Professional's assurance to complete the verification process within two weeks, explicitly making it subject to the Applicant providing the required details.

21. While the Applicant did furnish a voluminous set of correspondence, BIFR orders and original deeds, it did not furnish an authenticated Statement of Account of the borrower sufficient to segregate the guaranteed debt from the unguaranteed debt. Further, the Applicant did not satisfactorily address the effect of the sanctioned BIFR scheme, particularly the clause concerning revocation of the rehabilitation package and reversion to original loan terms with prior approval of BIFR. These deficiencies were material to the verification exercise and could not be treated as merely technical.

22. The Resolution Professional's subsequent rejection of the claim upon a comprehensive review of this defective record cannot be termed a prohibited reversal of a concluded decision. Rather, in our view, it constitutes the strict discharge of a mandatory statutory duty under Regulation 14(2) of the CIRP Regulations, which obligates the Resolution Professional to revise provisional estimates made under Regulation 14(1) as soon as additional information, or the lack thereof, warrants such revision.

Issue No. 2

23. The question of limitation is determinative of the admissibility of the Applicant's claim. For a proper appreciation of the issue of limitation, it would be useful to first set out the material dates and events.

Date	Event
01.09.1993	Guarantee Deed executed by JCT Limited in favour of IFCI Limited.
14.10.2001	Loan account of the principal borrower, JCTEL, classified as a Non-Performing Asset.
25.01.2002	**IFCI Limited issued a written demand notice invoking the corporate guarantee of JCT Limited and demanding payment of Rs.42,06,16,763/-.**
31.01.2002	IFCI Limited filed Original Application No. 23 of 2002 before the Debts Recovery Tribunal, Chandigarh, against the principal borrower and the Corporate Debtor.
12.12.2005	JCTEL declared a sick industrial undertaking by the Board for Industrial and Financial Reconstruction under SICA, 1985.
12.03.2007	BIFR sanctioned the Rehabilitation Scheme SS-07, modifying the repayment terms of the outstanding facilities.
March 2011	Last repayment made by JCTEL under the sanctioned BIFR Rehabilitation Scheme SS-07.
April 2011	JCTEL commenced defaulting on repayment obligations under the Rehabilitation Scheme, as recorded in the Applicant's own application before the BIFR dated 20.03.2015, Annexure A-11.

13.05.2015	IFCI Limited assigned the loan account of JCTEL and the benefit of the corporate guarantees furnished by JCT Limited to ARCIL vide Assignment Agreement.
08.07.2015 and 14.10.2015	BIFR passed orders declaring the Rehabilitation Scheme as failed, formed an opinion that revival of JCTEL was not viable, and recommended winding up.
04.11.2015	**ARCIL issued a demand notice to the borrower and the Corporate Debtor under Section 13(2) of the SARFAESI Act, 2002.**
11.02.2016	JCT Limited replied to the SARFAESI demand notice, formally disputing the claim.
01.02.2016 and 26.08.2016	Hon'ble Punjab and Haryana High Court passed orders for the winding up of JCTEL and appointed an Official Liquidator.
25.10.2024	Corporate Insolvency Resolution Process commenced against JCT Limited vide order of this Tribunal in CP(IB) No. 325/2023.
21.01.2025	**ARCIL submitted its claim in Form C before the Resolution Professional claiming a total of Rs.34,82,31,36,084/-.**

24. The Applicant has relied upon the judgment of the Hon'ble Supreme Court in ***China Development Bank v. Doha Bank Q.P.S.C***., (2024) ibclaw.in 340 SC. In that case, the issue was whether an obligation contained in the Deeds of Hypothecation, read with the Master Security Trustee Agreement, could amount to a guarantee and therefore constitute

"financial debt" under Section 5(8)(i) of the Code. The Hon'ble Supreme Court held that the nomenclature of a document is not decisive, and that if a corporate debtor undertakes to discharge the liability of a third party in case of default, such obligation may amount to a guarantee. It was further held that, for filing a claim in CIRP, actual default is not a pre-condition.

25. However, the said judgment does not assist the Applicant on the issue of limitation. ***China Development Bank (supra)*** did not deal with a case where a corporate guarantee had already been invoked long before commencement of CIRP and the question was whether the claim based on such invoked guarantee had become time-barred. In the present case, Clause 12 of the Guarantee Deed dated 01.09.1993 explicitly dictates the trigger for the limitation period in the following terms: "***...no period of limitation shall commence to run in favour of the guarantor until after demand for payment in writing shall have been made or given as aforesaid...***".

26. IFCI Limited, the Applicant's assignor, admittedly invoked the Corporate Debtor's guarantee by written demand dated 25.01.2002. Therefore, limitation commenced from that date.

27. Thus, the principle laid down in ***China Development Bank (supra)*** that actual default is not necessary for filing a claim cannot be read to mean that a time-barred claim can be admitted in CIRP. Since the guarantee in the present case was invoked on 25.01.2002, the three-year limitation period under Article 137 of the Limitation Act, 1963 expired on

24.01.2005, unless saved by any valid acknowledgment, payment, statutory exclusion, or other legally recognised ground.

28. The legal position governing the commencement of limitation against a corporate guarantor under a demand guarantee stands authoritatively settled by the Hon'ble NCLAT in ***Pooja Ramesh Singh v. State Bank of India & Ors. (2023 SCC OnLine NCLAT 193)***. The Hon'ble NCLAT, upon an exhaustive examination of the IBC and the Indian Contract Act, placed reliance upon the Hon'ble Supreme Court's decision in ***Syndicate Bank v. Channaveerappa Beleri & Ors. ((2006) 11 SCC 506)*** and extracted the following passage at Paragraph 15 of *Pooja Ramesh Singh*:

> *"9. A guarantor's liability depends upon the terms of his contract. A 'continuing guarantee' is different from an ordinary guarantee. There is also a difference between a guarantee which stipulates that the guarantor is liable to pay only on a demand by the creditor, and a guarantee which does not contain such a condition. Further, depending on the terms of guarantee, the liability of a guarantor may be limited to a particular sum, instead of the liability being to the same extent as that of the principal debtor. The liability to pay may arise, on the principal debtor and guarantor, at the same time or at different points of time. A claim may be even time-barred against the principal debtor, but still enforceable against the guarantor. The parties may agree that the liability of a guarantor shall arise at a later point of time than that of the principal debtor. We have referred to these aspects only to underline the fact that the extent of liability under a guarantee as also the question as to when the liability of a guarantor will arise, would depend purely on the terms of the contract.*
>
> *11. But in the case on hand, the guarantee deeds specifically state that the guarantors agree to pay and satisfy the bank on demand and interest will be payable by the guarantors only from the date of demand. In a case where the guarantee is payable on demand, as held in the case of Bradford (supra) and Hartland (supra), the limitation begins to run when the demand is made and the guarantor commits breach by not complying with the demand."*

29. Consequently, the claim presented by the Applicant was ex-facie time-barred. As authoritatively settled by the Hon'ble Supreme Court in

B.K. Educational Services Pvt. Ltd. v. Parag Gupta & Associates ((2019) 11 SCC 633), the Insolvency and Bankruptcy Code cannot be employed as a vehicle to resurrect dead claims. The Apex Court unequivocally laid down that ***"the intent of the Code could not have been to give a new lease of life to debts which are time-barred. It is settled law that when a debt is barred by time, the right to a remedy is time-barred."*** Therefore, in the facts of the present case, the rejection of the claim was undertaken in the course of the RP's statutory duty to verify claims, and cannot, on that basis alone, be characterised as an adjudicatory overreach..

30. The Applicant invoked the suspension of proceedings under Section 22(1) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) during the pendency of BIFR proceedings to claim an exclusion of the limitation period. However, even if the sanctioned Rehabilitation Scheme (SS-07) dated 12.03.2007 suspended or reset the limitation clock, such an interpretation fails to assist the Applicant's case. The evidentiary record, specifically the Applicant's own application filed before the Hon'ble BIFR on 20.03.2015, contains an admission regarding the date of default. In Paragraphs 3 and 4 of the said application, the Applicant categorically stated that the sick company made repayments under the scheme only until March 2011 and ***"started defaulting on making repayment to lenders thereafter. Since April 2011 sick company has not made any repayment to lenders"***. Consequently, computing the three-year limitation period from this admitted default of April 2011, the limitation inexorably expired in April 2014. The demand notice under Section 13(2)

of the SARFAESI Act subsequently issued by ARCIL on 04.11.2015 was, therefore, issued well after the expiry of this statutory period.

31. Furthermore, the Applicant cannot derive any legal benefit from the pendency of proceedings before the Debts Recovery Tribunal (DRT) or the issuance of the belated SARFAESI notice to extend the limitation period under the IBC. The Hon'ble NCLAT, in ***Gradient Nirman Private Limited v. IFCI Ltd. (CA (AT) (Insolvency) No. 1491 of 2019)***, has conclusively held that the time spent pursuing recovery under the SARFAESI Act cannot be excluded for the purposes of computing the limitation period under the Code. Similarly, the Hon'ble NCLAT in ***Bimal Kumar Manubhai Savalia v. Bank of India & Anr. (2020 SCC OnLine NCLAT 400)*** has settled that the pendency of proceedings before the DRT under the Recovery of Debts Due to Banks and Financial Institutions Act, 1993 does not interrupt or extend the limitation period for the purposes of the IBC, as the Code is a complete and self-contained enactment overriding other laws by virtue of Section 238. These binding authorities are directly applicable to the present facts. The claim, even if computed from the original invocation in January, 2002 or the subsequent default in April, 2011, it is barred by limitation.

32. The Applicant has also contended that upon failure of the BIFR Rehabilitation Scheme SS-07, all original rights and liabilities revived automatically by operation of Section 22(4)(b) of SICA, 1985, without requirement of a separate BIFR revocation order. Even assuming, that upon failure of the BIFR Rehabilitation Scheme SS-07 the original rights and liabilities stood revived, such revival would not by itself create an

indefinite or fresh period of limitation. The effect of Section 22(5) of SICA is confined to exclusion of the period during which the remedy remained suspended under Section 22(1). It does not wipe the slate clean or shift the commencement of limitation from the original date of default to the date of failure of the scheme.

33. This legal position is firmly anchored in the decision of the Hon'ble Supreme Court in ***Sabarmati Gas Limited v. Shah Alloys Ltd. ((2023) 3 SCC 229)***, wherein the Apex Court clarified that while the period of statutory disability under Section 22(1) of SICA is excludable under Section 22(5), the limitation period is otherwise to be strictly reckoned from the date of default and is extendable only by application of section 5 of the Limitation Act, 1963.

34. The Applicant's own application before the BIFR dated 20.03.2015 expressly records that the borrower made regular repayments under the sanctioned scheme until March 2011 and commenced defaulting from April 2011. Accordingly, even treating the cause of action as having crystallised afresh upon this admitted default, the three-year period under Article 137 of the Limitation Act, 1963 ran from April 2011 and expired in April 2014. The argument of automatic revival thus does no more than confirm a fresh limitation period that has itself long since expired.

35. The Applicant's plea of automatic revival is, in any event, further weakened by the express written terms of the sanctioned Scheme itself. Clause IV(2) of the Rehabilitation Scheme SS-07 stipulates in unambiguous terms that the right to revoke the rehabilitation package

and revert to the original loan terms could be exercised only ***"with the prior approval of BIFR."*** No such order was produced by the Applicant. **Clause IV(2)** (under "Other Conditions") of the Rehabilitation Scheme SS-07, is reproduced for reference:

> *"If the company commits default towards repayment of principal installment or payment of interest as per the sanctioned scheme or any combination, FIs / Banks reserve the right to charge interest on the defaulted amount at top of the band together with liquidated damages of 2% p.a. thereon till the date of clearance of default or FIs/Banks shall have the right to convert entire overdues into fully paid up equity shares of JCTEL at par during the currency of the loans as per SEBI guidelines, or otherwise but with the permission of BIFR, FIs/Banks also reserve the right to revoke the package of rehabilitation with the prior approval of BIFR and in such event of revocation the decision of Fis/Banks shall be final and binding on the borrower and or guarantors. In case of Fis/Banks exercising the right of revocation, the financial rehabilitation sanctioned or granted to JCTEL shall be treated as withdrawn and the terms and conditions of the original loan agreements or documents shall come into force as if no such financial rehabilitation were ever granted to JCTEL. Further, Fis/Banks shall have the right to adjust payment received under the present package of financial rehabilitation against outstanding due in terms of original loan agreements/ documents."*

36. The Applicant's position is further undermined by its own conduct under the Scheme. Clause III(b) of SS-07 mandated that secured creditors shall withdraw pending DRT recovery suits within three months of the scheme's sanction, i.e., by 11.06.2007. The Applicant's assignor IFCI never withdrew those proceedings, yet continued to receive and accept repayments under the Scheme until March 2011 availing the financial benefits of the very instrument whose mandatory obligations it chose to disregard.

37. On Issue No. 2, we thus find that the Applicant's claim is barred by limitation. The three-year period under Article 137 of the Limitation Act,

running from the Applicant's own admitted date of default in April 2011, expired in April 2014. The SARFAESI notice, DRT proceedings, and COVID-19 exclusion do not interrupt or extend this period for the purposes of IBC proceedings in the facts of the case. A time-barred debt does not constitute an admissible claim in CIRP, and the RP was correct to reject it on this ground.

Issue No. 3

38. The Applicant has relied upon the Corporate Debtor's audited annual reports from FY 2007-08 to 2022-23, submitting that the continuous disclosure of the corporate guarantee as a contingent liability constitutes a valid acknowledgment of debt under Section 18 of the Limitation Act, 1963, thereby refreshing the period of limitation. To substantiate this, reliance is placed upon the decision of the Hon'ble Supreme Court in ***Asset Reconstruction Company (India) Ltd. v. Bishal Jaiswal ((2021) 6 SCC 366)***, which settled that balance sheet entries may amount to acknowledgments of liability under Section 18. The Applicant further draws upon the decision of the Hon'ble NCLAT in ***Asset Reconstruction Company (India) Ltd. v. Uniworth Textiles Ltd.*** to contend that acknowledgment of liability in financial statements preserves the enforceability of the debt under the IBC.

39. The Resolution Professional, on the other hand, has also relied upon the same decision in ***Bishal Jaiswal*** (supra) to emphasise its crucial and express caveat “that an entry in a balance sheet does not amount to a valid acknowledgment where it is accompanied by a qualification or denial

placed by the management in the Director's Report or Notes to Accounts." Both parties thus draw from the same authority, and the outcome of this issue turns entirely upon the present facts. Paragraph 22 of ***Bishal Jaiswal*** (supra) is reproduced for reference:

> *"22. A perusal of the aforesaid Sections would show that there is no doubt that the filing of a balance sheet in accordance with the provisions of the Companies Act is mandatory, any transgression of the same being punishable by law. However, what is of importance is that notes that are annexed to or forming part of such financial statements are expressly recognised by Section 134(7). Equally, the auditor's report may also enter caveats with regard to acknowledgements made in the books of accounts including the balance sheet. A perusal of the aforesaid would show that the statement of law contained in Bengal Silk Mills (supra), that there is a compulsion in law to prepare a balance sheet but no compulsion to make any particular admission, is correct in law as it would depend on the facts of each case as to whether an entry made in a balance sheet qua any particular creditor is unequivocal or has been entered into with caveats, which then has to be examined on a case by case basis to establish whether an acknowledgement of liability has, in fact, been made, thereby extending limitation under Section 18 of the Limitation Act."*

40. The broad legal propositions advanced by both sides regarding Section 18 are the correct propositions of law. However, neither of the Applicant's relied-upon judgments assists its case on the present facts. The essential framework emerging from ***Bishal Jaiswal*** (supra), as subsequently applied by the Hon'ble Supreme Court in ***IL&FS Financial Services Limited v. Adhunik Meghalaya Steels Pvt. Ltd. (Civil Appeal No. 5787 of 2025, decided on 30.07.2025) 2025 INSC 911***. In this judgment, the Hon'ble Supreme Court held that the balance sheet constituted a valid acknowledgment primarily because the corporate debtor had failed to enter any substantive, contemporaneous caveats regarding the debt, relying instead on a belated, general denial during

pleadings. The Apex Court explicitly noted this fatal deficiency in **Paragraph 42** of the judgment, observing:

> *"42. In addition to the above, it is significant to note that in this case in the reply filed to the Section 7 application, apart from a general objection as to the application being barred by limitation only a bare denial was made in the following terms:- "(sic) deny that Balance Sheet of CD can be treated as acknowledgment of debt as wrongfully alleged or at all."*

41. The facts of the present case stand in contrast to the matrix in *IL&FS (supra)*. The Corporate Debtor herein did not resort to a mere 'bare denial' as an afterthought in its pleadings. Rather, the disclosures relied upon by the Applicants are accompanied by express, board-approved caveats disputing the legal sustainability of ARCIL's claim. The Director's Reports for FY 2014-15, 2015-16, and 2016-17 explicitly record: ***"The Company has disputed the repayment of due... Under these facts and circumstances, the figures of the borrowed amount in this balance sheet cannot be considered as admission, if any, of the claim of lender(s)."*** From FY 2016-17 onwards, Note 31.2/39.2 of the financial statements contains a further direct board-approved declaration: ***"The Company had executed a Corporate guarantee of Rs. 400 lakhs towards Equipment Credit Scheme on 01.09.1993 and another towards foreign currency loan of DM 166,566,406 equivalant to Rs.3,580 lakhs as on 27.03.1998 for the term loan availed by JCT Electronics Ltd. (an erstwhile Associate Company) from IFCI Ltd. Subsequently, IFCI Ltd. assigned their debt to Asset Reconstruction Company (India) Limited (ARCIL) who had issued notice to the Company on 07.11.2015 for winding up under the then existing***

sections of the Companies Act, 1956. The Company has disputed the notice with ARCIL, thereafter no response has been received from ARCIL. Further, the Company has been legally advised that the demand raised by them is not sustainable."

42. These are not categorical acknowledgments of liability as claimed by the Applicant. They are categorical statements disputing the legal validity and sustainability of the Applicant's claim, placed repeatedly on the face of the statutory disclosures themselves. Therefore, applying the caveat exception recognised in ***Bishal Jaiswal (supra)***, read with the reasoning in ***IL&FS (supra)***, such disputed financial entries cannot qualify as valid acknowledgments of debt under Section 18 of the Limitation Act.

43. The Corporate Debtor here has done precisely what *Bishal Jaiswal* contemplates as negating acknowledgment. The caveats go well beyond routine qualification and constitute an outright, board-level denial of the Applicant's claim.

44. Section 18 of the Limitation Act requires an acknowledgment of a subsisting liability in relation to a property or right. An acknowledgment of the *existence* of a dispute, accompanied by a denial of the legal sustainability of the claim, is not an acknowledgment of the liability itself. The unequivocal jural relationship of debtor and creditor which is the sine qua non of a valid acknowledgment is negated, in our view, by the presence of a board-level denial of liability in the same document.

45. There is a further and independent legal impediment to the Applicant's acknowledgment argument. Section 18 of the Limitation Act, 1963 mandates, as an express statutory condition, that an acknowledgment

must be made before the expiration of the prescribed limitation period. An acknowledgment made after expiry is a nullity and cannot revive a time-barred debt, as consistently affirmed by the Hon'ble NCLAT in ***Bijay Kumar Agarwal v. State Bank of India (CA (AT) (Insolvency) No. 105 of 2022)***.

46. In the present case, the admitted default under the BIFR scheme having occurred in April 2011, the three-year period under Article 137 stood exhausted by April 2014. The balance sheet entries from FY 2014-15 onwards were accordingly made after the expiry of the limitation period and are incapable in law of constituting valid acknowledgments. The entries predating this expiry, even if treated as valid acknowledgments, would extend limitation only up to a period well short of the date of filing of the present claim in January 2025.

47. On Issue No. 3, we hold that the balance sheet entries relied upon by the Applicant do not constitute valid acknowledgments under Section 18 of the Limitation Act.

CONCLUSION

48. In light of the foregoing analysis, the following findings are recorded:

(i) The rejection of the Applicant's claim vide letter dated 07.01.2026 was a lawful exercise of the Resolution Professional's statutory verification mandate;

(ii) The IRP's admission of Rs.56,68,92,019/- was explicitly provisional under Regulation 14(1). The RP's revision under Regulation 14(2) was a discharge of a mandatory statutory duty;

(iii) The Applicant's claim is barred by limitation, the three-year period having expired in April 2014. The SARFAESI proceedings, DRT pendency, and COVID-19 exclusion do not bridge this gap for IBC purposes;

(iv) The balance sheet entries relied upon do not constitute valid acknowledgments under Section 18 of the Limitation Act.

49. Accordingly, **IA No. 83 of 2026**, is ***dismissed and disposed of.***

Sd/-	**Sd/-**
(SHISHIR AGARWAL)	**(KHETRABASI BISWAL)**
MEMBER (TECHNICAL)	**MEMBER (JUDICIAL)**

Yuvraj