NATIONAL COMPANY LAW APPELLATE TRIBUNAL
PRINCIPAL BENCH, NEW DELHI

Company Appeal (AT) (Ins) No. 1246 of 2026

IN THE MATTER OF:

Asset Reconstruction Company (India) Ltd. acting in its capacity as trustee of ARCIL-JCT III Trust [ARCIL] ...**Appellant (s)**

Versus

Umesh Garg Resolution Professional of JCT Ltd. & Anr. ...**Respondent (s)**

Present:

For Appellant: **Mr. Gopal Jain & Mr. Abhijeet Sinha, Sr. Advocates, Ms. Sonaakshi Dhiman, Ms. Khushboo Kumari, Ms. Henna, Ms. Suvarna Kashyap, Advocates.**

For Respondent: **Mr. Ramji Srinivasan, Sr. Advocate with Ms. Swastika Kumari, Ms. Shefali Munde, Mr. Vinayak, Mr. Aditya Narayan, Advocates for R-1/RP along with RP Mr. Umesh Garg.**
Mr. Manish Jain, Sr. Advocate with Ms. Divya Sharma, Mr. Siddhant Jain, Advocates for CoC.

O R D E R
(Hybrid Mode)

30.07.2026: This appeal is against an impugned order dated 10.07.2026 passed by the Ld. NCLT assailing an order dated 10.07.2026 in *I.A. No. 83 of 2026* in *CP (IB) No. 325 of 2023* whereby the Ld. Adjudicating Authority had dismissed the appellant's challenge to the wrongful rejection of its financial claim by the Resolution Professional of JCT Ltd.

2. It is the submission of the Ld. Sr. Counsel for the appellant the claim arises of an irrevocable, continuing corporate guarantee(s) executed by the Corporate Debtor in favour of IFCI Ltd., securing credit facilities availed by its subsidiary JCT Electronics Ltd. (in short JCTEL). Upon default by JCTEL,

the guarantees were invoked in 2002 and recovery proceedings (O.A. No. 23/2002) were instituted before the Debts Recovery Tribunal, Delhi.

3. On *13.05.2015* by an Assignment Agreement, the IFCI Limited assigned the debt, together with the underlying guarantees, to the Appellant herein. Subsequently, the JCTEL went through BIFR rehabilitation proceedings, which failed, resulting in a recommendation for winding-up and automatic revival of the original guarantee obligations under Section 22(4)(b) of SICA.

4. Upon commencement of CIRP of the Corporate Debtor on *25.10.2024*, the Appellant on *21.01.2025* submitted its claim as a Financial Creditor for a sum of *Rs. 3482,31,36,084/-* with the erstwhile IRP. After seeking clarifications, on 07.07.2025 the claim of the appellant was provisionally admitted to an extent of *Rs.56,68,92,019/-* and the appellant was inducted into the Committee of Creditors ("CoC") with a voting share of approximately *20.09%*, while the interest component remained under verification. It is submitted the Appellant thereafter participated in the CIRP as a CoC member, exercised voting rights and contributed towards CIRP costs till the stage of approval and issuance of the Request for Resolution Plan ("RFRP") and Evaluation Matrix.

5. It was argued since the RP was not concluding the verification process of the Appellants claim, the Appellant obtained an order dated *18.11.2025* from the Ld. NCLT, whereby, the RP undertook to complete the verification process of the Appellant’s claim within 2 weeks. Various documents were

sought, which were provided to him but *vide* communication dated 07.01.2026, the Resolution Professional rejected the Appellant's entire claim, including the principal amount already admitted and acted upon.

6. Upon rejection of the claim, the Appellant challenged this rejection vide *I.A. No. 83 of 2026* and prayed for interim protection vide *I.A. No. 84 of 2026* before the Ld. NCLT. Since the interim protection was not granted by the Ld. NCLT, the appellant filed an appeal and vide order dated *06.04.2026*, it was granted by this tribunal in Company Appeal (AT) (Ins.) No. *447 of 2026*, till the I.A. No. 83 of 2026 was pending disposal.

7. However, vide the Impugned Order dated *10.07.2026*, *I.A. No. 83 of 2026* is dismissed and in this appeal the Ld. Sr. Counsel for the appellant has argued ***(a)*** the RP, could not have taken the function of an Adjudicating Authority as his authority is limited to administrative or verification jurisdiction as contemplated under Regulations *10, 13* and *14* of the CIRP Regulations and Section *60(5)* of the IBC, and he had no power to retrospectively review or reverse a claim already admitted and acted upon for constitution of the CoC; ***(b)*** the claim of the Appellant cannot be said to be barred by limitation as the Appellant has been validly prosecuting its claim before the Ld. Debts Recovery Tribunal against the Corporate Debtor until the Corporate Debtor was admitted to the CIRP; ***(c)*** the limitation bars a remedy and does not extinguish the underlying debt; ***(d)*** the sanctioned BIFR rehabilitation scheme itself preserved all existing guarantees; and

(e) the finding of non-furnishing of documents is contrary to the contemporaneous record.

8. Thus, it was argued the Appellant being one of the largest financial creditors, holding a decisive voting share upon admission of its full claim at the penultimate, commercially determinative stage of the CIRP, immediately preceding the voting on the Resolution Plan, has caused grave, immediate and irreversible prejudice and seeks setting aside of the impugned order dated *10.07.2026* and also the rejection communication dated *07.01.2026*, and further a direction to admit the Appellant's full financial claim of *Rs.3,482,31,36,084/-*, and restore the status *quo* ante.

9. The Ld. Sr. Counsel has taken us to the documents *qua* admission of its claim by Resolution Professional at page 881 wherein an amount of *Rs.56,68,92,019/-* was admitted though the rest of the amount *viz. Rs.34,25,62,44,065/-* was directed only to be verified and hence it was argued only the amount which was kept under verification, could have been dismantled and the claim which was already admitted ought not to have been touched by the Resolution Professional, as also by the Ld. NCLT.

10. We have gone through the letter dated *07.01.2026* of the Resolution Professional wherein the claim was rejected allegedly on grounds, including the deficiencies found in the claim submitted by the appellant and also the number of documents not being provided.

11. *I.A. No. 83 of 2026* against such rejection was also dismissed by the Ld. NCLT *vide* the impugned order dated 10.07.2026 and the reasoning given by the Ld. NCLT is as follows:

> *"16. 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.*
>
> *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.*
>
> *21. While the Applicant did furnish a voluminous set of correspondence, BIFR orders and original deeds, it did not furnish an <u>authenticated Statement of Account of the borrower</u> 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.

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.

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/-.*

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.

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.

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 equivalent 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. <u>An acknowledgment made after expiry is a nullity and cannot revive a time-barred debt</u>, 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.

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."*

12. We have also gone through the impugned order. It is pertinent to mention the loan was granted to the Principal Borrower in the year *1993* and during such period the continuing guarantees were given by the guarantor *viz.* JCT Ltd. The loan, admittedly, was declared NPA in the year *1994* which became the date of default. Admittedly, on *25.01.2002*, the IFCI Ltd. invoked the guarantee but later continued with the BIFR proceedings. On *13.05.2015*, the debt was assigned to the appellant. On *14.10.2015* the BIFR scheme failed and the matter was referred to the Punjab & Haryana High Court for liquidation.

13. It is argued by the respondent that on *04.11.2015*, the appellant had allegedly invoked the bank guarantee and the IBC being in operation since the year *2016,* a petition under Section 7 ought to have been filed by the appellant, within the period of three years i.e. till *2018*, but was never filed and it was only on *25.10.2024*, at the instance of another secured creditor, the CIRP was admitted against the Corporate Debtor. On *21.01.2025*, the claims were submitted by the appellant and were provisionally admitted and it was rather recorded in the IRP's email dated *07.07.2025* 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."

14. It was only on an application of the appellant, an order was passed by the Ld. Adjudicating Authority asking the RP to verify the claims and thus the claims were verified and *vide* its communication dated *07.01.2026*, the Resolution Professional declined to accept the claim.

15. It was further argued by the respondents the impugned order records the information required by the Resolution Professional, was never provided to him and instead of the books of accounts, a working sheet was rather provided. The Ld. NCLT in its paragraph 21 of the impugned order noted these facts which triggered the communication dated *07.01.2026*. Heard.

16. Though much argument was made by the Respondent *qua* limitation but admittedly, *O.A. No.23/2002* was pending against the JCT Limited and it was only during the pendency of said *O.A. No.23/2002*, the appellant had filed its claim before the Resolution Professional, within the time stipulated by him and hence at this stage we cannot say the claim was not filed in time. The learned senior counsel for the appellant also urged *the effect of refusal to pay* also amounts to *acknowledgement of debt*, and we need to hear on this issue elaborately, more so when *admittedly* in the Balance Sheets of the JCT Ltd of various years viz. 2016, 2017, 2020 and 2022, the following was noted, alleged to be an acknowledgement *viz*.

> *"39.2 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*

> *equivalent 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 had disputed the said notice with ARCIL in 2016, and thereafter no response has been received from ARCIL. Further, the Company has been legally advised that the demand raised by them is not sustainable."*

17. The issues urged are once the claim was admitted by the Resolution Professional, it could not have been thrown out retrospectively, *more specifically*, at the time when the resolution plan was to be put to vote and also in view of the fact the appellant was a part of six CoC Meetings as a financial creditor. Admittedly the Resolution Professional initially admitted a part of the claim *viz. Rs.56,68,92,019/-* on 07.07.2025 and only interest component of Rs. 3,400 Crores was left pending verification. Admittedly, the Resolution Professional did not call for any documentation/relevant material for about a year, despite within 14 days he was to verify such claim and it was only at the asking of the appellant, he went into motion and rejected the claim *alleging* it being time barred. In view of the above facts and the law *viz.* limitation being a mixed question of law and facts, the issues needs to be decided prior to any plan is put to vote, as once the CoC goes ahead, the position as of today could never be restored. Thus the balance of convenience

at this stage lies in favour of the appellant herein and such rights needs to be protected till the appeal is finally heard.

18. In the circumstances, let reply be filed within two weeks from today. Rejoinder, if any, be filed within two weeks thereafter.

19. List this appeal on **07.09.2026**. Till the next date of hearing, the impugned order shall remain in abeyance.

[Justice Yogesh Khanna]
The Officiating Chairperson

[Mr. Barun Mitra]
Member (Technical)

SA