

**NATIONAL COMPANY LAW APPELLATE TRIBUNAL,
PRINCIPAL BENCH, NEW DELHI**

**Company Appeal (AT) (Insolvency) No.1189 of 2025
& I.A. No. 5502 of 2025 & 658 of 2026**

[Arising out of Order dated 30.07.2025 passed by the Adjudicating Authority (National Company Law Tribunal), Principal Bench, New Delhi in CP (IB) No.404/(PB)/2024]

In the matter of:

**D.N.V. Srinivasa Raju,
Suspended Director HIL (India) Ltd.**

...Appellant

Vs.

IDBI Bank Ltd. & Anr.

...Respondents

For Appellant:

Mr. Abhijeet Sinha, Sr. Advocate with Mr. Yashvardhan, Mr. Devesh Mohan, Mr. Gyanendra Shukla, Mr. Pranav Das, Advocates

For Respondent:

Mr. Sanjay Bajaj, Mr. Rajat Prakash, Advocates for R1

Ms. Richa Sandilya, Mr. Dev, Advocates for Intervenor

Mr. Sanjay Vashistha & Mr. Sunil Kumar, Advocates for I.A. No 5502 of 2025.

Mr. Rachit Lakhmani, Mr. Nipun Gautam, Mr. Swapan Das, Advocates for Applicant

J U D G M E N T

(25th February, 2026)

Ashok Bhushan, J.

This Appeal by a Suspended Director of the Corporate Debtor- M/s. HIL (India) Limited has been filed challenging the order dated 30.07.2025 passed

by the Adjudicating Authority (National Company Law Tribunal) Principal Bench, New Delhi admitting Section 7 application filed by the IDBI Bank Limited, the Respondent No.1 herein.

2. Brief facts of the case necessary to be noticed for deciding the Appeal are:-

2.1. M/s. HIL (India) Limited (Hindustan Insecticides Limited) is a Government of India enterprises having 100% shareholding with the President of India under the Department of Chemicals & Petrochemicals, Ministry of Chemicals & Fertilizers, Government of India. The Corporate Debtor was incorporate in March 1954. Southern Pesticides Corporation Limited (SPCL) is a subsidiary Company of the Corporate Debtor. IDBI has approved a term loan amounting to Rs.280 Lakhs for SPCL in the year 1983. SPCL availed a foreign currency loan facility of Rs.40 Lakh and entered into second loan agreement. There were third loan agreement entered with IDBI and SPCL to secure the repayment of loan amount of IDBI. M/s. HIL (India) Limited executed a Deed of Guarantee dated 21.11.1988 undertaking the repayment of loan taken by SPCL. On account of default by SPCL, the loan account was classified as NPA. The IDBI invoked the guarantee vide letter dated 01.07.1994. Pursuant to default committed by principal borrower and the M/s. HIL (India) Limited, IDBI Bank filed an OA No.253 of 2002 before the Debt Recovery Tribunal for recovery of amount of Rs.19,32,20,414/-. The DRT allowed the OA and passed a decree and issued a Recovery Certificate dated 26.07.2018. The High Court of Andhra Pradesh passed an order of winding up with regard to principal borrower- SPCL on 01.04.2002. In the balance

sheet of Corporate Debtor for F.Y. 2020-2021 the corporate guarantee in respect of SPCL in favour of IDBI Bank was mentioned. The IDBI Bank issued a letter dated 30.12.2020 to the Managing Director of HIL offering for settlement to guarantor under the Saral Karj Bhugtan Yojana-II (SKBY-II): 2020-2021. The letter dated 30.12.2020 was not replied by the Corporate Debtor, however, Corporate Debtor wrote subsequent letters on 18.04.2022 and 02.06.2022 to the IDBI Bank informing that as per settlement offer an amount of Rs.30,90,143/- can be paid up to 31.03.2021. The Financial Creditor filed an application under Section 7 on 13.06.2024 before the NCLT claiming total amount of default as Rs.8,56,51,126/- with interest from 25.12.2003 till date of recovery. Part IV also mentioned that as per the Recovery Certificate by DRT dated 26.07.2018 dues as on 07.06.2024 are Rs.29,60,00,905/-. The notice was issued by the Adjudicating Authority to the Corporate Debtor. Corporate Debtor appeared and filed its reply objecting to Section 7 application. Corporate Debtor pleaded that the application is barred by time. Adjudicating Authority heard both the parties and by impugned order dated 30.07.2025 admitted Section 7 application. Adjudicating Authority held that the Financial Creditor shall have fresh period of limitation from date of the decree by the DRT dated 26.07.2018 and there was acknowledgment in the balance sheet of the Corporate Debtor for the year 2019-20 and 2020-21 which shall be acknowledgment within the meaning of Section 18 of the Limitation Act. It was held that in view of the acknowledgment, the application was within the limitation when it was filed on 13.06.2024. Adjudicating Authority in the judgment also referred to and relied on the letter dated 18.04.2022 and 02.06.2022 by which offer of

settlement was accepted and communicated by Corporate Debtor. Aggrieved by the aforesaid order, this Appeal has been filed.

2.2. On 11.08.2025, an interim order was passed in the Appeal that “till the next date IRP not to take any further steps in pursuance of the impugned order”. On various dates, this Tribunal noticed the submissions of the Counsel for the parties that Appellant has submitted a proposal for settlement before the IDBI Bank. Intervention Applications were also filed. On 17.11.2025, statement of counsel for the Bank has been recorded that settlement offer submitted by the Appellant has been accepted. On 17.11.2025, following order was passed by this Tribunal:-

*“**17.11.2025:** Learned counsel for the Bank submits that settlement offer by the Appellant has been accepted and communication has been issued. Learned counsel for the Appellant submits that Appeal be taken up after four weeks to bring relevant material on record for praying for further course of action in the matter.*

As prayed, list this appeal on 19.12.2025.

Learned counsel for the another Operational Creditor - ATO India seeks liberty to file an Intervention Application, which may be done within a week.

Interim order to continue.”

2.3. IA No.5502 of 2025 has been filed by ‘M/s. Associated Road Carriers Ltd.’ seeking intervention claiming to be Operational Creditor of the Corporate Debtor. IA No.7178 of 2025 has been filed by ‘M/s. A.T.O (I) Ltd.’ seeking intervention/impleadment claiming to be Operational Creditor. Another IA No.765 of 2026 has been filed by the ‘Sekai Private Limited’ claiming to be

Operational Creditor of the Corporate Debtor and IA No.658 of 2026 has been filed by the Appellant on 23.01.2026 bringing on record the letter of IDBI Bank dated 31.10.2025 accepting the settlement offer. Appellant in the application prayed that Company Appeal be permitted to be withdrawn and the CIRP proceeding be set aside and closed.

3. We have heard Shri Abhijeet Sinha, Learned Senior Counsel for the Appellant and Shri Sanjay Bajaj, Learned Counsel appearing for the IDBI Bank. We have also heard Learned Counsel appearing for the interveners.

4. Shri Abhijeet Sinha, Learned Senior Counsel for the Appellant challenging the impugned order submits that the guarantee was invoked by the Financial Creditor against the Corporate Debtor on 01.07.1994 and after 30 years, Section 7 application has been filed on 13.06.2024 which is nothing but proceeding for recovery of its dues. It is submitted that even if it is assumed that the Corporate Debtor shall have fresh period of limitation from 26.07.2018, the said period also came to an end on 26.07.2021 and even if the benefit of order of the Hon'ble Supreme Court in Suo Moto Writ Petition No.03 of 2020 is extended, application filed on 13.06.2024 was beyond period of limitation. It is submitted that the balance sheets of 2019-2020 and 2020-2021 relied by the Adjudicating Authority does not contain any unqualified acknowledgment of the debt. The said balance sheets have wrongly been treated as acknowledgment under Section 18 of the Limitation Act by the Adjudicating Authority. With respect to the letter dated 18.04.2022 and 02.06.2022 sent by the Corporate Debtor, it is submitted that the offer of settlement was given by the IDBI Bank on 30.12.2020 which was neither

accepted nor replied by the Corporate Debtor. Letter of offer dated 18.04.2022 and 02.06.2022 having issued after expiry of three years' period of limitation from 26.07.2018, hence, they cannot be relied within the meaning of Section 18 of the Limitation Act. It is submitted that the application is clearly barred by time and the Adjudicating Authority committed error holding otherwise. With regard to the claim of interveners who has filed application in this Appeal, it is submitted that the interveners are free to take their remedies in accordance with law.

5. Learned Counsel appearing for the IDBI Bank does not dispute that settlement has been entered with the Corporate Debtor by the IDBI bank and the amount has already been received by the IDBI Bank. Learned Counsel for the IDBI Bank, however, refuted the submission of the Counsel for the Appellant that the application filed by the IDBI Bank was barred by time. It is submitted that the acknowledgment in the balance sheets for the F.Y. 2019-2020, 2020-2021 and 2021-2022 reflects counter guarantee provided by the Corporate Debtor in favour of the borrower which is clear acknowledgment within the meaning of Section 18 of the Limitation Act. There being acknowledgment within the period of three years from 26.07.2018, bank shall have fresh period of limitation from the date of acknowledgment thus, on 13.06.2024 when the application was filed it was not barred by time. Learned Counsel for the Respondent further relying on letters dated 18.04.2022 and 02.06.2022 issued by the Corporate Debtor offering to accept the settlement is also acknowledgment within Section 18 of the Limitation Act and application filed by the Bank was not barred by time.

6. Counsel for the interveners submits that the proceedings having been initiated against the Corporate Debtor are in *rem* and on the settlement by the IDBI Bank, CIRP cannot be terminated and at best the Financial Creditor can file an application under Section 12A to withdraw the proceeding before the Adjudicating Authority.

7. We have considered the submissions of the counsel for the parties and perused the record.

8. The only ground raised by the Appellant to challenge the impugned order is that the application filed by the IDBI Bank was barred by time. We, thus, need to consider the question as to whether application filed by the IDBI Bank under Section 7 was barred by time or not.

9. There is no dispute between the parties regarding following facts:-

(i) The Corporate Debtor had executed a Deed of Guarantee on 21.11.1988 for repayment of amount due on SPCL from the financial facilities extended by IDBI Bank. The IDBI Bank has invoked the guarantee on 01.07.1994.

(ii) OA was filed by IDBI Bank against the principal borrower and the Corporate Debtor in which OA, Recovery Certificate No.431 of 2018 was issued on 26.07.2018.

(iii) The application under Section 7 has been filed by the IDBI Bank on 13.06.2024.

10. The law is well settled that from date of issuance of Recovery Certificate by DRT a fresh period of limitation shall commence. Thus, the Bank shall

have three years' fresh period of limitation from 26.07.2018 i.e. 25.07.2021. Adjudicating Authority in the impugned order has rightly relied on the judgment of the Hon'ble Supreme Court in "***Dena Bank vs. C. Shivakumar Reddy & Anr.- Civil Appeal No.1650 of 2021***". We also need to notice the order of the Hon'ble Supreme Court in Suo Moto Writ Petition (C) No.03 of 2020 where the Hon'ble Supreme Court had granted extension to the period of limitation during the relevant period. It is relevant to notice that the order of the Hon'ble Supreme Court passed on 10.01.2022 in the above Writ Petition which directions are as follows:-

"I. The order dated 23.03.2020 is restored and in continuation of the subsequent orders dated 08.03.2021, 27.04.2021 and 23.09.2021, it is directed that the period from 15.03.2020 till 28.02.2022 shall stand excluded for the purposes of limitation as may be prescribed under any general or special laws in respect of all judicial or quasi-judicial proceedings.

II. Consequently, the balance period of limitation remaining as on 03.10.2021, if any, shall become available with effect from 01.03.2022.

III. In cases where the limitation would have expired during the period between 15.03.2020 till 28.02.2022, notwithstanding the actual balance period of limitation remaining, all persons shall have a limitation period of 90 days from 01.03.2022. In the event the actual balance period of limitation remaining, with effect from 01.03.2022 is greater than 90 days, that longer period shall apply.

IV. It is further clarified that the period from 15.03.2020 till 28.02.2022 shall also stand excluded in computing the periods prescribed under Sections 23 (4) and 29A of the Arbitration and Conciliation Act, 1996, Section 12A of the Commercial Courts Act, 2015 and provisos (b) and (c) of Section 138 of the Negotiable Instruments Act, 1881 and any other laws, which prescribe period(s) of limitation for instituting proceedings, outer limits (within which the court or tribunal can condone delay) and termination of proceedings.”

11. In the present case, the three years' period was coming to an end on 25.07.2021 i.e. between the period 15.03.2020 to 28.02.2022. The fact of the case be covered by direction No. (III) in the order dated 10.01.2022 of the Hon'ble Supreme Court, thus, from 01.03.2022 there shall be available balance period of limitation and if the period is greater than 90 days', longer period shall apply. The period of limitation has been elapsed from 26.07.2018 to 15.03.2020. Thus, there was balance of limitation on 15.03.2020 which shall be available w.e.f. 01.03.2022. Taking the balance period, thus adding the balance period from 01.03.2022 balance period will be 1 year 4 months and 11 days. Thus, the said period be available from 01.03.2022 which shall go to 12.07.2023. This is without taking into consideration the acknowledgment as claimed.

12. The question which has been canvassed and which need to be considered is as to whether by virtue of audited financial statement of the Corporate Debtor for the F.Y. 2019-2020, 2020-2021 and 2021-2022, there is acknowledgment so as to extend the limitation. Adjudicating Authority in the impugned order has answered the said question in affirmative holding

that the annual financial statement of the Corporate Debtor for the relevant year contained an acknowledgment within the meaning of Section 18 of the Limitation Act, hence, from the date of acknowledgment, there shall be a further period of three years and the application shall not be barred by time. In this context, we need to refer to the financial statement which have been brought on record by the Appellant. We may refer to the financial statement for the period 01.04.2020 to 31.03.2021 which financial statement clearly mentioned the bank guarantee. Note 33 in this context need to be referred to which is as follows:-

“Note-33: Additional notes on accounts

33.1 (a) Contingent Liabilities and Commitments (To the extent not provided for) Rs. in Lakhs		
Particulars	As at 31st	As at 31st
March' 2021	March'	
	2020	
Contingent Liabilities		
a) Claims against the company not acknowledged as debts		
Taxation -	1294.79	1294.79
Others -	157.14	157.14
b) Pay Revision Arrear of Officers & Workmen Employees (1.1.2007/1.04.2007 to 27.04.2011)	497.57	506.20
Penal Interest on Govt. Loan @2.75%	690.59	578.27
Commitments		
a) Estimated amounts of contracts remaining to be executed on the capital account and not provided for	37.90	105.64
b) Bank Guarantees and Letter of Credit	2,837.79	2,924.38
c) Others	261.71	274.51
TOTAL (A+B)	5,777.49	5,840.93

(b) Company had provided a counter guarantee of Rs.2,265.00 lakhs in favour of Southern Pesticides Corporation Limited, earlier subsidiary of the company, which got liquidated vide

Hon'ble High Court of Andhra Pradesh order dated 2nd April, 2002. As on 31st March 2021 the counter guarantee has no validity. However, if counter guarantee is invoked by Financial Institutions, Govt. of India will provide support, as approved by Cabinet Committee on Economic Affairs (CCEA) on 27th July, 2006.”

13. The above note clearly indicate that the bank guarantee and letter of credit are admitted and the counter guarantee given in favour of the SPCL have been specifically mentioned and as noted in (b). There are similar acknowledgment in financial statement of 2021-2022. From 31.03.2021 to 31.03.2022 Note 33 is as follows:-

“Note-33: Additional notes on accounts

33.1 (a) Contingent Liabilities and Commitments (To the extent not provided for) Rs. In Lakhs

Particulars	As at 31 March' 2022	As at 31 March' 2021
A) Contingent Liabilities		
a) Claims against the company not acknowledged as debts	1298.95	1451.93
b) Pay Revision Arrear of Officers & Workmen Employees (1.1.2007/1.04.2007 to 27.04.2011)	497.57	497.57
a) Penal Interest on Govt. Loan 2.75% (Refer Note below)	802.91	690.59
B) Commitments		
a) Estimated amounts of contracts remaining to be executed on the capital account and not provided for	57.00	37.90
b) Bank Guarantees and Letter of Credit	3056.22	2,837.79
c) Others	11.99	261.71
TOTAL (A+B)	5724.64	5,777.49

Note- Government of India reserves the right to increase the Interest rate from 11.50% pa to 14.25% pa in case of default in repayment of loan. Since GOI never exercised the right, hence penal interest has been shown under Contingent Liability.

33.1 (b) Company had provided a counter guarantee of Rs.2,265.00 lakhs in favor of Southern Pesticides Corporation Limited, earlier subsidiary of the company, which got liquidated vide Hon'ble High Court of Andhra Pradesh order dated 2nd April, 2002. As at end of the financial year, the counter guarantee has no validity. However, If counter guarantee is invoked by Financial Institutions, Govt. of India will provide support, as approved by Cabinet Committee on Economic Affairs (CCEA) on 27 July, 2006.”

14. Thus, if the acknowledgment in the above annual statement are treated to be acknowledgment, the limitation period shall clearly be extended from acknowledgment. The acknowledgment for the period 01.04.2019 to 31.03.2020 was admittedly within the period of three years from 26.07.2018, hence, by subsequent acknowledgment also there will be fresh period of limitation and the application filed on 13.06.2024 cannot be held to be barred by time. We now proceed to consider the rival submissions as to whether the above entries in the balance sheet can be treated to be acknowledgment within the meaning of Section 18 of the Limitation Act or not.

15. The law on the subject of acknowledgment is well settled. Entries in the balance sheet have also held to be acknowledgment within the meaning of Section 18 of the Limitation Act subject to certain caveat. The Hon'ble Supreme Court in a recent judgment **“IL and FS Financial Services Ltd. vs. Adhunik Meghalaya Steels P. Ltd.- 2025 SCC OnLine SC 1567”** after taking note of earlier judgment of the Hon'ble Supreme Court has clarified the law. In the case before the Hon'ble Supreme Court, the question arose as to whether in the balance sheet for the F.Y. 2019-2020 there was

acknowledgment within the meaning of Section 18 of the Limitation Act so as to extend the limitation for filing an application under Section 7. In the above case, date of default was 01.03.2018. Balance sheet for F.Y. 2019-2020 was signed on 12.08.2020. Section 7 application was filed on 15.01.2024. The Hon'ble Supreme Court had occasion to consider the extension by virtue of Sua Moto Order of the Hon'ble Supreme Court in Writ Petition (C) No. 03 of 2020 as well as acknowledgment under the balance sheet. In paragraph 21 of the judgment, the Hon'ble Supreme Court has noted the question for consideration which is as follows:-

“21. The principal question, as highlighted earlier, that arises for consideration is whether the Tribunals below were justified in holding that the section 7 application under the Insolvency and Bankruptcy Code, filed by the appellant on January 15, 2024 was barred by time ? In answering the above question, two incidental questions do arise; (i) Does the entry in the balance-sheet of the financial year 2019-2020 constitute a valid acknowledgment of debt by the respondent under section 18 of the Limitation Act, 1963 ? (ii) If the answer to the above question is in the affirmative, will paragraph 5(I) or 5(III) of the order dated January 10, 2022 passed by this Court in Sua Motu Writ Petition No. 3 of 2020 govern the situation ?”

16. The Hon'ble Supreme Court in the above case has referred to the celebrated judgment of the Hon'ble Supreme Court in **“Khan Bahadur Shapoor Freedom Mazda v. Durga Prasad Chamaria - (1962) 1 SCR 140”**. Referring to the said judgment, the Hon'ble Supreme Court in paragraphs 26 and 27 laid down following:-

“26. The earliest pronouncement of this court was in Khan Bahadur Shapoor Freedom Mazda v. Durga Prasad Chamaria [1961 SCC OnLine SC 147; (1962) 1 SCR 140.]. Justice P.B. Gajendragadkar (as His Lordship then was) while construing section 19 of the Limitation Act, 1908 which is similar to section 18 of the Limitation Act, 1963 held as under:

“6. It is thus clear that acknowledgment as prescribed by section 19 merely renews debt; it does not create a new right of action. It is a mere acknowledgment of the liability in respect of the right in question; it need not be accompanied by a promise to pay either expressly or even by implication. The statement on which a plea of acknowledgment is based must relate to a present subsisting liability though the exact nature or the specific character of the said liability may not be indicated in words. Words used in the acknowledgment must, however, indicate the existence of jural relationship between the parties such as that of debtor and creditor, and it must appear that the statement is made with the intention to admit such jural relationship. Such intention can be inferred by implication from the nature of the admission, and need not be expressed in words. If the statement is fairly clear then the intention to admit jural relationship may be implied from it. The admission in question need not be express but must be made in circumstances and in words from which the court can reasonably infer that the person making the admission intended to refer to a subsisting liability as at the date of the statement. In construing words used in the statements made in writing on which a plea of acknowledgment rests oral evidence has been expressly excluded but surrounding

circumstances can always be considered. Stated generally courts lean in favour of a liberal construction of such statements though it does not mean that where no admission is made one should be inferred, or where a statement was made clearly without intending to admit the existence of jural relationship such intention could be fastened on the maker of the statement by an involved or farfetched process of reasoning. Broadly stated that is the effect of the relevant provisions contained in section 19, and there is really no substantial difference between the parties as to the true legal position in this matter.”

(emphasis supplied)

27. *It will be clear from the above passage that an acknowledgment of debt merely renews the debt and does not create a new right of action. It is further essential that the acknowledgment must relate to a subsisting liability and must indicate the jural relationship between the parties such as that of debtor and creditor, and it must appear that the statement is made with the intention to admit such jural relationship. It was also held that such intention can be inferred by implication from the nature of the admission and need not be expressed in words. It has also been held that in construing the words used in the statements, surrounding circumstances can always be considered and that courts lean in favour of a liberal construction of such statements, though intention cannot be fastened by an involved or far-fetched process of reasoning.”*

17. The Hon’ble Supreme Court in the above case has also referred to judgment of the Hon’ble Supreme Court in **“Asset Reconstruction Co. (India)**

Ltd. v. Bishal Jaiswal - (2021) 6 SCC 366” where acknowledgment with respect to entries in the balance sheets was considered. In paragraph 33 of the judgment of the Hon’ble Supreme Court in **“IL and FS Financial Services Ltd.”** (supra), following was laid down:-

“33. It was not disputed before us that entries in balance-sheets could constitute a valid acknowledgment and in fact it could not have been disputed, in view of the categorical pronouncement of this court in Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal [(2021) 14 Comp Cas-OL 445 (SC); (2021) 6 SCC 366; (2021) 3 SCC (Cri) 23; (2021) 3 SCC (Civ) 605; 2021 SCC OnLine SC 321.] . The only dispute was whether the entry in financial year 2019-2020 did or did not constitute a valid acknowledgment. Among the grounds canvassed was the aspect that the name of the appellant was not mentioned in the balance-sheet of financial year 2019-2020. It is worthwhile to notice certain observations from the judgment in Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal [(2021) 14 Comp Cas-OL 445 (SC); (2021) 6 SCC 366; (2021) 3 SCC (Cri) 23; (2021) 3 SCC (Civ) 605; 2021 SCC OnLine SC 321.] as it does have a bearing for the disposal of the present matter. This court in Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal [(2021) 14 Comp Cas-OL 445 (SC); (2021) 6 SCC 366; (2021) 3 SCC (Cri) 23; (2021) 3 SCC (Civ) 605; 2021 SCC OnLine SC 321.] held that entries in balance-sheet had to be examined on a case-by-case basis to examine whether an acknowledgment of liability exists. paragraph 35 of Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal [(2021) 14 Comp Cas-OL 445 (SC); (2021) 6 SCC 366; (2021) 3 SCC

(Cri) 23; (2021) 3 SCC (Civ) 605; 2021 SCC OnLine SC 321.] reads as under [See page 479 of 14 Comp Cas-OL.] :

“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 acknowledgments made in the books of account including the balance-sheet. A perusal of the aforesaid would show that the statement of law contained in *Bengal Silk Mills Co. (in liquidation) v. Ismail Golam Hossain Ariff* [1961 SCC OnLine Cal 128; AIR 1962 Cal 115.], 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 acknowledgment of liability has, in fact, been made, thereby extending limitation under section 18 of the Limitation Act.”

(emphasis supplied)

18. In paragraphs 38 and 39, the Hon’ble Supreme Court further laid down following:-

“**38.** We have independently examined the facts of the present matter to construe whether the entries in the balance-sheet of the financial year 2019-2020 constitute a valid acknowledgment. As to whether a certain document

in a given case constitutes a valid acknowledgment would depend on the facts and circumstances of each case. We do no better than recall the observations of this court in Khan Bahadur Shapoor Freedom Mazda v. Durga Prasad Chamaria [1961 SCC OnLine SC 147; (1962) 1 SCR 140.] wherein it was observed as under:

“7. It is often said that in deciding the question as to whether any particular writing amounts to an acknowledgment as in construing wills, for instance, it is not very useful to refer to judicial decisions on the point. The effect of the words used in a particular document must inevitably depend upon the context in which the words are used and would always be conditioned by the tenor of the said document, and so unless words used in a given document are identical with words used in a document judicially considered it would not serve any useful purpose to refer to judicial precedents in the matter...”

(emphasis supplied)

39. *Having said that, the legal principles as to what constitutes a valid acknowledgment as laid down in the precedents, have to be rigorously applied. It should also not be forgotten that this court in Khan Bahadur Shapoor Freedom Mazda v. Durga Prasad Chamaria [1961 SCC OnLine SC 147; (1962) 1 SCR 140.] has held that surrounding circumstances could be considered and that a liberal construction should be favoured, though the process of reasoning should not be involved or far-fetched. This court in Khan Bahadur Shapoor Freedom Mazda v. Durga Prasad Chamaria had considered the general tenor and context of the document. Further, as noticed in Lakshmirattan Cotton Mills Co. Ltd. and Behari Lal Ram Charan v. Aluminium Corporation of India Ltd. [(1971) 1 SCC 67.], the previous correspondence and*

the surrounding circumstances were also taken into consideration. In Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal [(2021) 14 Comp Cas-OL 445 (SC); (2021) 6 SCC 366; (2021) 3 SCC (Cri) 23; (2021) 3 SCC (Civ) 605; 2021 SCC OnLine SC 321.] , this court held that a case-to-case examination will be made with regard to entries made in balance-sheets to decide the question of acknowledgment. In Dena Bank (now Bank of Baroda) v. C. Shivakumar Reddy [(2021) 15 Comp Cas-OL 558 (SC); (2021) 10 SCC 330; 2021 SCC OnLine SC 543.] , this court held that in relation to proceedings under the Insolvency and Bankruptcy Code, 2016, section 18 of the Limitation Act, cannot be construed with pedantic rigidity. In Vidyasagar Prasad v. UCO Bank [(2024) 251 Comp Cas 636 (SC); 2024 SCC OnLine SC 2993.] , this court affirmed the finding of the National Company Law Appellate Tribunal in that case wherein the National Company Law Appellate Tribunal had held that the company's balance-sheet is prepared in the statutory format as per schedule 3 of the Companies Act, which did not provide for giving the specific name of every secured or unsecured creditor.”

19. In paragraph 41 applying the ratio of the above judgment, the Hon'ble Supreme Court held that the balance sheet of F.Y. 2019-2020 contained acknowledgment.

20. In the above case (IL and FS Financial Services Ltd.), the Hon'ble Supreme Court has also occasion to consider the effect of Suo Moto after holding that the balance sheet of F.Y. 2019-2020 signed on 12.08.2020 gave a fresh period of limitation. The Hon'ble Supreme Court held that giving the benefit of Hon'ble Supreme Court in Writ Petition (C) No.3 of 2020, the

limitation was to extend till 11.08.2023. The Hon'ble Supreme Court held that the entire period was required to be extended by virtue of order dated 10.01.2022. In paragraphs 44, 45 and 46, the Hon'ble Supreme Court laid down following:-

“45. Parties were at daggers drawn on the aspect whether sub-paragraph (I) of paragraph 5 of the order of January 10, 2022 would apply or sub-paragraph (III) would apply. Paragraph 5 of the order dated January 10, 2022 reads as under [See page 426 of 230 Comp Cas.] :

“Taking into consideration the arguments advanced by learned counsel and the impact of the surge of the virus on public health and adversities faced by litigants in the prevailing conditions, we deem it appropriate to dispose of M.A. No. 21 of 2022 with the following directions:

- (I) The order dated March 23, 2020 is restored and in continuation of the subsequent orders dated March 8, 2021, April 27, 2021 and September 23, 2021, it is directed that the period from March 15, 2020 till February 28, 2022 shall stand excluded for the purposes of limitation as may be prescribed under any general or special laws in respect of all judicial or quasi-judicial proceedings.*
- (II) Consequently, the balance period of limitation remaining as on October 3, 2021, if any, shall become available with effect from March 1, 2022.*
- (III) In cases where the limitation would have expired during the period between March 15, 2020 till February 28, 2022, notwithstanding the actual*

balance period of limitation remaining, all persons shall have a limitation period of 90 days from March 1, 2022. In the event the actual balance period of limitation remaining, with effect from March 1, 2022 is greater than 90 days, that longer period shall apply.

(IV) It is further clarified that the period from March 15, 2020 till February 28, 2022 shall also stand excluded in computing the periods prescribed under sections 23(4) and 29A of the Arbitration and Conciliation Act, 1996, section 12A of the Commercial Courts Act, 2015 and provisos (b) and (c) of section 138 of the Negotiable Instruments Act, 1881 and any other laws, which prescribe period(s) of limitation for instituting proceedings, outer limits (within which the court or Tribunal can condone delay) and termination of proceedings.”

46. *We have no manner of doubt that sub-paragraph (I) of paragraph 5 of the order of this court dated January 10, 2022 would apply and the entire period from March 15, 2020 to February 28, 2022 would stand excluded, which would mean that the limitation would, reckoning the acknowledgment of August 12, 2020, commence on March 1, 2022 and continue till February 28, 2025. Since the application has been filed on January 15, 2024 the same is within time. Limitation, in view of the acknowledgment as found above, having commenced only on August 12, 2020, the question of limitation expiring between March 15, 2022 and February 28, 2022 cannot arise. Hence, paragraph 5(III) of the order of this court dated January 10, 2022, has no application to the facts of this case.*

47. *In view of the observations made hereinabove, the judgments of the National Company Law Appellate Tribunal dated March 25, 2025 [IL and FS Financial Services Ltd. v. Adhunik Meghalaya Steels P. Ltd., (2025) 259 Comp Cas 430 (NCLAT); 2025 SCC OnLine NCLAT 569.] and National Company Law Tribunal dated May 16, 2024 [IL and FS Financial Services Ltd. v. Adhunik Meghalaya Steels P. Ltd., (2025) 259 Comp Cas 423 (NCLT).] are set aside. The appeal is allowed. The matter is remitted to the Adjudicating Authority to proceed with and decide in accordance with law, treating the application under section 7 of the Insolvency and Bankruptcy Code, 2016, filed by the appellant, as one filed within limitation. No order as to costs.”*

21. We now need to notice the judgments relied by Counsel for the Appellant in support of his submission that the balance sheet of F.Y. 2019-2020 cannot be held to be acknowledgment within the meaning of Section 18. It is submitted that there was no unqualified acknowledgment of debt and in the annual report of the Corporate Debtor for the F.Y. 2021-2022, it was mentioned that the corporate guarantee in question had no validity at the end of financial year. Learned Counsel for the Appellant submitted that there has to be unqualified acknowledgment. Reliance has been placed in paragraph 35 of the judgment of the Hon’ble Supreme Court in **“Asset Reconstruction Co. (India) Ltd.”** (supra). In paragraph 35, the Hon’ble Supreme Court laid down following:-

“35. *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 acknowledgments 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 [Bengal Silk Mills Co. v. Ismail Golam Hossain Ariff, 1961 SCC OnLine Cal 128 : AIR 1962 Cal 115] , 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 acknowledgment of liability has, in fact, been made, thereby extending limitation under Section 18 of the Limitation Act.”

22. Another judgment relied by the Counsel for the Appellant is “**SBI v. Krishidhan Seeds (P) Ltd., (2023) 1 SCC 209**” where Hon’ble Supreme Court in paragraph 11 held that an acknowledgment in the balance sheet without qualification can be relied upon for the purpose of the proceedings under the IBC. In paragraph 11, following was laid down:-

“11. An acknowledgment in a balance sheet without a qualification can be relied upon for the purpose of the proceedings under the IBC. This principle also emerges

from the decision in Asset Reconstruction Co. [Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal, (2021) 6 SCC 366 : (2021) 3 SCC (Civ) 605 : (2021) 3 SCC (Cri) 23], which noted the decisions in Sesh Nath Singh [Sesh Nath Singh v. Baidyabati Sheoraphuli Coop. Bank Ltd., (2021) 7 SCC 313 : (2021) 4 SCC (Civ) 113] and Laxmi Pat Surana [Laxmi Pat Surana v. Union Bank of India, (2021) 8 SCC 481 : (2021) 4 SCC (Civ) 315]. This Court held : (Asset Reconstruction Co. case [Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal, (2021) 6 SCC 366 : (2021) 3 SCC (Civ) 605 : (2021) 3 SCC (Cri) 23], SCC pp. 399-400, para 35)

“35. 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 acknowledgments 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 [Bengal Silk Mills Co. v. Ismail Golam Hossain Ariff, 1961 SCC OnLine Cal 128 : AIR 1962 Cal 115], 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 acknowledgment of

liability has, in fact, been made, thereby extending limitation under Section 18 of the Limitation Act.”

23. To the same effect, other judgments relied are **“SVG Fashions Pvt. Ltd. vs. Ritu Murli Manohar Goyal & Anr.- (2023) 2 SCC 205”** and **“Syndicate Bank v. R. Veeranna and Ors.- (2003) 2 SCC 15”**.

24. A recent judgment of the Hon’ble Supreme Court in **“M/s. Akiren and Associates vs. M/s. Sanmar Engineering Services Ltd.- Civil Appeal No. 654 of 2015”** decided on 24.07.2025 has been relied. In the above case, a suit was filed claiming for decree of Rs.3,07,115.85/-. A notice issued by Plaintiff was replied by Defendant objecting to the claim and acknowledging a sum of Rs.27,874.10/-. In the above proceeding, the benefit of limitation in filing the suit with respect to acknowledgment to the amount of Rs.27,874.10/- was upheld by the High Court. Appeal was filed by the Plaintiff which Appeal came to be dismissed. The Hon’ble Supreme Court in the above case laid down following:-

“In terms of the aforestated provision, there must be an ‘acknowledgment of liability in respect of the property or right in question’ and even if such an acknowledgment is accompanied by refusal to pay, it would mean that the period of limitation would have to be computed from the time when such acknowledgment is signed.

In the case on hand, the respondent never acknowledged the sum claimed by the appellant in its notice dated 14.03.1992. On the other hand, the respondent clearly asserted that the contract value was much lesser, being just 1,55, 223/- (Rupees one lakh fifty five thousand two

hundred twenty three only), and went on to state that only a sum of 27,874.10 (Rupees twenty seven thousand eight hundred seventy four and ten paise only) was due and payable by it. In effect, there was never an acknowledgment of the total suit claim of ₹3,07,115.85 (Rupees three lakhs seven thousand one hundred fifteen and eighty five paise only), whereby the appellant could avail the benefit of extended period of limitation for the entire amount claimed.

Learned counsel for the appellant placed reliance on the judgment of this Court in Food Corporation of India vs. Assam State Cooperative Marketing & Consumer Federation Ltd. & Ors. However, this decision is distinguishable on facts, as there was a clear admission therein of the receipt of ₹2 crores, which formed the very basis for the suit claim in that case. Once such an acknowledgment was there, this Court held that the benefit of extended period of limitation would be available under Section 18 of the Act, 1963.”

25. Thus, the acknowledgment which is to be relied has to be acknowledgment which can be said to be acknowledging the debt even though payability of debt is denied. Reverting to the facts of the present case, we have noted above the relevant balance sheets where Corporate Debtor categorically has accepted having given corporate guarantee to the principal borrower, the debt thus under the corporate guarantee is clearly acknowledged.

26. Thus, the acknowledgment made in the balance sheet for the F.Y. 2019-2020 and 2020-2021 shall clearly extend the limitation under Section 18 of the Limitation Act. Hence, the application which was filed by the Financial Creditor was well within time. There is one more aspect of the matter which

also clearly extend the limitation i.e. reliance on the letters issued by the Corporate Debtor on 18.04.2022 and 02.06.2022 to the IDBI Bank. Letter dated 18.04.2022 has been extracted by the Adjudicating Authority in the impugned order and is also brought on the record by the Appellant. It is useful to extract the letter dated 18.04.2022 which is as follows:-

“Ref No. AC-69/SPEC

Dated: 18.04.2022

*To
The Asstt General Manager,
IDBI Bank Limited,
NPA Management Group #5-9-89/ 1&S
Chapel Road, Hyderabad 500001*

Kind Attn: Mr. Mallikarjun, AGM

***Re. Offer for settlement to Guarantor under SARAL KARJ
BHUGTRAN YOJNA- II (SKBY-II) 2020-21 Southern
Pesticides Corporation Ltd (SPCL) (Under Liquidation)***

Dear Sir,

Please refer to your letter No. IDBI/NMG-Hyd/333/SPCL/2020-21 dated 30.12.2020 on the above subject.

Being a Government Organisation no such settlement/payment can be made without the approval of Board and Administrative Ministry. In response to your settlement offer, with the approval of Board of HIL, we have approached our Administrative Ministry i.e. Ministry of Chemicals & Fertilizers, Govt. of India for settling the matter as per clause No. IV of letter No. 52/3/2005-CH.III dated Aug.4th, 2006(copy enclosed) Ministry will provide support to HIL, in case corporate guarantee furnished by HIL are invoked by Financial Institutions who have lent funds to SPEC which had gone into liquidation.

As you are also aware that due to the COVID-19 pandemic situations, all matter dealt by Govt or Statutory Bodies are badly effected and the above mentioned case is also one of them. Now some positive response are coming from Administrative Ministry for settlement of offer as proposed by you.

As per your settlement offer, an amount of Rs.30,90,143.28 can be paid upto 31.03.2021 and after that Rs.32,52,782.40 is payable

You are, therefore, requested to consider our request favourably and inform the settlement amount.

Thanking you,

Yours faithfully.

*(SP Mohanty)
Chairman & Managing Director*

Encl: as above”

27. The above letter was clear acknowledgment. The submission which has been made by Counsel for the Appellant is that the said acknowledgment was after three years from expiry of limitation which limitation in the present case expired on 25.07.2021. As noted above, the Appellant shall be entitled for the benefit of order of the Hon'ble Supreme Court in Writ Petition (C) No.3 of 2020 and extending the said benefit, we have already held that the limitation for filing Section 7 application was till July 2023. Thus, the letters dated 18.04.2022 and 02.06.2022 were well within the period of limitation and shall also the basis for extending the limitation period of three years from the said acknowledgment. In any view of the matter, the Financial Creditor had clearly made out case for extending of limitation under Section 18 on the basis of

annual statement of F.Y. 2019-2020 and 2020-2021 as well as settlement letter dated 18.04.2022 and 02.06.2022.

28. We have gone through the impugned order of the Adjudicating Authority dated 30.07.2025 carefully. Adjudicating Authority has very elaborately considered the question of limitation by referring to all relevant materials and the law on subject. The discussion by Adjudicating Authority is flawless and is approved by us. We, thus, hold that the application filed by the IDBI Bank was not barred by time and Adjudicating Authority has rightly overruled the said objection. We, thus, are of the view that there is no merit in the submission of the Appellant that application was barred by time.

29. Now coming to IA No.658 of 2026 filed by the Appellant. In the said IA, following prayers have been made:-

“i. Allow the present application and permit withdrawal of the present appeal;

ii. Set aside and close the Corporate Insolvency Resolution Process initiated against Respondent No. 2 pursuant to the impugned order dated 30.07.2025;

Pass appropriate consequential directions for closure of CIRP proceedings; and

iv. Pass any other order(s) as this Hon'ble Tribunal may deem fit and proper in the interest of justice.”

30. The Applicant has also brought on record the letter dated 31.10.2025 by the IDBI Bank where IDBI Bank has accepted the OTS of Rs.1.78 Crore.

31. We have also noticed the IAs filed by three Operational Creditors who have also claimed operational debt against the Corporate Debtor. In IA No.658

of 2026 although the Appellant has prayed to close the CIRP and set aside the order dated 30.07.2025 but we having upheld the order dated 30.07.2025, the CIRP cannot be closed. Appellant having settled with the Financial Creditor, the prayer of the Appellant to withdraw the Appeal can be allowed with direction to the Financial Creditor to file an application under Section 12A for withdrawal of the CIRP. The application under Section 12A has to be considered in accordance with law by the Hon'ble Supreme Court in "**Glas Trust Company LLC vs. Byju Raveendran & Ors.- 2024 SCC OnLine SC 3032**".

32. In result, the Appeal and IAs are disposed of in following manner:-

- (I) The impugned order dated 30.07.2025 admitting Section 7 application is upheld.
- (II) IA No.658 of 2026 filed by the Appellant is partly allowed permitting the Appellant to withdraw this Appeal.
- (III) The Financial Creditor IDBI Bank having entered into settlement, the IDBI Bank is required to file an application under Section 12A through the IRP in accordance with Section 12A and Regulation 30A of CIRP Regulations and which application may be filed within four weeks from today before the Adjudicating Authority through the IRP. The IRP after receipt of Form FA from the Financial Creditor shall file the application before the Adjudicating Authority within the period of two weeks and the IRP shall not take any further steps till decision of the application under Section 12A.

33. The Applicants who have filed intervention applications IA Nos. 5502 of 2025, 7178 of 2025 and 765 of 2026 are permitted to file their objection/ intervention in Section 12A application to be filed by the Financial Creditor as indicated above.

Parties shall bear their own costs.

[Justice Ashok Bhushan]
Chairperson

[Barun Mitra]
Member (Technical)

New Delhi

Anjali