

NEWSLETTER



Supreme Court Rules IBC Cannot Be Used for Individual Contractual Debt Recover

The Supreme Court of India (Dhanlaxmi Bank Limited v. Mohammed Javed Sultan & Ors., May 7, 2026) dismissed an appeal by Dhanlaxmi Bank, affirming that the Insolvency and Bankruptcy Code (IBC) cannot be used as a coercive tool for individual contractual debt recovery. The Bench of Justice Pamidighantam Sri Narasimha and Justice Alok Aradhe upheld the NCLAT's reversal of an NCLT order that had initially admitted a Section 7 insolvency petition against M/s Emerald Mineral Exim Pvt. Ltd.

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Key Points

The dispute arose from a quadripartite agreement where a ₹1.50 crore loan was disbursed directly to a builder based on construction milestones.

The Court held that since the loan default was explicitly tied to the builder's performance, the matter was predominantly a complex bilateral contractual issue rather than a straightforward financial debt default.

The apex court emphasized that the IBC is a collective mechanism meant to address genuine financial distress and revive companies. It is not a substitute for standard recovery forums; consequently, the Court directed the bank to pursue its remedies before the Debt Recovery Tribunal (DRT).



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Supreme Court Rules E-Filing Without Certified Copy Renders NCLAT Appeal Incompetent

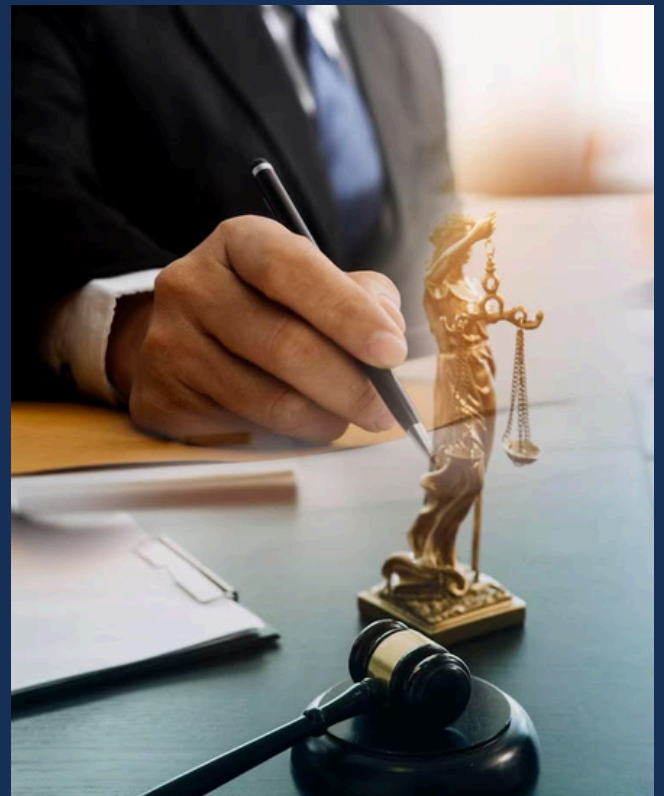
The Supreme Court of India (Angelwoods Apartment Allottees Association v. M Lalitha and Anr., May 12, 2026) held that e-filing an appeal before the NCLAT without a certified copy of the challenged order is a fundamental, incurable defect. The Bench of Justice Sanjay Kumar and Justice K.V. Viswanathan set aside the NCLAT's lenient order condoning the defects and dismissed the appeal entirely.

Key Points

An appeal challenging an NCLT Kochi Bench order was e-filed on the final day of limitation without a certified copy. The appellant took 150 days to refile the matter, still failing to attach the certified copy or seek a formal exemption under the NCLAT Rules, 2016.

The Supreme Court overruled the NCLAT's decision to condone the 150-day refiling delay, holding that the tribunal ignored essential statutory mandates.

The apex court ruled that Rule 22(2) of the NCLAT Rules—requiring a certified copy—is a mandatory rule of diligence, not a trivial technicality. Filing without it means no valid appeal was ever instituted, creating an absolute threshold bar under the strict timelines of the IBC.



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The Mandate:

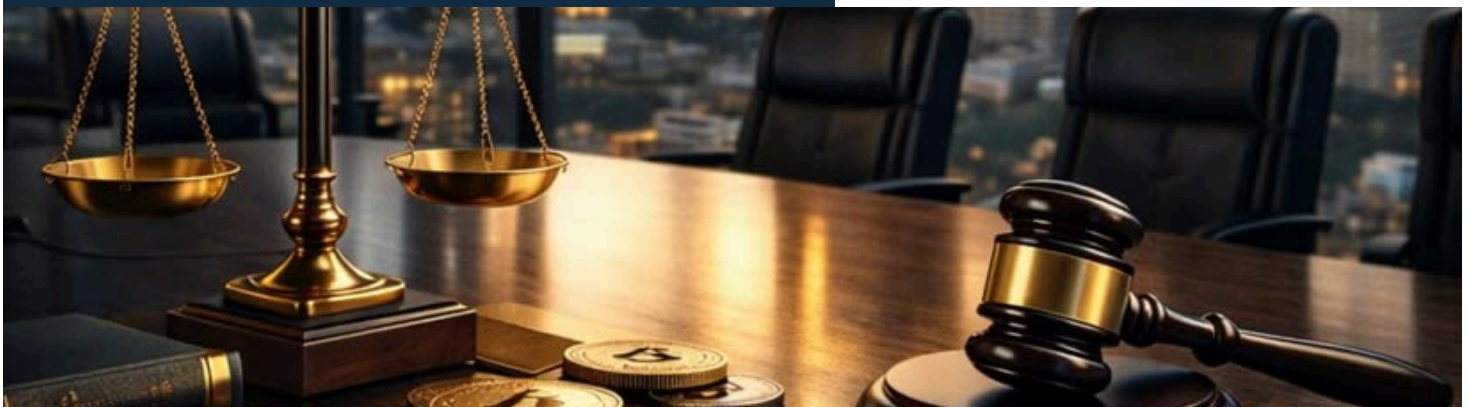
The NCLT is now legally required to admit an insolvency resolution case within 14 days. If it fails to do so, it must formally record the structural reasons for the delay.

Evidentiary Threshold:

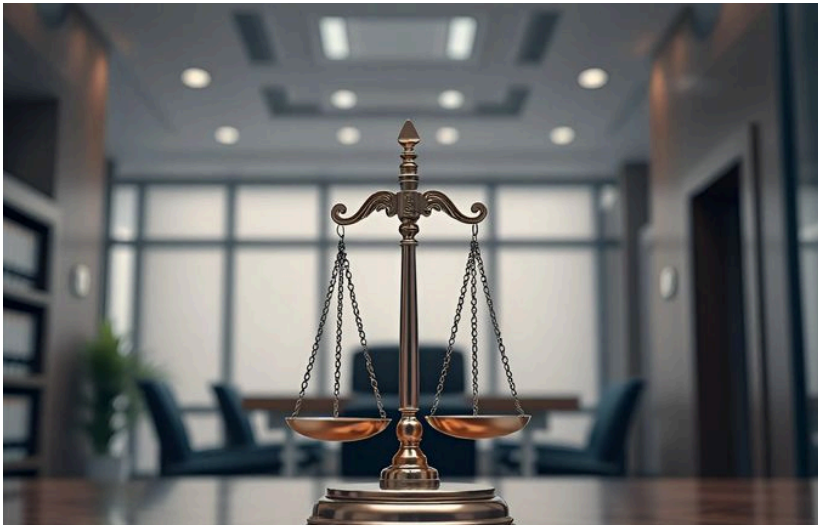
To expedite the process, the tribunal only needs a clear proof of default to admit a case, explicitly barring it from delving into supplementary or secondary issues at the pre-admission stage. Furthermore, the NCLAT is mandated to dispose of appeals within a three-month window.

Government Operationalises Amended Insolvency Law, Sets Strict 14-Day NCLT Admission Deadline

The Ministry of Corporate Affairs has operationalized key provisions of the Insolvency and Bankruptcy Code (Amendment) Act, 2026. Aimed at fixing prolonged litigation delays that severely erode asset value, the amendment forces strict timelines on adjudicating authorities.



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Supreme Court Reaffirms IBC Cannot Be Used to Enforce Purely Contractual Disputes

In *Dhanlaxmi Bank Limited v. Mohammed Javed Sultan & Ors.*, the Supreme Court dismissed a financial creditor's appeal, ruling that the IBC cannot be transformed into a coercive debt recovery tool for predominantly contractual issues.

The Apex Court emphasized that Section 7 invocation strictly requires a clear, unambiguous financial debt and an undisputed default.



Where a transaction is intrinsically tied to multi-party performance obligations (such as real estate construction and tripartite agreements) rather than a straightforward lending mechanism, the proper forum is the Debt Recovery Tribunal (DRT) or civil court. The Court ruled that leveraging the summary insolvency process to pressure solvent counterparties into settlement amounts to an abuse of process.



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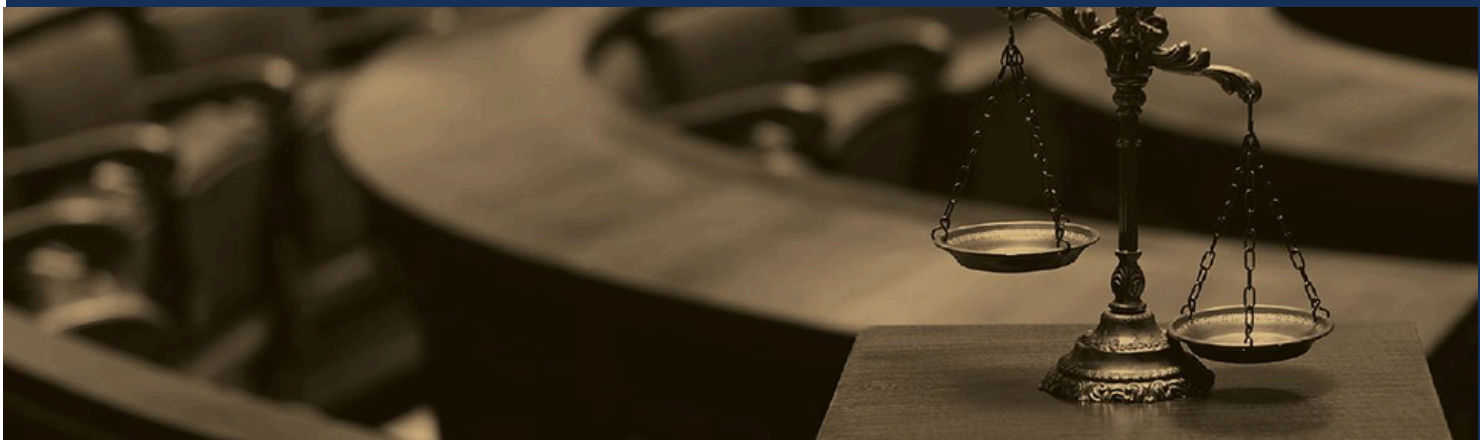
NCLAT Rules e-Filing Portal Glitches Cannot Override Statutory Limitation Outer Limits

In a strict reminder of the unyielding nature of IBC timelines, the NCLAT Principal Bench refused to condone even a single day's delay beyond the statutory maximum outer limit under Section 61(2) of the Code.



An appellant attempted to file an appeal against an NCLT order but missed the final cutoff due to confirmed technical glitches (non-receipt of OTPs) on the NCLAT e-filing portal on the final day.

The Appellate Tribunal ruled that while the statutory period of 30 days is extendable by 15 days upon showing sufficient cause, the tribunal simply does not possess the discretionary jurisdiction to condone any delay beyond the 45th day. The NCLAT held that granting extensions on equitable or hardship considerations would directly violate legislative intent.



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NCLT Clarifies Foreign Currency Debt Conversion Rules for Section 4 Thresholds

In *PM Copper Wire & Cables BHD v. Relicab Cable Manufacturing Ltd.*, the NCLT addressed a critical question regarding how foreign currency operational debt should be converted into Indian Rupees (INR) to satisfy the mandatory ₹1 crore statutory threshold under Section 4 of the IBC.



The operational creditor filed a Section 9 petition based on dues denominated in US Dollars (USD). The core issue was whether the exchange rate should be calculated based on the invoice date, the default date, or a subsequent filing date.

The Tribunal held that the currency conversion must be calculated using the exchange rate prevailing on the date of the invoice, as it represents the true, legally binding value of the commercial transaction at the moment the debt was incurred. Because the total value based on the invoice date exchange rates fell below ₹1 crore, the petition was dismissed as non-maintainable.



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