

## **Continuous reflection of debt in the Corporate Debtor's balance sheet over an extended period constitutes a clear acknowledgment of debt under Section 18 of the Limitation Act**

The NCLAT New Delhi in the case of **Abhinav Bhatnagar vs. Bank of Baroda [Company Appeal (AT) (Insolvency) No. 615 & 616 of 2025]** dated May 30, 2025, has held that a default in repayment obligations is said to occur when the debt is continuously reflected in the Corporate Debtor's balance sheets over an extended period, particularly when no fresh borrowing was undertaken during that time. In such circumstances, the continued inclusion of the liability constitutes a clear acknowledgment of debt under Section 18 of the Limitation Act. Therefore, the period of limitation for filing an application under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC) stands extended, even if the Financial Creditor's name is not expressly mentioned in the balance sheets.

Briefly put, the Bank of Baroda sanctioned Extol Industries Ltd. term loans totalling Rs. 12.72 crores and a cash credit limit of Rs. 15 crores, restructured and renewed in 2013. The Corporate Debtor regularly repaid the dues, evidenced by a No Due Certificate. Despite this, the Bank arbitrarily classified the account as NPA and filed an application under section 7 of the IBC, which was admitted by the Adjudicating Authority (NCLT).

The NCLAT noted that the No Due Certificate (NDC) was issued at the request of the Corporate Debtor, but its purpose remains unclear, as the letter does not specify why it was sought. Additionally, the NDC is vague as it omits critical information such as account numbers, loan facility details, and the status of repayments. Further, the Corporate Debtor's accounts were classified as NPA on March 31, 2016, by the Central Statutory Auditors of the Financial Creditor, with a simultaneous request for deposit of minimum overdue sums to regularize the accounts. However, there is no evidence of the Appellant making any such payments. This indicates a continuing default, and instead of addressing the repayment, the Appellant opted to challenge the NPA classification through multiple litigations.

The NCLAT observed that the statement of accounts submitted under the Bankers' Books Evidence Act, corroborated by entries in the Corporate Debtor's balance sheets and the tabular chart shared by the Financial Creditor, collectively establish that the default occurred before the NPA classification. Further, although the Financial Creditor's name does not appear in the balance sheets from FY 2015-16 to FY 2021-22, its explicit mention in the FY 2022-23 balance sheet confirms the debtor-creditor relationship. The outstanding loan amount listed matches the figures shown in earlier balance sheets, indicating that this is a historical debt consistently carried forward.

The NCLAT added that since the Appellant has neither alleged nor proved that a fresh loan was taken from another financial creditor, it is reasonable to conclude that the "Long Term Borrowings" pertain to the present Financial Creditor, Respondent No. 1. The Tribunal thus concluded that the Adjudicating Authority rightly held that the entries in the balance sheets extended the period of limitation for initiating CIRP. Therefore, the admission of Xyron Technologies Ltd. into CIRP under Section 7 of IBC stands justified based on consistent findings and acknowledgment of debt within the limitation period.