

**An application under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC), is not barred by limitation if its filing is within a fresh limitation period triggered by the issuance of a Recovery Certificate by the Debt Recovery Tribunal (DRT)**

The **National Company Law Appellate Tribunal (NCLAT) at Principal Bench, New Delhi**, in the case of **D.N.V Srinivasa Raju Vs IDBI Bank Ltd [Company Appeal (AT) (Insolvency) No.1189 of 2025] dated February 25, 2026**, has clarified that an application under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC), is not barred by limitation if its filing is within a fresh limitation period triggered by the issuance of a Recovery Certificate by the Debt Recovery Tribunal (DRT), which grants a fresh three-year period of limitation from the date of the certificate.

The NCLAT held that the limitation period also gets extended by an acknowledgment of the debt in the corporate debtor's audited financial statements. An entry reflecting a contingent liability, such as a corporate guarantee, can be construed as an unequivocal acknowledgment of the underlying jural relationship of debtor and creditor, thereby extending limitation under Section 18 of the Limitation Act, 1963.

Further, the Tribunal explained that a written communication from the corporate debtor, such as a letter responding to a settlement offer, which acknowledges the debt, if made before the expiry of the then-subsisting limitation period, gives rise to a fresh period of limitation from the date of the acknowledgment. The computation of the limitation period must also account for the exclusion of the period from March 15, 2020 to February 28, 2022, as directed by the Supreme Court in its suo moto orders concerning the COVID-19 pandemic.

The NCLAT focused on whether the Section 7 application was barred by time. It observed that a fresh three-year limitation period commenced from the date of the DRT's Recovery Certificate on July 26, 2018, which would ordinarily expire on July 25, 2021. However, applying the Supreme Court's suo moto order extending limitation periods due to the COVID-19 pandemic, the NCLAT calculated that the limitation period was extended until July 12, 2023, even without considering any acknowledgments.

The Tribunal then examined the Corporate Debtor's financial statements for FY 2019-20, 2020-21, and 2021-22, and found that Note 33 in the statements explicitly mentioned the 'counter guarantee of Rs.2,265.00 lakhs in favour of Southern Pesticides Corporation Limited'. Thus, relying on Supreme Court precedents, including *Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal [(2021) 6 SCC 366]* and *IL and FS Financial Services Ltd. vs. Adhunik Meghalaya Steels P. Ltd. [2025 SCC OnLine NCLAT 569]*, the Tribunal held that entries in a balance sheet can constitute a valid acknowledgment under Section 18 of the Limitation Act, provided they are examined on a case-by-case basis.

The NCLAT concluded that the mention of the guarantee in the balance sheets, which were prepared within three years of the DRT decree, served as a valid acknowledgment, thereby extending the limitation period.

Further, the Tribunal considered the letters sent by the Corporate Debtor to IDBI Bank, which explicitly referred to IDBI's settlement offer and stated, "As per your settlement offer, an amount of Rs.30,90,143.28 can be paid upto 31.03.2021. You are, therefore, requested to consider our request favourably and inform the settlement amount". The NCLAT found this to be a clear acknowledgment of the debt. Since these letters were sent before the expiry of the limitation period, they also provided a fresh period of limitation from their respective dates. Consequently, the NCLAT upheld the NCLT's order admitting Section 7 application.