Where term loans are repayable through continuing instalment schedules, limitation for Section 7 proceedings is not exhausted merely because some earliest instalments may have become time-barred, and each subsequent unpaid instalment constitutes a default under Section 3(12) of the IBC

The **Mumbai Bench of the National Company Law Tribunal (NCLT)** in the case of **Authum Investment & Infrastructure Limited vs RNA Lifestyle Pvt Ltd [RCP (IB)/31/MB/2024] dated May 15, 2026**, has held that for admission of a petition under Section 7 of the IBC, the Adjudicating Authority is required only to ascertain the existence of a financial debt and the occurrence of default, and once these are established, technical objections as to Form 1 particulars, insufficiency of stamping, absence of Information Utility record, or pendency of parallel proceedings against related obligors do not defeat maintainability.

The Tribunal further held that where term loans are repayable through continuing instalment schedules, limitation for Section 7 proceedings is not exhausted merely because some earliest instalments may have become time-barred; and each subsequent unpaid instalment constitutes a default under Section 3(12), and defaults occurring within three years prior to filing are sufficient to sustain the petition.

It was also held that multiple loan facilities granted by the same creditor to the same corporate debtor as part of a common financing relationship may be pursued in one consolidated Section 7 application, and simultaneous proceedings against co-borrowers, guarantors, or sister concerns do not bar such petition until the underlying debt is fully satisfied.

The Tribunal observed that the scope of inquiry under Section 7 is limited to examining whether there exists a financial debt and whether default has occurred. It further observed that at the admission stage the Adjudicating Authority is not required to examine broader disputes, the commercial viability of the Corporate Debtor, or its alleged solvency; nor can technical objections be permitted to defeat the statutory remedy once debt and default are established.

On limitation, the Tribunal rejected the Corporate Debtor's argument that limitation began almost immediately after disbursement. It observed that the facilities were structured term loans with defined repayment tenures and periodic instalment obligations extending well beyond the dates of disbursement. Since the petition was filed on May 29, 2019 and the repayment schedules continued till November 2019, July 2022, and March 2023 respectively, the debt was intended to be serviced during the contractual tenure.

The Tribunal also rejected the objection that the petition was incomplete for failure to state the date of default. It found that the petition and annexures clearly disclosed the dates of default for each loan facility and held that the requirement under Form 1 is to disclose sufficient particulars to establish default. It therefore treated the alleged defect, at best, as a minor procedural irregularity that could not frustrate insolvency proceedings once debt and default were otherwise shown.

On the issue of clubbing multiple loans in one petition, the Tribunal held that all three facilities arose out of a common financial relationship between the same parties and formed components of the same overall financing arrangement. Merely because there were separate sanction letters, separate loan agreements, or different dates of default did not require separate Section 7 proceedings. The Tribunal held that once a composite financial relationship and default are established, a consolidated petition is maintainable.

As regards parallel proceedings against sister concerns, the Tribunal held that such proceedings do not bar a Section 7 petition against the present Corporate Debtor so long as the debt remains unpaid. It observed that simultaneous recourse against different obligors in respect of the same debt is legally permissible, subject to the principle that the creditor cannot recover more than what is due.

The Tribunal further held that the objection relating to insufficient stamping of the loan agreements under the Maharashtra Stamp Act did not affect maintainability of a Section 7 petition. It observed that insolvency proceedings are summary in nature and that existence of debt and default could in any case be established from other material on record, including sanction letters, statements of account, loan documentation, and assignment agreements. Similarly, absence of an Information Utility record or Banker's Book certificate was not fatal because proof of default is not confined to those forms alone.