NATIONAL COMPANY LAW APPELLATE TRIBUNAL
PRINCIPAL BENCH, NEW DELHI

09.09.2026

Present: JUSTICE N. SESHASAYEE, MEMBER (JUDICIAL)
INDEVAR PANDEY, MEMBER (TECHNICAL)

Company Appeal (AT) (Insolvency) No. 1610 of 2025
&
I.A. No. 6317, 7394 of 2025

(Arising out of Order dated 19.08.2025 passed by the Adjudicating Authority (National Company Law Tribunal, Mumbai Bench) in C.P. (IB) No. 576 (MB) of 2025)

IN THE MATTER OF:

M/s. North Life Spaces LLP,
Unit No. 412, 4th Floor, Hubtown Solaris
N.S. Phadke Road, Saiwadi, Andheri (East),
Mumbai – 400 069. ...Appellant

Vs

Dalal Family Private Trust
Plot No. 33,
ABCD Govt. Industrial Estate,
Charkop, Kandivali (West),
Mumbai – 400 067. ...Respondent

Present:

For Appellant	:	Mr. Krishnendu Datta, Sr. Advocate with Ms. Priyanka Vora, Mr. Nishant Choutani and Mr. Yash Tandon, Advocates
For Respondent	:	Mr. Abhijeet Sinha, Sr. Advocate, Mr. Mahesh Agarwal, Mr. Rishi Agarwala, Mr. Ankur Saigal, Mr. Shivam Shukla, Mr. Shyam Kapadia, Mr. Kaustubh Singh, Ms. Urvi Gupta, Mr. Samant Sathiya and Ms. Heena Kochar, Advocates

<u>J U D G M E N T</u>
<u>(Hybrid Mode)</u>

<u>Per: Justice N. Seshasayee, Member (Judicial)</u>

The present appeal arises out of the order dated 19.08.2025 passed by the National Company Law Tribunal, Mumbai Bench in Company Petition (IB) No. 576 (MB) of 2025, whereby the Adjudicating Authority disposed of the application under Section 7 of the Insolvency and Bankruptcy Code, 2016 and directed release of the deposited amount to the Respondent without adjudicating the existence of financial debt, default and maintainability of the petition.

Facts

2. The material facts are:

a) the Appellant, M/s. North Life Spaces LLP, entered into a Facility Agreement dated 05.04.2021 with the Respondent. Eventually, the Respondent claimed that about ₹.4.15 crores was due from the appellant and demanded its payment. Alleging that the appellant has defaulted in repaying it, respondent laid C.P. (IB) No. 576/MB/2025 under Section 7 of the IBC, alleging that the appellant has defaulted in repaying a debt of Rs.4,15,19,943, inclusive of principal plus interest and tax penalty, while reserving its claim for default interest.

b) the Appellant contested the petition, questioning, *inter alia*, its maintainability, the authority of the person instituting the proceedings on behalf of the respondent, and the existence of very debt and default. It also filed an interlocutory application seeking production of documents regarding the same.

c) the Company Petition and the interlocutory application were heard and reserved for orders on 12.08.2025. During the hearing, the Respondent, on instructions, withdrew its claim towards tax penalty of Rs.26.80 lakh.

d) Be that as it may, after the petition was reserved for Orders, on 18.08.2025, the appellant deposited two demand drafts aggregating to Rs.3,49,55,172/- with the Registry towards the principal and interest claimed, after deduction of applicable TDS with a *praecipe* where in the appellant has stated that the amount was deposited without prejudice to the appellant's rights, remedies and contentions.

e) By the impugned order dated 19.08.2025, the Adjudicating Authority however, directed release of the demand drafts to the respondent, recorded payment of the principal and interest and withdrawal of the tax penalty and default interest claims, and closed the Company Petition. Liberty was granted to the respondent to pursue such other claims as may be legally maintainable. The interlocutory application was also disposed of.

f) the appellant now challenges the impugned order principally on the ground that its objections to the maintainability, debt and default were not adjudicated before the demand drafts were released and the Company Petition was closed. The appeal was filed on 02.10.2025.

g) thereafter, the respondent issued a Demand Notice dated 19.09.2025 claiming Rs.2,77,72,206/- towards interest, default interest and legal expenses. The Appellant disputes its entitlement to these amounts.

h) the present appeal therefore concerns, inter alia, the effect of the deposit made on 18.08.2025 after the matter had been reserved for orders and closure of the Company Petition without adjudication of the Appellant's objections, and the subsequent claim raised by the Respondent pursuant to the Demand Notice dated 19.09.2025.

Arguments

3. The learned Counsel for the Appellant argued:

a) the appellant had specifically disputed the maintainability of the company petition filed under Sec. 7 IBC and the authority of the person instituting it on behalf of the Trust, and the existence of debt and default. These objections were supported by an interlocutory application seeking relevant documents and were never adjudicated.

b) the Company Petition was heard and reserved for orders on 12.08.2025. Thereafter, on 18.08.2025, the Appellant deposited Rs.3,49,55,172/- through two demand drafts, after applicable TDS, expressly without prejudice to its rights, remedies and contentions. The deposit was not an admission of debt or default, and nor through the same closure of Sec.7 petition was authorised without determining the objections already raised by the appellant.

c) the Adjudicating Authority, by the impugned order dated 19.08.2025, released the demand drafts, treated the principal and interest as paid, recorded withdrawal of the tax penalty and default interest claims, and closed the Company Petition without adjudicating the Appellant's objections.

d) the subsequent Demand Notice dated 19.09.2025 raised a claim of Rs.2,77,72,206/- towards interest, default interest and legal expenses, substantially different in its components from the claim forming the basis of the Section 7 petition. The respondent cannot, under the liberty granted by the impugned order, revive or enlarge the insolvency claim through a subsequent computation. The alleged debt and each component thereof must have a contractual and legal foundation. The impugned order, having closed the Sec. 7 proceedings without determining the existence of debt, default and maintainability, despite appellant's specific objections, is unsustainable and liable to be set aside.

4. The learned Counsel for the Respondent contended:

a) after the Company Petition had been heard and reserved for orders on 12.08.2025, the appellant voluntarily offered to deposit the principal and interest claimed. It thereafter deposited Rs.3,49,55,172/- through two demand drafts.

b) the Adjudicating Authority merely acted upon the appellant's own statement and deposit, directed release of the demand drafts and closed the Company Petition. The impugned order was therefore not an order directing recovery from the appellant. The appellant therefore, cannot now contend that the deposit was without consequence or was merely intended to demonstrate solvency. Having voluntarily made the deposit, it cannot approbate and reprobate.

c) Petition under Sec. 7 was validly instituted by Mr. Abhay A. Shah, who was duly appointed as a trustee of the Respondent, and the objection to his authority is therefore untenable.

d) Turning to the merit of the appeal, appellant's denial of default in repaying the debt is contrary to its own acknowledgment of the outstanding principal and interest. Its subsequent plea of excess payment or absence of default is an afterthought. Turning to the claim of default interest by a subsequent demand notice, while the respondent withdrew its claim towards tax penalty it did not waive its claim for default interest, and indeed has expressly reserved its right to pursue the same in accordance with law.

e) Indeed, the Demand Notice dated 19.09.2025 does not alter the validity of the impugned order. The liberty granted therein merely preserves the respondent's right to pursue such other claims as may be legally maintainable.

f) the impugned order was passed within the jurisdiction of the Adjudicating Authority on the basis of the Appellant's own deposit and does not warrant interference.

Discussion & Decision

5. The core issue is whether the deposit made by the Appellant after the Company Petition had been reserved for orders could, by itself, justify closure of the Sec. 7 proceedings without adjudicating the objections raised by the Appellant regarding maintainability, debt and default.

6. The Company Petition was reserved for orders on 12.08.2025. Thereafter, on 18.08.2025, the appellant deposited two demand drafts aggregating to Rs.3,49,55,172/-, expressly without prejudice to its rights, remedies and contentions. The relevant portion of the *praecipe* reads:

> *"3. During the course of the said hearing, the Respondent without prejudice to its argument that the Petition is not maintainable offered to deposit the principal and interest amount in the Petition in order* ***to show that the Respondent is solvent.***
>
> *7. The aforesaid Demand Drafts are being deposited by the Respondent purely as a gesture of bona fide conduct and without prejudice to all rights, remedies and contentions available to the Respondent in law and on facts."*

7. The respondent contends that the deposit amounted to an admission of the debt and default. We are unable to accept this proposition. A deposit expressly made without prejudice cannot, by itself, be treated as an unconditional admission of a liability, particularly when the appellant had already raised specific objections to the maintainability of the proceedings.

At the best it only indicates that the appellant is solvent and not insolvent to initiate CIRP.

8. Indeed, the Adjudicating Authority has directed the release of the demand drafts and closure of the Company Petition etc., but the difficulty with this approach is that the objections raised by the Appellant are never adjudicated. The fact that an amount was deposited could be taken into account, but it does not substitute the determination required in a Sec. 7 proceeding, particularly where the existence of debt, default and maintainability had been specifically questioned. Here, the fact that the deposit was made after the matter had been reserved assumes significance.

9. The Adjudicating Authority necessarily has to consider the controversy already argued before it. The subsequent deposit did not, without more, extinguish the objections already on record. So far as the contention of the respondent on the plea of approbation and reprobation goes, it does not take the respondent any further. The appellant did make the deposit, but the deposit was expressly made without prejudice to its rights, remedies and contentions. The real question, therefore, is not the factum of deposit, but the legal consequence that can be attached to a deposit so made.

10.1 The subsequent Demand Notice dated 19.09.2025 further requires consideration. The respondent claimed Rs.2,77,72,206/- towards interest, default interest and legal expenses, whereas the Section 7 claim comprised principal of Rs.2,98,34,717/-, interest of Rs.90,04,363/- and tax penalty of Rs.26,80,863/-. The components of the subsequent claim are therefore materially different. Such subsequent computation cannot, by itself, establish a financial debt. Each component must have a contractual or statutory foundation and must otherwise be legally recoverable. The liberty granted under the impugned order to pursue other legally maintainable claims cannot amount to an adjudication of those claims.

10.2 On this aspect we have our own doubts. If Sec.7 IBC is not a recovery proceeding, it is difficult to hold how can the same debtor, be treated as an insolvent justifying the commencement of a CIRP one for part of the claim and the other for rest of the claim, where both the claims arise out of the same transaction.

11. We therefore find that closure of the company petition under Sec.7 of the Code without determining the very issues raised by the appellant cannot stand scrutiny in law. The appeal necessarily has to be allowed.

12. We clarify that nothing stated herein prevents the Respondent from pursuing any amount otherwise legally due to it. We express no opinion

on the merits of the subsequent claim. Our conclusion is confined to the legality of closing the Section 7 proceedings without adjudicating the Appellant's objections.

13. In the result, subject to what we have observed in paragraph 12 above, the appeal is allowed and the impugned order dated 19.08.2025 passed in C.P. (IB) No. 576/MB/2025 is set aside. The matter is remanded back to the Adjudicating Authority for fresh consideration of the petition under Sec.7 of the Code. The respondent is required to re-deposit the amount to the credit of the case before the Adjudicating Authority. No costs.

[Justice N. Seshasayee]
Member (Judicial)

[Indevar Pandey]
Member (Technical)

VG