

NATIONAL COMPANY LAW APPELLATE TRIBUNAL
PRINCIPAL BENCH, NEW DELHI

Company Appeal (AT) (Ins.) No. 124 of 2026

(Arising out of order dated 08.12.2025 passed by the National Company Law Tribunal, Delhi Bench-IV in CP (IB) No. 567/ND/2025)

IN THE MATTER OF:

Hannu Steels Private Limited

Through its Authorized Signatory
505, Second Floor, FIE,
Patparganj Industrial Area,
Delhi-110092

....Appellant

Versus

Rathi Powertech Global Private Limited

24/1A, Mohan Cooperative Industrial Estate,
Mathura Road, New Delhi-110044

....Respondent

Present:

For Appellant: Mr. Manan Batra, Mr. Abhishek Chhabra and Mr. Arun Bhattacharya, Advocates.

For Respondents: Mr. Karan Gandhi, Advocate.

J U D G M E N T

(06th July, 2026)

INDEVAR PANDEY, MEMBER (T)

The present Appeal arose out of the order dated 08.12.2025 passed by the Adjudicating Authority (National Company Law Tribunal, New Delhi Bench-IV), in **C.P.(IB) No.567/ND/2025**. M/s Hannu Steels Pvt.

Ltd., the **Appellant** herein is the Corporate Debtor, which is aggrieved by the impugned order dated 08.12.2025 passed by Adjudicating Authority in (C.P.(IB) No.567/ND/2025, whereby the Right to file reply of the Appellant in the said proceedings was closed.

2. Brief facts of the case necessary to decide this Appeal are as under:

(i) The **Appellant** and **Rathi Powertech Pvt. Ltd./Respondent and Operational Creditor** entered into a License User Agreement dated 01.03.2022, under which the Respondent, which is the owner of the trademark "POWERTECH" for manufacture and marketing of TMT Bars, granted the Appellant, a licence to use the said trademark for a monthly licence fee of Rs.23,00,000/- plus applicable GST. The tenure of the agreement was for one year.

(ii) Clause 20 of the Agreement entitled the Appellant to terminate the arrangement by giving three months' advance written notice in the event of breach, non-feasibility, non-viability or any other unforeseen reason, while continuing payment of royalty during the notice period.

(iii) Prior to expiry of the original term, the parties executed an Addendum dated 28.02.2023 extending the Agreement till 28.02.2025 and enhancing the monthly royalty/licence fee to Rs.30,00,000/- plus applicable GST. All other terms and conditions of the original Agreement remained unchanged.

(iv) On 03.06.2024, the Commission for Air Quality Management (CAQM), NCR and Adjoining Areas, directed closure of the Appellant's manufacturing unit under Section 12(2)(xi) of the Commission for Air Quality Management in National Capital Region and Adjoining Areas Act, 2021. Consequent to the closure order, the Appellant issued a termination notice dated 10.06.2024 invoking Clause 20 of the Agreement and intimating its intention to terminate the Agreement after expiry of the stipulated three-month notice period, i.e., with effect from 10.09.2024.

(v) The Respondent, however, alleged default in payment of royalty/licence fee for part of September, 2024 and for the period October, 2024 to February, 2025, and consequently filed an application under Section 9 of the Insolvency and Bankruptcy Code, 2016 (hereinafter referred to as **“Code”**) being CP (IB) No. 567/ND/2025 before the Adjudicating Authority claiming operational debt arising from unpaid licence fee.

(vi) The Company Petition was filed on 19.10.2025 and registered on 29.10.2025. On 31.10.2025, the Adjudicating Authority noted the non-filing of an affidavit under Section 63 of the Bharatiya Sakshya Adhiniyam, 2023 regarding service of demand notice under Section 8 of the Code and adjourned the matter. On 19.11.2025, a proxy counsel appeared on behalf of the Appellant and accepted notice. The Adjudicating Authority granted one week's

time to the Appellant to file its reply and listed the matter on 08.12.2025.

(vii) On 08.12.2025, the next date of hearing the Adjudicating Authority declined the request for adjournment made by the proxy counsel and closed the Appellant's right to file reply, as no reply was filed by the Appellant by that time.

(viii) Thereafter, the Appellant engaged new counsel who appeared before the Adjudicating Authority on 05.01.2026 and sought an opportunity to place the Appellant's defence on record. However, the Adjudicating Authority, noting that the right to file reply had already been closed and no written submissions had been filed, declined the request and reserved orders in the Company Petition.

(ix) Aggrieved by the impugned order dated 08.12.2025 closing its right to file reply and contending that such closure resulted in denial of a reasonable opportunity of hearing due to the negligence of its previous counsel, the Appellant has preferred the present Appeal.

Submissions of Appellant

3. Ld. Counsel for Appellant submits that the present Appeal has been filed with a delay of only seven (7) days beyond the prescribed period of limitation and the same falls well within the condonable period of fifteen (15) days contemplated under the proviso to Section 61(2) of the Code.

4. He submits that the Appellant was prevented by sufficient cause from filing the Appeal within the initial period of thirty days. The Appellant came to know of the impugned order dated 08.12.2025 only on 26.12.2025 while independently checking the website of the Adjudicating Authority after repeated attempts to contact its erstwhile counsel failed.

5. He further submits that the previous counsel neither informed the Appellant about the passing of the impugned order nor disclosed that the Appellant's right to file reply had already been closed by the Adjudicating Authority. The Appellant was under the bona fide impression that the matter was listed on 05.01.2026 and that its reply could still be filed.

6. Ld. Counsel submits that immediately upon acquiring knowledge of the impugned order, the Appellant engaged the present counsel. However, owing to the intervening winter vacations and the non-availability of the present counsel, who was travelling during that period, the Appeal could not be filed earlier. Appellant contended that the delay is neither deliberate nor intentional and no prejudice would be caused to the Respondent if the delay is condoned, whereas refusal to condone the delay would deprive the Appellant of its valuable statutory right of appeal.

7. Appellant placed Reliance on the judgment of the Hon'ble Supreme Court in ***Ramchandra Dallaram Choudhary v. Adani Infrastructure & Developers Pvt. Ltd., Civil Appeal No. 5106 of 2025***, wherein the Court held that the expression "sufficient cause" deserves liberal construction, particularly where the delay has occurred due to lapses on

the part of counsel and where adjudication on merits would advance the cause of justice.

8. Appellant further placed reliance on the decisions in ***Rafiq & Anr. v. Munshilal & Anr. (Civil Appeal No. 1415 of 1981)*** and ***Dwarika Prasad (Dead) through LRs v. Prithvi Raj Singh (SLP Civil No. 11259 of 2024)***, wherein the Hon'ble Supreme Court reiterated that a litigant ought not to suffer for the fault, negligence or default of his advocate and that disputes should ordinarily be decided on merits rather than on technicalities.

9. Regarding the main matter in the appeal about delay in filing the reply to Section 9 petition, Ld. Counsel submits that the Appellant had acted diligently throughout the proceedings. All relevant documents, instructions and material necessary for filing a reply to the Section 9 application had been supplied to the erstwhile counsel well in advance.

10. He submits that despite clear instructions from the Appellant, the previous counsel failed to file the reply within the time granted by the Adjudicating Authority and further failed to communicate the consequences arising from the order dated 08.12.2025. The Appellant cannot be penalised for acts and omissions attributable solely to its counsel, particularly when there is no allegation that the Appellant itself was negligent, careless or lacking in diligence. The principles of natural justice require that a party be afforded a reasonable opportunity to place its defence on record before any adverse order affecting its rights is passed. Ld. Counsel contends that closure of the right to file reply has

effectively deprived the Appellant of an opportunity to contest the Section 9 proceedings on merits and to place before the Adjudicating Authority material facts which go to the root of the alleged operational debt.

11. Ld. Counsel submits that the parties had entered into a License User Agreement dated 01.03.2022, subsequently extended by an Addendum dated 28.02.2023. Under Clause 20 of the Agreement, the Appellant possessed a contractual right to terminate the arrangement upon issuance of a three months' prior notice in writing. After closure of the Appellant's manufacturing unit pursuant to the order dated 03.06.2024 issued by the Commission for Air Quality Management (CAQM), the Appellant invoked Clause 20 and issued a termination notice dated 10.06.2024. He further submits that upon expiry of the three months' notice period on 10.09.2024 and payment of all amounts payable during such notice period, no further royalty or licence fee remained due and payable.

12. He submitted that the Respondent has failed to disclose the termination notice before the Adjudicating Authority and has raised its claim on the basis of alleged dues for a period subsequent to the effective termination of the Agreement.

13. It is further submitted that the Section 9 application is founded merely upon proforma invoices and not upon final tax invoices, thereby giving rise to serious disputes requiring adjudication. These issues constitute substantial and bona fide disputes which deserve

consideration by the Adjudicating Authority and cannot be shut out without permitting the Appellant to place its defence on record.

14. Ld. Counsel submits that no irreversible prejudice would be caused to the Respondent, if the Appellant is granted a final opportunity to file its reply subject to appropriate conditions. Conversely, refusal to restore the Appellant's right would result in serious civil consequences and may culminate in admission of a Section 9 application without consideration of the Appellant's defence.

15. Closing his submissions, Ld. Counsel submits that the impugned order dated 08.12.2025 deserves to be set aside and the Appellant be granted one effective opportunity to file its reply before the Adjudicating Authority within a time frame fixed by this Appellate Tribunal.

Submissions of Respondent

16. Ld. Counsel submits that the only issue arising for consideration in the present Appeal is whether the order dated 08.12.2025 passed by the Adjudicating Authority, whereby the Appellant's right to file reply in CP (IB) No. 567/ND/2025 was closed, suffers from any legal infirmity warranting interference by this Appellate Tribunal.

17. He submits that the present Appeal does not arise out of any adjudication on the merits of the claim of the Operational Creditor nor does it concern the maintainability of the Section 9 Application. Consequently, the various factual assertions and substantive defences sought to be raised by the Appellant relating to the alleged termination of

the License User Agreement, existence of disputes, liability to pay royalty, validity of invoices and other contractual issues are wholly extraneous to the controversy involved in the present Appeal.

18. It is submitted that such issues were never adjudicated by the Adjudicating Authority and cannot be permitted to be introduced for the first time in the present appellate proceedings. The scope of the Appeal cannot be enlarged beyond the challenge to the procedural order dated 08.12.2025.

19. Ld. Counsel submits that the Appellant was duly served with the Company Petition and had complete knowledge of the proceedings before the Adjudicating Authority. On 19.11.2025, the Appellant entered appearance through counsel, accepted notice and acknowledged receipt of the petition. The Adjudicating Authority, in the interest of justice, granted one week's time to file a reply.

20. Ld. Counsel submits that despite the specific judicial direction contained in the order dated 19.11.2025, no reply whatsoever was filed by the Appellant within the period granted by the Adjudicating Authority. On the next date of hearing, i.e., 08.12.2025, the Appellant again appeared through counsel and merely sought an adjournment without assigning any sufficient or cogent reason explaining non-compliance of the earlier order.

21. Respondent reiterated that neither any draft reply was placed on record nor any application seeking extension of time was filed. No

exceptional circumstances were disclosed before the Adjudicating Authority which could justify the Appellant's failure to comply with the order dated 19.11.2025. He submits that the Adjudicating Authority was therefore fully justified in exercising its discretion and closing the Appellant's right to file reply.

22. It is further submitted that even after the order dated 08.12.2025 was passed, the Appellant failed to take any legally recognized step for seeking recall or modification of the said order. The Adjudicating Authority had simultaneously directed both parties to file written submissions within one week. The Appellant admittedly failed to comply even with the said direction.

23. Ld. Counsel contends that if the Appellant was genuinely aggrieved by closure of its right to file reply, it ought to have filed a formal application seeking recall, modification or reconsideration of the order dated 08.12.2025. Instead, the Appellant merely sought an oral indulgence on 05.01.2026 without filing any application supported by affidavit or documentary material, such oral mention cannot substitute a properly instituted legal proceeding and the Adjudicating Authority rightly declined to entertain the same.

24. He submits that the entire case of the Appellant rests upon an attempt to shift the blame upon its erstwhile counsel. No documentary material has been placed on record to substantiate the allegation that the previous counsel failed to communicate the orders passed by the Adjudicating Authority or that repeated efforts were made to contact him.

No emails, letters, messages, call records, instructions, engagement documents or any contemporaneous correspondence have been produced by the Appellant in support of its allegations.

25. It is further submitted that the Appellant's own pleadings reveal that all documents required for preparation of the reply were already available with the Appellant and its counsel. The Appellant was therefore fully aware of the proceedings and cannot now plead ignorance of events occurring before the Adjudicating Authority. The explanation furnished by the Appellant is self-serving, unsupported by evidence and lacks bona fides.

26. He submits that even the present Appeal has not been filed within the prescribed period and an application seeking condonation of delay of seven days has been preferred. Condonation of delay under Section 61(2) of the Insolvency and Bankruptcy Code is not automatic and can be granted only upon proof of "sufficient cause".

27. Ld. Counsel submits that the Appellant has failed to establish any sufficient cause explaining either its conduct before the Adjudicating Authority or the delay in filing the present Appeal. The explanation regarding non-availability of counsel during winter vacations is vague and unsupported by any material particulars. It is further argued that the conduct of the Appellant must be assessed cumulatively. The repeated defaults before the Adjudicating Authority coupled with the delayed filing of the present Appeal demonstrate a consistent pattern of negligence and lack of diligence.

28. Ld. Counsel submits that the settled position of law is that a litigant cannot avoid the consequences of its own inaction merely by attributing fault to its advocate. Reliance is placed on the judgment of the Hon'ble Supreme Court in ***Salil Dutta v. T.M. & M.C. (P) Ltd., (1993) 2 SCC 185***, wherein it was held that an advocate acts as an agent of the litigant and that there is no absolute rule permitting a party to disown its advocate and seek relief. Reliance is also placed on the judgment of the Hon'ble Supreme Court in ***Rajneesh Kumar v. Ved Prakash, 2024 SCC OnLine SC 3380***, wherein it was observed that litigants have an independent obligation to remain vigilant regarding proceedings affecting their rights and cannot routinely seek condonation by alleging negligence on the part of counsel.

29. He further submits that the Appellant is a private limited company managed by commercial entities and cannot be equated with an illiterate or uninformed litigant. Such a commercial entity is expected to diligently monitor proceedings and ensure compliance with judicial directions. Reliance is further placed on the decision of the Delhi High Court in ***Moddus Media Private Ltd. v. Scone Exhibition Pvt. Ltd. 2017 SCC OnLine Del 8491***, wherein it was held that a litigant cannot go into deep slumber after engaging a lawyer and subsequently seek to shift the entire blame upon the advocate.

30. Ld. Counsel also relies upon the decision of this Appellate Tribunal in ***R Mall Developers Pvt. Ltd. v. Lemon Chilli Veg Gourmet Foods LLP, Company Appeal (AT) (Insolvency) No. 527 & 528 of 2025***,

wherein it was held that a litigant cannot create a smoke-screen by attributing all defaults to counsel and must demonstrate its own diligence in pursuing the proceedings.

31. Ld. Counsel submits that the impugned order is a procedural order passed in exercise of judicial discretion after the Appellant repeatedly failed to comply with directions issued by the Adjudicating Authority. No perversity, illegality, jurisdictional error or violation of principles of natural justice is demonstrated in the impugned order. On the contrary, the record establishes that adequate opportunity was granted to the Appellant and that the consequences ultimately visited upon it were a direct result of its own failure to act diligently.

32. Ld. Counsel further submits that permitting restoration of the right to file reply in such circumstances would encourage non-compliance and frustrate the objective of expeditious adjudication under the Insolvency and Bankruptcy Code, 2016.

33. Ld. Counsel placed reliance on the decision of this Appellate Tribunal in **SCB Steels Pvt. Ltd. vs --- Company Appeal (AT) (Insolvency) No.1210 of 2025**, wherein interference was declined where the consequences complained of arose due to the party's own deliberate negligence and non-compliance with judicial directions.

Analysis and Findings

34. We have heard Ld. Counsels appearing for the Appellant and Learned Counsel appearing for the Respondent and have carefully perused the material available on record.

35. We first take up the prayer seeking condonation of delay. The impugned order was passed on 08.12.2025. The present Appeal has been filed beyond the prescribed period of thirty days by a delay of seven days. The delay admittedly falls within the outer limit of fifteen days contemplated under the proviso to Section 61(2) of the Code.

36. The Appellant has explained that the impugned order was never communicated by its erstwhile counsel. According to the Appellant, despite repeated attempts to contact the counsel, no information regarding the proceedings was furnished. It is the case of the Appellant that it became aware of the impugned order, only on 26.12.2025 after independently verifying the status of the matter from the website of the Adjudicating Authority. Immediately thereafter, steps were taken to engage present counsel and initiate appellate proceedings.

37. The Respondent has opposed the application on the ground that the explanation is vague and unsupported by documentary evidence and that the Appellant has demonstrated a pattern of negligence both before the Adjudicating Authority and before this Appellate Tribunal.

38. The expression "sufficient cause" occurring in limitation statutes has repeatedly received liberal interpretation from the Hon'ble Supreme

Court where refusal to condone delay would result in denial of adjudication on merits. The Hon'ble Supreme Court In **Ramchandra Dallaram Choudhary v. Adani Infrastructure & Developers Pvt. Ltd., Civil Appeal No.5106 of 2025**, reiterated that the expression "sufficient cause" should receive a justice-oriented interpretation and courts must examine whether refusal to condone delay would defeat substantial justice, particularly where the delay is attributable to lapses on the part of legal representatives and not deliberate conduct of the litigant.

39. Having regard to the explanation furnished by the Appellant and considering that the delay is only of seven days and falls within the condonable period prescribed by statute, we are satisfied that sufficient cause has been shown. Accordingly, the delay of seven days in filing the Appeal deserves to be condoned and is hereby condoned.

40. We now take up the matter under consideration in the present Appeal, which arises from an interlocutory procedural order, whereby the Adjudicating Authority closed the Appellant's right to file reply in the pending proceedings Section 9 of Code.

41. The record indicates that notice was accepted on behalf of the Appellant on 19.11.2025. One week's time was granted to file a Reply. It is also not disputed that no Reply came to be filed before the next date of hearing i.e. 08.12.2025. The Adjudicating Authority, finding that the Reply had not been filed despite opportunity, closed the right of the Appellant to file Reply.

42. It is well settled that regulation of proceedings and case management ordinarily fall within the procedural discretion of the Adjudicating Authority and such discretion should not be lightly interfered with by an appellate forum. However, the exercise of such discretion must always remain consistent with the principles of natural justice and the requirement of affording parties a fair and meaningful opportunity to present their case.

43. We are in agreement with the Respondent that the merits of the underlying contractual disputes are not required to be adjudicated in the present Appeal. Nevertheless, while examining whether denial of opportunity has caused prejudice warranting appellate interference, it becomes necessary to ascertain whether the defence sought to be raised is *prima facie* substantial and deserving of consideration, without expressing any opinion on its ultimate merits.

44. Insolvency proceedings under the Code carry serious civil consequences upon admission of an application under Section 9, including commencement of the corporate insolvency resolution process, declaration of moratorium and displacement of the management of the Corporate Debtor. It is therefore imperative that a party is not denied an effective opportunity to place its defence before such consequences ensue.

45. The Appellant has consistently maintained that all documents and necessary instructions had been supplied to its erstwhile counsel and that the failure to file the reply was solely attributable to the negligence of the counsel. The Respondent, on the other hand, contends that these

allegations are unsupported by documentary evidence and do not constitute sufficient cause.

46. While the Respondent is correct in contending that mere allegations against counsel cannot, by themselves, justify restoration of procedural rights, the issue cannot be decided solely on that basis. Courts are required to balance two equally important considerations; first, the judicial proceedings must be conducted with diligence and discipline, and secondly, that substantive justice should not be defeated merely on account of procedural lapses where no irreparable prejudice is caused to the opposite party.

47. In ***Rafiq & Anr. v. Munshilal & Anr., (1981) 2 SCC 788***, the Hon'ble Supreme Court observed that a litigant who has done everything expected of him should not be penalized for the default of his advocate. The Court famously observed that the judicial system should not permit a party to suffer merely because of the mistake of his counsel. The same principle was reiterated recently in ***Dwarika Prasad (Dead) through LRs v. Prithvi Raj Singh, SLP (Civil) No. 11259 of 2024***, wherein the Hon'ble Supreme Court emphasized that adjudication on merits should ordinarily prevail over technicalities and procedural defaults, unless mala fides or deliberate negligence are established.

48. The Respondent has relied upon the judgment of Hon'ble Supreme Court in ***Salil Dutta v. T.M. & M.C. (P) Ltd., (1993) 2 SCC 185***. In this case, the Hon'ble Supreme Court held that there is no absolute proposition that every mistake of counsel must necessarily result in relief

being granted to the litigant. The Court observed that an advocate acts as an agent of the party and, therefore, in appropriate circumstances, the acts of the advocate may bind the litigant. However, the said judgment does not lay down an inflexible rule that relief can never be granted where counsel is negligent. On the contrary, the decision recognizes that each case must be examined on its own facts and that courts retain discretion to prevent injustice.

49. The Respondent has also relied upon the judgment of Hon'ble Supreme Court in ***Rajneesh Kumar v. Ved Prakash, 2024 SCC OnLine SC 3380***. The said decision reiterates the principle that litigants have an obligation to remain vigilant and cannot entirely absolve themselves of responsibility by blaming their advocates. We agree with the said proposition. However, vigilance expected from a litigant cannot be elevated into a standard of continuous supervision of every procedural step taken by counsel. The doctrine of diligence cannot be stretched to such an extent that substantive rights are defeated despite the existence of bona fide explanations.

50. Lastly, the Respondent has relied upon the judgment of the Delhi High Court in ***Moddus Media Private Ltd. v. Scone Exhibition Pvt. Ltd., 2017 SCC OnLine Del 8491***. In the said case, the Court observed that a litigant cannot engage a lawyer and thereafter completely abandon responsibility for the litigation. The proposition is unexceptionable. However, the present case concerns a single procedural default resulting in closure of the right to file reply in insolvency proceedings carries

serious consequences, which may include initiation of CIRP Proceedings against the appellant.

51. We further note that the Appellant has not remained absent from the proceedings altogether. Appearance had been entered before the Adjudicating Authority. Subsequently, a new counsel also appeared before the Adjudicating Authority on 05.01.2026 seeking an opportunity to place the defence on record. These circumstances indicate that the Appellant was interested in contesting the proceedings and had not abandoned the litigation.

52. The Respondent's reliance upon the decision of this Appellate Tribunal in ***R Mall Developers Pvt. Ltd. v. Lemon Chilli Veg Gourmet Foods LLP, Company Appeal (AT) (Insolvency) Nos.527 & 528 of 2025***. The said judgment emphasizes that a litigant cannot create a smoke-screen by merely blaming counsel and must demonstrate its own diligence. On the contrary, we note that appellant has been very prompt in follow-up action whenever any delay on the part of his counsel has come to his notice. The appellant himself checked the status of the case from the NCLT portal and took follow-up action. Therefore, the reliance on the aforesaid case by the respondent does not support his case.

53. The Respondent has lastly relied upon the decision of this Appellate Tribunal in ***SCB Steels Pvt. Ltd. vs --- Company Appeal (AT) (Insolvency) No.1210 of 2025***. The said decision turned upon facts where the Tribunal found deliberate negligence and repeated non-compliance attributable to the party itself. The facts of the present case

do not disclose any such conduct. We are therefore unable to hold that the ratio of the said decision operates as a bar to grant of relief in the present matter.

54. The defence sought to be raised by the Appellant cannot, at least prima facie, be characterised as sham or frivolous. The Appellant asserts that the License User Agreement stood validly terminated in accordance with its contractual terms and that no royalty remained payable thereafter, apart from raising disputes regarding the invoices forming the basis of the Operational Creditor's claim.

55. We clarify that we express no opinion whatsoever on the merits of these contentions. Their correctness shall be examined independently by the Adjudicating Authority. However, the very existence of such a defence reinforces the necessity of affording the Corporate Debtor an opportunity to place its reply on record before the matter is finally adjudicated.

56. Any inconvenience occasioned by the delay can be adequately compensated by costs. On the contrary, if the impugned order is allowed to stand, the Section 9 application may proceed to adjudication without consideration of the defence sought to be raised by the Corporate Debtor. Such a course would not advance the cause of justice.

57. The objective of the Code is undoubtedly expeditious resolution. However, such expeditious resolution cannot be at the cost of fairness and natural justice. Speed of adjudication and observance of natural justice are complementary and not conflicting objectives. The principles

of natural justice require that before serious civil consequences ensue, a party should ordinarily be afforded a meaningful opportunity to present its defence as the doctrine of *audi alteram partem* remains embedded in insolvency jurisprudence.

58. It is a settled principle that procedural laws are intended to facilitate adjudication and not to obstruct it. The Supreme Court has consistently held that unless gross negligence, mala fides or abuse of process are established, courts should ordinarily lean in favour of adjudication on merits. Applying the aforesaid principles to the facts of the present case, we are of the considered opinion that the interests of justice require that the Appellant be afforded one final opportunity to place its Reply on record.

59. We are also of the view that no irreversible prejudice would be caused to the Operational Creditor, if one final opportunity is granted to the Corporate Debtor to place its reply on record.

60. We are, accordingly, of the view that the order dated 08.12.2025 closing the right of the Appellant to file Reply cannot be sustained and deserves to be set aside.

61. The Appellant is entitled to one final opportunity to file its Reply before the Adjudicating Authority subject to appropriate conditions and within a time-bound schedule so that the objective of expeditious insolvency adjudication is not defeated. The Adjudicating Authority shall thereafter consider the matter on merits and in accordance with law

without being influenced by any observations contained in this Judgment. We clarify that all rights and contentions of the parties on merits remain open for adjudication before the Adjudicating Authority.

62. Accordingly, the Appeal is allowed. Pending IA's, if any, are closed. Parties to bear their own costs.

[Justice N. Seshasayee]
Member (Judicial)

[Indevar Pandey]
Member (Technical)

Place: New Delhi

Harleen