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Default Is Default—Even on a Half-Disbursed Loan: NCLAT Clears Axis Bank's CIRP Trigger

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On 6 October 2025, the National Company Law Appellate Tribunal's (NCLAT) Principal Bench, New Delhi, delivered a terse but telling reminder that the Corporate Insolvency Resolution Process (CIRP) under the Insolvency & Bankruptcy Code, 2016 is triggered by default, not the degree of disbursement or the robustness of security. In Company Appeal (AT)(Ins) No. 1216 of 2023, Justice Ashok Bhushan (Chairperson) and Mr. Arun Baroka (Technical Member) dismissed the challenge mounted by Mr. Ammeet Kamal Agarwal, suspended director of Supreme Transport Organisation Private Limited, against the admission order dated 8 September 2023 passed by the National Company Law Tribunal (NCLT), Delhi. The ruling not only affirms Axis Bank Limited's right to push the transport company into CIRP but also clarifies, once again, that arguments centred on partial disbursement, unregistered equitable mortgages, or a supposedly comfortable net-worth are non-starters once a financial creditor establishes default exceeding the one-crore rupee statutory floor.

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Background of the Dispute

Axis Bank had sanctioned a term loan of ?24.90 crore to Supreme Transport in 2016-17. By 31 March 2017, the company had drawn only ?12.50 crore; the facility was later revised downward and no further monies were released. On 29 March 2017, the company handed over title-deeds of one of its properties to the bank, evidently to create an equitable mortgage. When repayments dried up, the bank recalled the loan and, on 31 August 2022, calculated the outstanding at ?16,95,95,909. Invoking Section 7 of the IBC, Axis Bank asked the NCLT to admit the corporate-debtor to insolvency resolution. The company opposed, contending that the bank's own failure to disburse the full sanctioned amount had caused the liquidity crunch, that the original title-deeds were no longer traceable with the bank, and that its assets were worth over ?100 crore far above the claimed dues. To stave off insolvency, the directors also floated a one-time settlement (OTS) and, later, a formal Section 12A withdrawal proposal; neither was accepted by the bank.

The NCLT heard both sides and, by its order dated 8 September 2023, admitted the Section 7 application, recording that debt and default were undisputed. Aggrieved, Ammeet Kamal Agarwal, the suspended director rushed to the NCLAT. On 15 September 2023, the appellate tribunal directed the appellant to deposit ?10,49,26,262 as a pre-condition to keep the appeal alive. The amount was never deposited. After a series of interim hearings and an eventual vacation of the stay on 25 July 2025, the appeal finally came up for final disposal in October 2025.

Rival Contentions before the Appellate Bench

Counsel for the appellant argued that the bank's decision to withhold the balance sanction had itself precipitated the default; that an unregistered equitable mortgage, coupled with the subsequent admission that title-deeds were missing, rendered the security illusory; and that the company's net-worth comfortably exceeded the claim, making insolvency both oppressive and unnecessary. He reiterated the directors' readiness to offer a higher amount under Section 12A and complained that the resolution professional had sold certain vehicles after the moratorium, causing irreparable prejudice.

Axis Bank countered that disbursement and sanction are distinct phases; the borrower had chosen to avail only ?12.5 crore and the facility was later scaled down. The bank emphasised that the company's own OTS letters constituted an admission of liability, that the absence of a registered mortgage does not extinguish a debt, and that net-worth is statutorily irrelevant once default above the threshold is demonstrated. The respondent-resolution professional aligned himself with the bank and added that any grievance about post-moratorium asset sales could be pursued separately before the adjudicating authority.

NCLAT's Reasoning

The bench held that a borrower cannot plead under-disbursement as a shield when it has actually received and utilised the funds without repayment. The non-availability of original title-deeds, while it may affect the enforceability of the mortgage, does not

erase the underlying debt. The tribunal expressly declined to render a final opinion on the validity of the mortgage, leaving the issue for the resolution professional or liquidator to examine. It reminded the appellant that the IBC's one-crore threshold is a binary gate: once default is proved, the numerical value of assets becomes irrelevant. The very submission of successive OTS and Section 12A proposals, the court observed, constituted an acknowledgement of default; the rejection of those proposals by the committee of creditors could not be branded perverse in a Section 7 appeal. As for the sale of vehicles after moratorium, the bench ruled that such grievances lay outside the scope of the present appeal and could be agitated before the NCLT in separate proceedings.

Final Order

The appeal was dismissed, the impugned admission order was upheld. The tribunal, however, clarified that the corporate-debtor remains free to place any improved Section 12A proposal before the committee of creditors for consideration in accordance with law. No costs were awarded.

Concluding Perspective

The judgment is yet another mile-marker in the IBC's short but eventful journey, reiterating that the statute's trigger is default, not grievance. By refusing to let partial disbursement, missing documents, or asset wealth muddy the waters, the NCLAT has reinforced the legislative design: once a financial creditor demonstrates an unpaid debt above the statutory floor, the corporate insolvency resolution process must kick in, leaving commercial negotiations, mortgage enforceability and valuation disputes to be thrashed out within that framework. For lenders, the ruling is a shot in the arm; for defaulting promoters, it is a sober reminder that acknowledgement of debt, followed by failed settlement bids, is unlikely to find sympathetic judicial intervention at the admission stage.

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