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Admission of Claim by Resolution Professional Does Not Constitute Acknowledgment Under Limitation Act: Supreme Court Quashes NCLAT Order in Shankar Khandelwal v. Omkara Asset Reconstruction Pvt. Ltd.

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The Supreme Court of India, in its judgment dated April 29, 2026, in Shankar Khandelwal v. Omkara Asset Reconstruction Pvt. Ltd. & Anr. [(2026) INSC 429], delivered a significant ruling on the interplay between the Insolvency and Bankruptcy Code, 2016 and the Limitation Act, 1963, specifically addressing whether the admission of a claim by an Interim Resolution Professional constitutes an acknowledgment of liability under Section 18 of the Limitation Act. The appeals, filed under Section 62 of the Code, were directed against the judgment dated October 15, 2025, passed by the National Company Law Appellate Tribunal, whereby the order dated January 22, 2025, of the National Company Law Tribunal admitting two separate petitions under Section 7 of the Code and initiating Corporate Insolvency Resolution Process, was affirmed. The Bench comprising Justice Pamidighantam Sri Narasimha and Justice Alok Aradhe allowed the appeals, quashed the impugned orders, and held that the Section 7 petitions were barred by limitation.

The appellant, Shankar Khandelwal, was the erstwhile Director of two corporate debtors, namely Shrinathji Business Ventures Private Limited and Samaria Business Ventures Private Limited. Two separate loan facilities were sanctioned by Dewan Housing Finance Corporation Ltd. in September 2014 for sums of Rs. 12 crores and Rs. 11 crores respectively, out of which Rs. 11.50 crores and Rs. 11 crores were actually disbursed to the respective corporate debtors. The corporate debtors defaulted in repayment of the loan amounts, and consequently, on December 6, 2016, DHFL classified their accounts as Non-Performing Assets. Thereafter, DHFL itself became subject to insolvency proceedings initiated by the Reserve Bank of India, and on June 7, 2021, the National Company Law Tribunal, Mumbai, approved a resolution plan submitted by Piramal Capital & Housing Finance Ltd. On January 10, 2023, PCHFL assigned the subject loans to Omkara Asset Reconstruction Pvt. Ltd., which thereby became the secured financial creditor in the subsequent proceedings.

Following the termination of the earlier Corporate Insolvency Resolution Process, the secured financial creditor filed an application under Section 7 of the Code on September 23, 2024, against the corporate debtors. By order dated January 22, 2025, the NCLT held that the application was within the prescribed period of limitation and admitted the petitions, thereby initiating CIRP against both corporate debtors. The appellant challenged the aforesaid order by way of appeal before the NCLAT. By the impugned judgment dated October 15, 2025, the Appellate Tribunal held, inter alia, that the admission of the claim by the Resolution Professional in the first CIRP against the corporate debtor on May 2, 2022, constituted a valid acknowledgment of debt, and its subsequent updating on January 21, 2024, constituted a second acknowledgment. The NCLAT further held that if limitation is computed from either of these dates, the debt would not be time-barred. Accordingly, the NCLAT concluded that the petition under Section 7 was within limitation and affirmed the order of the NCLT. It is against this factual and legal backdrop that the present appeals arose for determination before the Supreme Court.

The learned senior counsel for the appellant submitted that the date of default of the corporate debtor was December 6, 2016, and the three-year period of limitation would have expired on December 6, 2019. It was contended that although the period of limitation remained suspended from December 3, 2019, to April 29, 2024, in view of the mandate contained in Section 60(6) of the Code, the period of limitation expired three days after April 29, 2024, whereas the petition under Section 7 was filed on September 23, 2024, and was thus barred by limitation. It was further contended that the admission of debt by an Interim Resolution Professional cannot be equated with an acknowledgment of liability under Section 18 of the Limitation Act, 1963. The admission of claims, it was urged, is merely an administrative function of the IRP under Section 18 of the Code, and does not constitute an acknowledgment under Section 18 of the 1963 Act. In support of these submissions, reliance was placed on several decisions of the Supreme Court including Babulal Vardharji Gurjar v. Veer Gurjar, Prabhakaran v. M. Azhagiri Pillai, Tilak Ram v. Nathu, Valliamma Champaka Pillai v. Sivathanu Pillai, Committee of Creditors of Essar Steel v. Satish Kumar Gupta, Ajay Kumar Radheyshyam Goenka v. Tourism Finance Corporation of India, China Development Bank v. Doha Bank, Kotak Mahindra Bank v. Kew Precision Parts, Laxmi Pat Surana v. Union Bank of India, and Reliance Asset Reconstruction v. Hotel Poonja International.

The learned senior counsel for the respondent, on the other hand, submitted that the period of limitation would commence from December 6, 2017, that is, upon expiry of the period prescribed under Section 13(2) read with Section 13(4) of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. It was further submitted that in view of the order passed by the Supreme Court in Cognizance For Extension of Limitation, In Re, the period from March 15, 2020, to February 28, 2022, is excluded from computation of limitation. It was pointed out that during the pendency of the first CIRP, on May 2, 2022, the IRP acknowledged the debt, and therefore the petition under Section 7 was within limitation. Reliance was placed on several decisions in support of these contentions.

The Supreme Court framed three issues for consideration. The first issue was whether the period of limitation for filing the petition under Section 7 has to be reckoned from December 6, 2016, or December 6, 2017. The second issue was whether the petition under Section 7 is within limitation. The third issue was whether an admission of debt by an IRP amounts to acknowledgment of liability under Section 18 of the Limitation Act, 1963.

On the first issue, the Court held that it is well-settled in law that the limitation for filing an application under Section 7 of the Code is three years and is governed by Article 137 of the Limitation Act, 1963. The accrual of such right has been consistently interpreted by the Court to arise on the date of the default, that is, when the corporate debtor first fails to discharge its repayment obligations. The limitation begins to run from the date of classification of the account as NPA, being the date of default, and not from any subsequent proceeding initiated for recovery. In the instant case, it was not in dispute that the accounts of the corporate debtors were declared NPA on December 6, 2016. Therefore, the right to file a petition under Section 7 accrued on December 6, 2016, and the first issue was answered accordingly.

On the second issue, the Court analysed the chronology of intervening events. The period of limitation for filing the petition under Section 7 commenced from December 6, 2016, and would have expired on December 6, 2019. However, three events intervened before the filing of the petition. First, the commencement of CIRP of DHFL from December 3, 2019, to June 7, 2021, which extended beyond the expiry of the three-year period. Second, the Suo Motu order of the Supreme Court due to the COVID-19 pandemic directed exclusion of the limitation period from March 15, 2020, till February 28, 2022, which was further extended by another ninety days. Third, before the expiry of the COVID-19 extension, CIRP against the appellant itself commenced on December 23, 2021, and continued till July 29, 2024. After reckoning three years from December 6, 2016, and excluding the above-referred periods, only three days remained from July 29, 2024, which would expire on August 1, 2024. However, the petition under Section 7 was filed on September 23, 2024, which was well beyond the period of limitation. Accordingly, the second issue was answered against the respondent.

On the third issue, the Court observed that the scope and ambit of Section 18 of the 1963 Act are well-settled. For a writing to constitute a valid acknowledgment, it must be made by the party against whom the right is claimed, or by a person duly authorized on its behalf. It must be made before the expiration of the prescribed period of limitation. Most importantly, it must evince a conscious and unequivocal intention to admit a subsisting jural relationship and an existing liability. A mere reference to a past transaction or a bald recital of debt, without an intention to admit liability, would not suffice. The Court noted that the provisions of the Code and the Regulations were considered in Swiss Ribbons v. Union of India and Ajay Kumar Radheyshyam Goenka, wherein it was held that the Resolution Professional has no adjudicatory powers and his role involves collation of claims. The RP performs administrative duties under Section 18 of the Code. The admission of a claim by the RP is merely an administrative or clerical task performed as part of its statutory duties, and therefore admission of claim by the RP only means induction or entry of a claim. An admission of a claim by the RP is akin to mere recital or reference of debt, which does not amount to an acknowledgment under Section 18 of the 1963 Act. The Court further held that it is a well-settled legal proposition that an acknowledgment under Section 18 can only extend or renew a limitation period which has not already expired. Therefore, a limitation period can be extended only by an acknowledgment which is made within the period of limitation. In any case, the admission of claim of the secured financial creditor by the IRP on May 2, 2022, does not enure to the benefit of the secured financial creditor as the same was not made within the period of limitation. Accordingly, the third issue was also answered in favour of the appellant.

In conclusion, the Supreme Court allowed the appeals, quashed and set aside the impugned judgment of the NCLAT dated October 15, 2025, and the order of the NCLT dated January 22, 2025, and held that the petitions under Section 7 of the Code were barred by limitation. The Court made no order as to costs. This judgment clarifies the definitive legal position that the admission of a claim by an Interim Resolution Professional or Resolution Professional during the Corporate Insolvency Resolution Process does not constitute an acknowledgment of liability under Section 18 of the Limitation Act, 1963, and that the limitation for filing Section 7 petitions commences from the date of default or NPA classification, not from the expiry of the notice period under the SARFAESI Act. The ruling reinforces the principle of strict adherence to limitation periods and safeguards the corporate debtor from belated insolvency proceedings initiated after the expiry of the prescribed period, thereby maintaining the delicate balance between creditor rights and debtor protection within the insolvency framework.

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