
(2026) 06 NCLAT CK 0788

In the National Company Law Appellate Tribunal, Pricipal Bench, New Delhi

Case No : Company Appeal (AT) (Insolvency) No. 687 of 2026 & I.A. No. 2680, 2681 of 2026

Jagmal

APPELLANT

Vs

Mangal Sales Corporation & Anr.

RESPONDENT

Date of Decision : 30-06-2026

Acts Referred:

IBC — Section 9

Citation : (2026) 06 NCLAT CK 0788

Hon'ble Judges : Justice N Seshasayee, Member (Judicial);Indevar Pandey, Member (Technical)

Bench : Division Bench

Advocate : For Appellant : Mr. Akhil Shankhwar and Mr. Vardan Mittal, Advocate. For Respondents : Mr. Raunak Sathpathy, Advocate. Mr. Pradeep Gaur, Advocate for IRP.

Final Decision : Allowed

Judgement

Per Justice N. Seshasayee, Member (Judicial)

1. This appeal has been filed by the suspended director of the Corporate Debtor (CD), challenging the order admitting the CD into CIRP under Sec. 9 of the IBC in CP (IB) No. 429 of 2024, filed by the first respondent herein.

2. The facts fall within a very narrow compass and are as follows:

a) The first respondent/Operational Creditor (OC) has laid a petition under Sec. 9 alleging that appellant has defaulted in payment of an operational debt of Rs. 1,69,48,652.14/-.

b) The CD entered appearance and the matter was heard by the Adjudicating Authority. On 15.12.2025, the Adjudicating Authority reserved the petition under Sec. 9 for orders.

c) While matters stood thus, on 23.03.2026 the appellant and the first respondent settled their disputes and entered into a Settlement Deed. Based on the same, the appellant and the first respondent agreed that the former would pay the latter a sum that they had mutually agreed towards full settlement of the latter's claim. This amount was to be paid in three tranches. This document of settlement also provided for the withdrawal of CP (IB) No. 429 of 2024 which the first respondent had instituted immediately the appellant making payments as stipulated in the said document.

d) On 23.03.2026, the last instalment required to be paid was duly paid. On 26.03.2026, an application was taken out by the respondent No. 1, the Operational Creditor (OC) for withdrawal of the CP (IB) No. 429 of 2024. However, some defects were notified by the Registry and on 09.04.2026, this application was refiled by the first respondent.

3. On 09.04.2026, the Adjudicating Authority pronounced the Order admitting the CD into CIRP. It is in these circumstances the present appeal has been preferred challenging the aforesaid order. Learned counsel for the appellant submitted that it was the sheer misfortune of the CD that it was drawn into CIRP even though the entire claim of the first respondent had been paid in terms of the settlement deed even before the CD was admitted to CIRP. Indeed, even an application was promptly filed on 26.03.2026, but because some defects were notified, the same could not be brought on record before the final order was passed. Indeed, according to both the parties herein, before the pronouncement of order on 09.04.2026, this aspect was brought to the notice of the learned Adjudicating Authority but the same was not considered.

4. Appearing for the first respondent Shri. Raunak Satpathy, the learned counsel for the operational creditor, endorsed every statement of the counsel for the appellant. He submitted that the entire amount had been received even before the order under Sec. 9 was pronounced and, hence, on 26.03.2026, the first respondent had even taken out an application.

5. We have carefully perused the records, including documents of settlement dated 23.03.2026. The e-filing portal of NCLT shows that the application for withdrawal of Sec. 9 petition was filed on 26.03.2026 by the very Operational Creditor who had earlier filed the petition under Sec. 9 of the IBC. Given the circumstances, it would have been appropriate if the learned Adjudicating Authority had deferred pronouncement of the final order and expedited the scrutiny process of the application which the appellant had filed for withdrawal of CP (IB) No. 429 of 2024.

6. Inasmuch as the entire amount has been paid even before the pronouncement of final order, necessarily the CP (IB) No. 429 of 2024 should have been allowed to be withdrawn. Since CIRP came to be admitted overlooking the aspect of complete settlement of the dues of the respondent No. 1, it is appropriate that the order of the Adjudicating Authority be set aside and the CIRP is permitted to

be withdrawn.

7. Accordingly, this appeal is allowed and the impugned Order dated 09.04.2026 passed by the Adjudicating Authority is set aside, and the CIRP wrongly initiated against the corporate debtor is directed to be withdrawn. No costs.

8. All Pending IAs also stand disposed of.