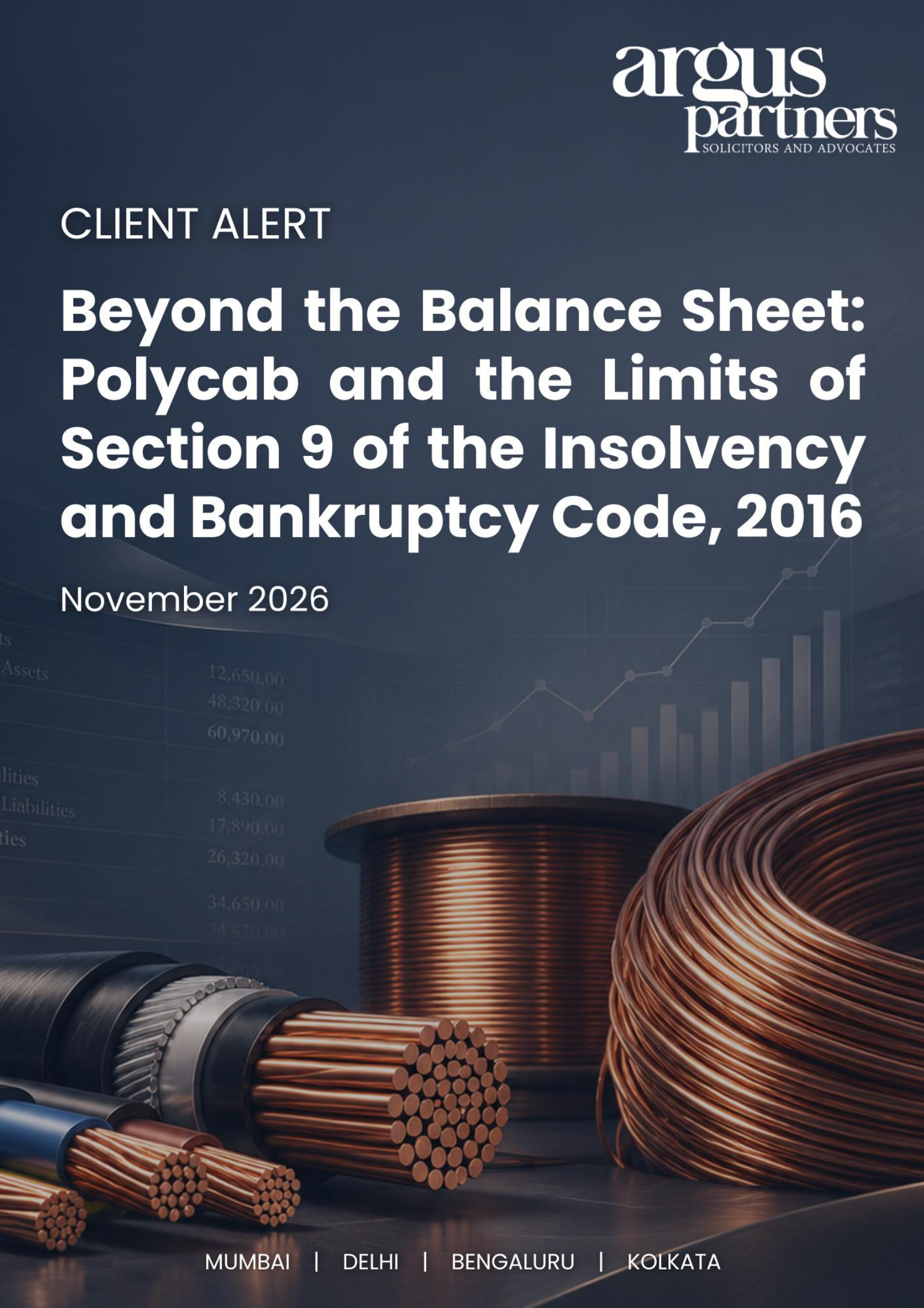
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CLIENT ALERT

Beyond the Balance Sheet: Polycab and the Limits of Section 9 of the Insolvency and Bankruptcy Code, 2016

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Introduction

The decision of the National Company Law Appellate Tribunal (NCLAT) in *Bharat Ajay Jaisinghani* v. *Asier Metals Private Limited*[1], dated October 30, 2026, has significance beyond the dispute between a supplier and one of India's largest listed manufacturers. On October 7, 2026, the NCLT, Ahmedabad, had admitted an application under Section 9 of the Insolvency and Bankruptcy Code, 2016 (IBC), arising from alleged operational dues of approximately Rs. 2.78 crore. Polycab India Limited had reported net cash of approximately Rs. 4,194 crore as at March 31, 2026. The contrast understandably raised questions about the use of insolvency proceedings to recover relatively small trade debts from financially strong companies.[2]

The NCLAT set aside the admission order not because Polycab was solvent, but because contemporaneous correspondence demonstrated a genuine pre-existing dispute about credit notes, detention and demurrage charges, adjustments and reconciliation of accounts.[3]

The distinction matters for both sides of a commercial relationship. A small vendor should not lose an effective statutory remedy merely because its customer is financially sound. Equally, the serious consequences of commencing corporate insolvency resolution process (CIRP) should not be used to determine a disputed debt through the pressure of insolvency.

The legal setting: default, dispute and the limits of admission

The Insolvency and Bankruptcy Code, 2016 (IBC) adopts a default-based framework. An operational creditor may invoke Section 9 once the statutory conditions, including the minimum default threshold presently fixed at Rs. 1 crore are satisfied. The Code does not require the NCLT to conduct an independent solvency assessment. A company's ability to pay is therefore not an answer to a maintainable Section 9 petition.[4]

That does not mean that proof of non-payment alone is sufficient. Sections 8 and 9 preserve a distinct threshold protection where a genuine dispute existed before the demand notice. Under Section 9(5)(ii)(d), an application is liable to be rejected where the statutory record discloses the requisite notice or record of dispute. In this context, one of the earliest clarified positions is perhaps *Mobilox Innovations Private Limited* v. *Kirusa Software Private Limited*[5], where the Supreme Court clarified that the adjudicating authority must examine whether the defence is plausible and supported by some material, rather than patently feeble, spurious or illusory. It need not decide whether the defence will ultimately succeed.[6]

This is a deliberately limited inquiry. The NCLT may look at emails, contractual exchanges or records of reconciliation to ascertain whether a real dispute exists; it cannot itself decide which party's accounting treatment is right, settle cross-claims or conduct a trial of the supply contract. The

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[1] *Bharat Ajay Jaisinghani* v. *Asier Metals Private Limited*, Company Appeal (AT) (Insolvency) No. 1940 of 2026.

[2] *Bharat Ajay Jaisinghani* v. *Asier Metals Private Limited*, Company Appeal (AT) (Insolvency) No. 1940 of 2026 (NCLAT, 30 October 2026), paras 1-3, 29 (NSE-hosted judgment: https://nsearchives.nseindia.com/corporate/POLYCAB_30102026121954_SECIRP30102026.pdf); Polycab India Ltd, Integrated Annual Report FY 2025-26, FY 2025-26 at a Glance (net cash Rs. 41,940 million): https://polycab.com/ar2026.

[3] *Supra* 1, paras 21-29, particularly paras 26-29 (finding on pre-existing dispute and consequential setting aside of CIRP).

[4] Insolvency and Bankruptcy Code, 2016, Sections 4, 8 and 9.

[5] *Mobilox Innovations Private Limited* v. *Kirusa Software Private Limited*, (2018) 1 SCC 353.

[6] IBC, Sections 8(2) and 9(5)(ii)(d); *Mobilox Innovations Private Limited* v. *Kirusa Software Private Limited*, (2018) 1 SCC 353, para 51.

Supreme Court reinforced that distinction in *Rajratan Babulal Agarwal* v. *Solartex India Private Limited*[7], which the NCLAT expressly considered.[8]

The dispute before the NCLAT

Asier Metals supplied aluminium ingots to Polycab under a commercial relationship dating from 2019. The transactions involved purchase orders, provisional billing and subsequent credit or debit notes, with periodic reconciliation. Asier alleged that a sum of approximately Rs. 2.78 crore remained outstanding. It issued a demand notice under Section 8 on August 6, 2026. Polycab sent a without-prejudice holding response on August 19, and a detailed reply disputing the claim on September 2. Meanwhile, Asier had filed its Section 9 application on August 24. The NCLT admitted CIRP on October 7; the NCLAT stayed admission on October 9, before finally allowing the appeal on October 30.[9]

The critical material, however, pre-dated the demand notice. Exchanges in January and February 2026 referred to delayed supplies and a proposed adjustment of Rs. 80 lakh towards detention charges. The supplier's February correspondence contemplated working out and adjusting detention and demurrage in current supplies. Further WhatsApp exchanges in June and July concerned pending credit notes, discounts and the need to reconcile accounts. In an email dated July 22, 2026, Polycab expressly disputed the amount claimed, asserted that agreed adjustments had already been made against June purchases and requested the issue of outstanding credit notes and reconciliation of ledgers.[10]

The NCLT had treated much of this correspondence as relating to earlier transactions rather than the invoices underlying the demand. It also considered the absence of debit notes and the lack of a different final invoice. The NCLAT found that this approach failed to appreciate the continuing nature of the parties' discussions, and particularly the contemplated adjustment of earlier claims against current supplies. The relevance of the correspondence lay in establishing the existence of a dispute, not in conclusively quantifying what was payable.[11]

What the judgment decides

The central question before the NCLAT was whether the communications disclosed pre-existing disputes that the NCLT had failed to address adequately.[12]

Applying that standard, the NCLAT found that the NCLT had brushed aside correspondence bearing directly on the existence of a dispute, including discussions of adjustments against current supplies.[13]

The judgment also deals with timing. Polycab's detailed response to the Section 8 notice was sent after the creditor had filed its petition. Applying *Brand Realty Services Limited* v. *Sir John Bakeries India Private Limited*[14], the NCLAT held that failure to furnish a detailed reply within ten days *'did not extinguish the rights'* of the corporate debtor to place earlier evidence of a dispute before the NCLT. The holding response was also treated as a denial of the claim. This aspect should not be read as

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[7] *Rajratan Babulal Agarwal* v. *Solartex India Private Limited*, (2023) 1 SCC 115.
[8] *Supra* 1, paras 12-13, 27-28; *Rajratan Babulal Agarwal* v. *Solartex India Private Limited*, (2023) 1 SCC 115, para 79; *S.S. Engineers* v. *Hindustan Petroleum Corporation Limited*, Civil Appeal No. 4583 of 2022 (Supreme Court, 15 July 2022), paras 20-21.
[9] *Supra* 1, paras 2-3, 15-18.
[10] *Supra* 1, paras 21-25.
[11] *Supra* 1, paras 14, 19, 23-26.
[12] *Supra* 1, paras 7, 12-13; *Supra* 4, para 51.
[13] *Supra* 1, paras 21-26, particularly para 25 and para 26.
[14] *Brand Realty Services Limited* v. *Sir John Bakeries India Private Limited*, Company Appeal (AT) (Insolvency) No. 958 of 2020.

making a bare or formulaic denial sufficient in every case: here, the contemporaneous commercial record gave substance to the defence.[15]

The NCLAT concluded that the NCLT's rejection of the correspondence without adequate analysis *'suffers from patent infirmity'*. It consequently allowed the appeal, set aside the admission order and all consequential CIRP orders, and directed that Polycab be *'released from the rigours of CIRP'* and function through its board with immediate effect. It did not finally resolve the parties' accounts or adjudicate the supplier's monetary entitlement.[16]

Financial strength: the context, not the ratio

An interesting aspect of the proceedings is the distinction between the considerations that persuaded the NCLAT to grant interim protection and the legal basis on which it ultimately allowed the appeal. By its order dated October 9, 2026, the NCLAT had stayed the admission of CIRP against Polycab, taking into consideration its financial and operational standing, its status as a listed company and its willingness to secure the entire amount claimed by the operational creditor. The Tribunal directed Polycab to deposit the claimed amount by way of a fixed deposit and kept the admission order in abeyance.

The significance of this intervention lies in the consequences that follow admission of CIRP: a moratorium, suspension of the powers of the board of directors and vesting of management in an Interim Resolution Professional. For a listed company, the effects extend to investor confidence, lender relationships and ongoing commercial operations, and may not be entirely reversible even if admission is later set aside. These concerns were particularly evident when the NCLAT, by a further interim order dated October 27, 2026, directed MSCI not to remove Polycab from its index pending pronouncement of the judgment.

Those interim considerations must be distinguished from the basis for final relief: the pre-existing dispute established by the commercial record, rather than Polycab’s financial strength.

Why the judgment matters beyond Polycab

Admission of CIRP is not merely a step towards recovery of debt. It has immediate consequences, including imposition of a moratorium, suspension of the powers of the board and vesting of management in an Interim Resolution Professional. For listed companies, regulatory disclosures and investor uncertainty may follow even before the legality of admission is finally determined. Even where an admission order is subsequently set aside, its commercial and reputational consequences may not be entirely reversible.

The risk of lasting commercial harm raises concerns about the use of Section 9 proceedings as leverage for recovering outstanding dues. Yet it would be incorrect to regard every such petition as misuse of the IBC. Smaller vendors often face genuine difficulties in recovering payments from larger purchasers, and their statutory remedies must remain protected. Consistent application of the pre-existing dispute threshold is therefore essential to balancing these concerns.

The judgment also underscores the need to strengthen alternative recovery mechanisms. Greater emphasis on time-bound reconciliation and mediation, effective functioning of the Micro and Small Enterprises Facilitation Councils, and expeditious enforcement of awards could substantially reduce dependence on insolvency proceedings. Wider use of TReDS and stricter payment discipline among larger purchasers would further assist smaller vendors.

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[15] *Supra* 1, paras 15-17; *Brand Realty Services Limited* v. *Sir John Bakeries India Private Limited*, Company Appeal (AT) (Insolvency) No. 958 of 2020 (NCLAT), discussed at para 16 of *Supra* 1.
[16] *Supra* 1, paras 28-29.

Conclusion

The practical lesson of *Bharat Ajay Jaisinghani* v. *Asier Metals* is the importance of contemporaneous commercial records. Conduct and communications can establish a genuine dispute even before civil or arbitral proceedings begin. Disciplined application of that threshold preserves the IBC's role without turning insolvency proceedings into a trial of contractual accounts.[17]

The judgment reaffirms settled law while underscoring the importance of its consistent application. Although the IBC remains an important remedy for unpaid operational creditors, CIRP must not become a means of resolving disputed contractual accounts through the pressure of insolvency. The appropriate safeguard lies not in granting financially solvent companies blanket immunity, but in rigorously applying the threshold test for a genuine pre-existing dispute.

[17] *Supra* 1, paras 25-29; *Supra* 4, para 51.

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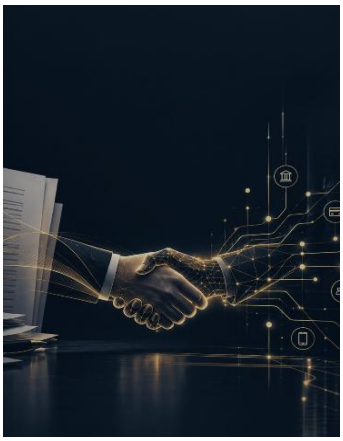
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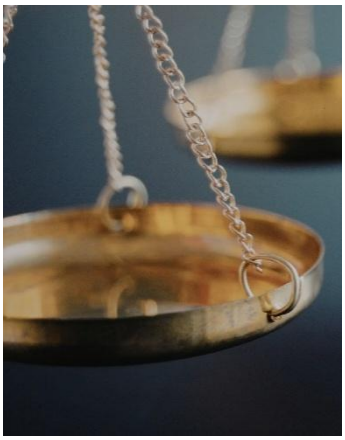
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