LEARNING CURVE-9/2026

24th February, 2026

"Once a withdrawal application under Section 12A of IBC is approved by the members of CoC with 90% voting shares, interference by Adjudicating Authority is permissible only in exceptional circumstances."

CASE TITLE	**M/s. Rado Rexine Co. Limited Vs. M/s. Raksha Supreme Comouflage Private Limited**
CASE NO.	IB-597/ND/2024 IA/5787/2025
DATE OF ORDER	04th February 2026
COURT/ TRIBUNAL	NCLT, New Delhi
STATUTES/RULES INVOLVED	Section 12A of the Insolvency and Bankruptcy Code, 2016 read with Regulation 30A, IBBI (CIRP for Corporate Persons) Regulations, 2016- Withdrawal of CIRP post-admission.
BENCH	Hon'ble Justice Jyotsna Sharma, Member (Judicial) and Mr. Ravinder Chaturvedi, Member (Technical)

Brief Facts of the Case:

The Section 9 petition filed by the Operational Creditor was admitted on 12.11.2025, initiating CIRP of the Corporate Debtor. The Applicant (Navdeep Gupta) was appointed IRP and later confirmed as RP. On 17.11.2025, the Operational Creditor and Corporate Debtor executed a Settlement Agreement for ₹41,00,000 as full and final settlement. Form-FA signed on 18.11.2025; demand draft deposited for CIRP expenses. At the time of filing withdrawal application, no CoC had been formed. Subsequently, claims were received, CoC was constituted. CoC initially had one Financial Creditor (Dhanara Chemicals Pvt. Ltd.) with 100% voting share, which gave "No Objection" to withdrawal. Later, Punjab National Bank (PNB) was identified as a creditor with 1.38% voting share; CoC was reconstituted. PNB did not participate despite notice. In the reconstituted CoC meeting on 17.01.2026, 98.62% votes were cast in favour of withdrawal.

Issue for consideration:

- **Whether the CIRP can be withdrawn under Section 12A after constitution of CoC based on the settlement between the Operational Creditor and the Corporate Debtor?**

Contentions of Parties:

Operational Creditor (M/s Rado Rexine Co. Ltd.)

The Operational Creditor submitted that after admission of the Section 9 petition on 12.11.2025, it entered into a full and final settlement with the Corporate Debtor on 17.11.2025 for ₹41,00,000. Pursuant to the settlement, it executed Form-FA on 18.11.2025 to seek withdrawal of CP (IB) 597/ND/2024, and communicated the same to the Resolution Professional (RP) through email (20.11.2025), thereby authorizing the RP to move the withdrawal application. The Operational Creditor thus supported termination of the CIRP in view of the settled dues and compliance with Section 12A read with Regulation 30A, including provision for CIRP expenses.

Corporate Debtor (M/s Raksha Supreme Camouflage Pvt. Ltd.)

The Corporate Debtor contended that the dispute giving rise to the Section 9 initiation stood amicably resolved via the Settlement Agreement dated 17.11.2025, under which it agreed to pay ₹41 lakh as full and final settlement to the Operational Creditor. It emphasized that the withdrawal request was initiated promptly (before CoC constitution), and that, once claims came in and the CoC was later formed and reconstituted, the CoC overwhelmingly approved withdrawal—thereby satisfying the 90% voting requirement under Section 12A. The Corporate Debtor therefore sought termination of CIRP and cessation of the moratorium, with revival to its original management, subject to compliance with statutory obligations.

Decision of the Appellate Authority

The NCLT, after examining the settlement between the Operational Creditor and the Corporate Debtor, the Form-FA submitted, and the compliance with Section 12A read with Regulation 30A, held that the requirements for withdrawal of the CIRP stood fully satisfied.

The Tribunal noted that although the withdrawal application was filed before constitution of the CoC, the CoC was later constituted and reconstituted to include Punjab National Bank, and in its meeting dated 17.01.2026, the CoC approved the withdrawal with 98.62% voting share, far exceeding the statutory threshold of 90%.

Relying on the Supreme Court's judgment in ***Vallal RCK v. Siva Industries***, the Tribunal reiterated that the commercial wisdom of the CoC is paramount and cannot be interfered with unless arbitrary or illegal.

The Tribunal further recorded that CIRP costs of ₹1,45,494 had been paid and the RP confirmed receipt of his fee. Consequently, the Tribunal **allowed the withdrawal** of the CIRP, dismissed the main Section 9 petition as withdrawn, lifted the moratorium imposed under Section 14, and directed that the Corporate Debtor be restored to its original position without exemption from statutory obligations. The RP was directed to hand over all records and assets to the management, and the Registrar of Companies was instructed to update the Corporate Debtor's status as "not under CIRP."

Significance of the Case:

This case reinforces the primacy of the Committee of Creditors' (CoC) commercial wisdom in decisions relating to withdrawal of CIRP under Section 12A of the Insolvency and Bankruptcy Code, 2016. By permitting withdrawal even after the constitution and subsequent reconstitution of the CoC, the NCLT affirmed that once the statutory requirement of 90% CoC approval is met—in this case, 98.62% votes in favour—the Adjudicating Authority must ordinarily defer to the CoC unless the decision is arbitrary or unlawful. The case also highlights the procedural clarity surrounding Section 12A withdrawals, especially situations where settlement is reached after admission but before CoC formation, and later CoC approval is still required.

Link of the Order:
https://efiling.nclt.gov.in/ordersview.drt?path=VJOAJEt%2B4FEFG5aaDWryLnb5hX4tkiRcaO9oQTZ7zg28fRkueKclM44oEGvGzeIPstJgs3i6ZegCtDUuFjqVVrStuRIoyudTH7LyaHl381V%2FkFsjw3O2TkOjcRY96Ee5A6dVPjfKqlxCTU0yUnw0jHHga9FfGKHqQT2OU8ZQ9rSqZrtSfPY%2B6TO5SdNi2Oot