Cosmic CRF v. Myotic Trading:

Supreme Court on Section 29A Eligibility

INDIA JURIS
International Law Firm

Contents

I. Executive Summary

In *Cosmic CRF Limited v. Myotic Trading Private Limited & Ors.* (2026 INSC 608), a bench of Justices J.B. Pardiwala and Ujjal Bhuyan of the Supreme Court of India has delivered an important clarification on the temporal scope of ineligibility under Section 29A of the Insolvency and Bankruptcy Code, 2016 ("**IBC**" or "**Code**"), and its interaction with the "clean slate" doctrine that underpins the resolution process. The Court set aside two orders of the National Company Law Appellate Tribunal ("**NCLAT**") that had declared Cosmic CRF Limited ("**Cosmic CRF**" or "**Appellant**") ineligible to participate as a resolution applicant in the Corporate Insolvency Resolution Process ("**CIRP**") of Amzen Transportation Industries Private Limited ("**Corporate Debtor**").

The central holding is disarmingly simple in statement but far-reaching in consequence: once a resolution plan in respect of a connected entity has been approved and implemented, and the dues of financial creditors under that plan stand extinguished under Section 31 of the IBC, those extinguished dues cannot be resurrected years later to visit ineligibility upon a resolution applicant under Section 29A. The Court held that the ineligibility inquiry under Section 29A(c) operates in praesenti i.e., it must be tested as on the date of submission of the resolution plan and cannot be anchored to a historical NPA that has already been resolved and wiped clean by an earlier, binding resolution plan.

This publication sets out the factual matrix and procedural history of the case, explains the statutory architecture of Section 29A, unpacks the jurisprudential foundations of the clean slate doctrine, examines the tension between the two concepts that the Court was called upon to resolve, and offers a comprehensive analysis of the judgment's reasoning, its relationship with prior authority, principally *ArcelorMittal India Private Limited v. Satish Kumar Gupta* and its likely implications for resolution applicants, committees of creditors, and insolvency practitioners.

II. Factual Background and Procedural History

The dispute arose out of the CIRP of Amzen Transportation Industries Private Limited. Cosmic CRF submitted a resolution plan for the Corporate Debtor on 28.06.2024. Objections were subsequently raised as to Cosmic CRF's eligibility under Section 29A of the IBC, founded on the contention that Mr. Aditya Vikram Birla, described as a "connected person" of Cosmic CRF, was also linked to Cosmic Ferro Alloys Limited ("**CFAL**"), a company whose account had, in the past, been classified as a non-performing asset ("**NPA**") and which had itself undergone a CIRP.

Case Summary

CFAL's own resolution plan had been approved nearly six years earlier, on 11.10.2018. Upon approval, CFAL stood fully resolved: new management and a new resolution applicant took over control, and any shareholding earlier held by Mr. Birla or his father in CFAL stood extinguished as a consequence of the approved plan. No dues remained outstanding against CFAL on the date Cosmic CRF submitted its resolution plan for the Corporate Debtor in 2024.

Despite this, the NCLAT held that Cosmic CRF was ineligible under Section 29A, reasoning that because CFAL's financial creditors had taken a "haircut" under the 2018 plan, the taint of ineligibility attaching to a person connected with CFAL could not be said to have been removed unless the original dues had been paid in full. On this basis, the NCLAT (by orders dated 25.07.2025 and 12.03.2026, arising out of Company Appeal (AT) (Insolvency) No. 859 of 2025) declared Cosmic CRF ineligible and directed the Resolution Professional to issue a fresh Form-G, effectively re-opening the resolution process for the Corporate Debtor.

Cosmic CRF's appeal first reached the Supreme Court in August 2025, when the Court (by order dated 04.08.2025) remanded certain factual issues to the NCLAT rather than deciding the eligibility question finally. After the NCLAT reiterated its adverse finding, Cosmic CRF once again approached the Supreme Court, which admitted the appeal, stayed the operation of the impugned orders, and ultimately by its detailed judgment dated 01.06.2026 allowed the appeals, holding Cosmic CRF eligible to participate in the CIRP of the Corporate Debtor and directing that its resolution plan be processed further in accordance with law.

III. Statutory Framework: Section 29A of the IBC

Section 29A was inserted into the IBC by the Insolvency and Bankruptcy Code (Amendment) Act, 2018, with retrospective effect from 23.11.2017, in response to widespread concern that promoters and managers responsible for driving a company into insolvency were re-entering the resolution process through related entities and reacquiring control of the very assets they had run into the ground, often at a steep discount to unsecured or undischarged creditors. The provision was designed to preserve the integrity of the CIRP by keeping out persons whose antecedents or conduct render them unfit to manage the affairs of a company emerging from insolvency.

Persons rendered ineligible

Section 29A(a) to (j) disqualifies a person from submitting a resolution plan, whether as a resolution applicant or as a person "acting jointly or in concert" with one, or through a "connected person", where such person, among other things:

- is an undischarged insolvent;
- is a wilful defaulter in terms of RBI guidelines;
- has an account classified as a non-performing asset in accordance with RBI guidelines and at least a year has lapsed from the date of such classification till the date of commencement of the CIRP, unless such person has paid overdue amounts together with interest and charges prior to submission of the resolution plan (Section 29A(c)), the provision central to the present case;
- has been convicted of an offence punishable with imprisonment of two years or more under specified statutes;
- is disqualified to act as a director under the Companies Act, 2013;
- has been a promoter or in management/control of a company whose license or registration has been cancelled by a regulator for fraud or malfeasance;
- has executed an enforceable guarantee in favour of a creditor of the corporate debtor undergoing CIRP, and such guarantee has been invoked and remains unpaid;
- is subject to any disability corresponding to the above under any foreign law; and
- has a connected person not eligible under clauses (a) to (i), the "connected person" limb in Section 29A(j), also central to this case.

The first proviso to Section 29A(c) carves out an important exception: a person is not rendered ineligible merely because an account is classified as an NPA if such person, or the corporate debtor of which it is a promoter, pays all overdue amounts prior to the submission of the resolution plan. The section is thus not a blanket prohibition on tainted balance sheets; it is calibrated to the position as it exists on a specific, ascertainable date, the date of submission of the resolution plan.

"Connected person" and Explanation I

Explanation I to Section 29A defines "connected person" expansively to include any person who is the promoter, or in the management or control of the resolution applicant, or of the business of the corporate debtor during the implementation of a resolution plan, and their related parties. The breadth of this definition is precisely what generated the controversy in Cosmic CRF: the NCLAT treated Mr. Birla's historical, and by 2024 attenuated, association with CFAL as sufficient to taint Cosmic CRF by association without pausing to ask whether the underlying disqualifying fact (the NPA and unpaid dues of CFAL) still subsisted on the relevant date.

IV. The Doctrine of “Clean Slate”

The “clean slate” doctrine is one of the foundational commercial premises of the IBC’s resolution architecture. It holds that a successful resolution applicant who acquires a corporate debtor pursuant to an approved resolution plan takes over the company free of all past liabilities, claims and proceedings that were not part of the approved plan, including claims that were not even quantified or discovered at the time of approval. The doctrine is anchored in Section 31 of the IBC, which provides that a resolution plan approved by the Adjudicating Authority is binding on the corporate debtor, its employees, members, creditors, guarantors and other stakeholders, including the Central and State Governments and any statutory authority to whom a debt is owed.

The doctrine finds its most authoritative articulation in *Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta* (2020) 8 SCC 531, where the Supreme Court held that a successful resolution applicant cannot be faced with “undecided” claims after a plan is approved, since this would place the resolution applicant in unchartered waters and make the business of running the corporate debtor next to impossible. The Court subsequently reaffirmed and extended this principle in *Ghanashyam Mishra and Sons Private Limited v. Edelweiss Asset Reconstruction Company Limited* (2021) 9 SCC 657, holding that all claims not part of an approved resolution plan stand extinguished, and no person, including statutory and governmental authorities can initiate or continue proceedings in respect of a claim that predates the approval of the plan.

The commercial rationale is straightforward: without a clean slate, no rational investor would commit fresh capital to a distressed enterprise, since the spectre of unquantified, historical liability would permanently overhang the acquired business. The clean slate principle is, in this sense, the quid pro quo that induces resolution applicants to bid for distressed assets and thereby serves the Code's overarching objectives of value maximisation and time-bound resolution.

Cosmic CRF extends the logic of the clean slate doctrine one step further from the company that has been resolved, to the eligibility of a person connected with that company to participate in a subsequent, unrelated resolution process. The Court held that just as the resolved company’s own liabilities are extinguished and cannot be resurrected against it, the disqualifying antecedent (the erstwhile NPA) cannot be resurrected against a connected person years later to bar that person's re-entry into the insolvency ecosystem as a resolution applicant, once the underlying debt itself no longer exists in law.

V. The Interpretive Tension: Clean Slate v. Section 29A

At first glance, the clean slate doctrine and Section 29A appear to serve opposing policy instincts. The clean slate doctrine is forward-looking and rehabilitative: it exists to give a resolved company, and by extension the ecosystem around it, a genuine fresh start unburdened by history. Section 29A, by contrast, is explicitly backward-looking and exclusionary: it exists precisely to scrutinise a resolution applicant's history its NPAs, its defaults, its regulatory record and to keep out persons whose past conduct makes them unsuitable custodians of a revived enterprise.

The NCLAT's approach in the proceedings below reflected this exclusionary instinct taken to its logical extreme: if a person was ever connected with an NPA account, that stain would persist indefinitely, notwithstanding that the underlying debt had already been resolved, extinguished and paid down (albeit at a haircut) through the very insolvency machinery that Section 29A exists to protect. On this reading, a resolution applicant's past association with any distressed asset, however remote in time or however completely resolved, would operate as a permanent disqualification, a result the Supreme Court described as tantamount to "perpetually disqualifying the appellant to take part in any CIRP."

The Supreme Court's resolution of this tension is to read Section 29A(c) as operating strictly in praesenti i.e., by reference to the state of affairs subsisting on the date the resolution plan is submitted and to treat the clean slate conferred by an earlier, approved resolution plan as dispositive of that inquiry. Where the earlier NPA has itself been extinguished by an approved plan under Section 31, there is, in the Court's words, "no question of such unpaid dues being 'resurrected' for the purposes of gauging eligibility in terms of Section 29A." The clean slate doctrine, in other words, is not merely a shield for the resolved company; it also defines the very facts against which a connected person's eligibility must be tested. Properly understood, the two doctrines are not in conflict at all; the clean slate doctrine operates upstream, extinguishing the historical fact (the NPA and the debt), so that Section 29A, applied downstream on the relevant date, simply has nothing left to bite on.

VI. Issues Before the Supreme Court

First, whether the ineligibility contemplated under the first proviso to Section 29A(c) of the IBC is to be assessed as on the date of submission of the resolution plan, or whether it can be founded on a historical NPA that had already been resolved through an earlier, approved resolution plan.

Second, whether dues and claims that stand extinguished pursuant to an approved resolution plan under Section 31 of the IBC can nonetheless be treated as “subsisting” or be “resurrected” for the limited purpose of testing a connected person's eligibility under Section 29A in a wholly separate, subsequent CIRP.

Third, whether the NCLAT correctly applied the ratio of *ArcelorMittal India Private Limited v. Satish Kumar Gupta* (2019) 2 SCC 1, in holding *Cosmic CRF* ineligible, having regard to the material factual distinction that, in *ArcelorMittal*, the resolution applicant’s connected NPA account had overdue amounts subsisting on the date of the resolution plan, whereas no such overdue amount existed in the present case.

Fourth, the correct construction of Section 29A(j) and the “connected person” mechanism specifically, whether ineligibility under Section 29A(j) is triggered merely by a historical or attenuated connection, or requires that the connected person be presently ineligible under clauses (a) to (i) as on the relevant date.

VII. Submissions of the Parties

Appellant - Cosmic CRF Limited

Cosmic CRF, represented by Senior Advocates Mr. Shyam Divan and Mr. Jayant Mehta, contended that the ineligibility inquiry under Section 29A(c) is, by its own text, tied to a specific point in time, the date of submission of the resolution plan and cannot be read as a permanent or open-ended disability. It was submitted that CFAL’s resolution plan had been approved in 2018, that a new management and resolution applicant had since taken control of CFAL, that no dues were outstanding against CFAL as on 28 June 2024, and that Mr. Birla held only a negligible (0.09 per cent) shareholding in CFAL which, in any event, stood extinguished upon approval of the 2018 plan. On this basis, it was argued that there existed no subsisting NPA or overdue amount that could found ineligibility, and that the NCLAT’s reliance on a stale, resolved liability was contrary to both the text of Section 29A and the clean slate principle affirmed in Essar Steel and Ghanashyam Mishra.

Respondents - Myotic Trading Private Limited & Ors.

The Respondents, represented by Senior Advocates including Mr. Mukul Rohtagi, Mr. C.A. Sundaram and Mr. Navin Pahwa, supported the NCLAT’s approach, contending that the “haircut” suffered by CFAL’s financial creditors under the 2018 plan meant that the underlying default and its taint could not be treated as fully cured, and that permitting a person connected with a defaulting promoter group to re-enter the insolvency process so readily would undermine the very purpose of Section 29A, namely, to prevent backdoor re-entry by persons associated with distressed or defaulted enterprises, and to protect the sanctity and credibility of the CIRP for the benefit of creditors of the Corporate Debtor.

VIII. Findings and Ratio of the Supreme Court

Allowing the appeals, the Supreme Court held that the relevant date for assessing eligibility under Section 29A was 28.06.2024, the date on which Cosmic CRF submitted its resolution plan for the Corporate Debtor. As on that date, neither Cosmic CRF nor any person connected with it held or controlled any NPA account, and no amount was overdue to any financial creditor. The Court reasoned that the embargo in the first proviso to Section 29A(c) applies in praesenti: it relates to NPAs and shortfalls currently owing to financial creditors as on the date of submission of the resolution plan, and not to historical defaults that have since been resolved.

> *"All parties are bound by the terms of the plan and there are no outstanding dues or claims remaining in terms of Section 31 of the IBC, 2016. Since all remaining dues stand extinguished and the company operates on a clean slate, there is no question of such unpaid dues being 'resurrected' for the purposes of gauging eligibility in terms of Section 29A."* - *Cosmic CRF Limited v. Myotic Trading* (2026 INSC 608), Paras 34–36

On the question of *ArcelorMittal*, the Court held that the NCLAT had misapplied that precedent. In *ArcelorMittal*, the resolution applicant's connected NPA account had amounts overdue and subsisting as on the date of submission of the resolution plan, a fact wholly absent in Cosmic CRF's case, since CFAL's dues had long been extinguished by an approved and implemented plan.

> *"The NCLAT could be said to have misinterpreted the judgment of ArcelorMittal India Private Limited (supra) to hold the appellant to be ineligible under the first proviso to Section 29A(c) as in that case, the Resolution Applicant therein on the Resolution Plan submission date held an NPA where amounts were overdue. Such facts are not there in the present case. In fact, the judgment read in entirety advances the case of the appellant herein."* - 2026 INSC 608, Para 34

On Section 29A(j), the Court clarified that the provision does not operate as an independent, free-standing ground of ineligibility; it is a derivative ground, triggered only where the connected person is itself ineligible under clauses (a) to (i) of Section 29A as on the relevant date.

> *"Section 29A(j) is not a disqualification per se but only provides that the Resolution Applicant shall become ineligible if the connected person of the Resolution Applicant is held to be ineligible under Section 29A(a) to Section 29A(i)."* - 2026 INSC 608, Para 62

Since Mr. Birla was found not to be ineligible under Section 29A(c) as on the relevant date, CFAL's NPA having been resolved and extinguished, and his own shareholding in CFAL having been wiped out by the 2018 plan, there was no derivative ineligibility that could attach to Cosmic CRF under Section 29A(j). The Court also noted, with evident concern for proportionality, that the consequence of the NCLAT's finding would be to visit Cosmic CRF with a disability of indefinite and irreversible duration.

> *"In the present case, the appellant has been erroneously held to be ineligible under Section 29A only for the reason that the connected person of the appellant i.e., Aditya Vikram Birla is ineligible under Section 29A(c) of IBC. Such an erroneous finding of the NCLAT has irreversible drastic consequences as it will be tantamount to perpetually disqualifying the appellant to take part in any CIRP."* - 2026 INSC 608

Accordingly, the Court set aside the NCLAT's orders dated 25.07.2025 and 12.03.2026, quashed all consequential directions, including the direction to issue a fresh Form-G and directed that Cosmic CRF's resolution plan, as already considered by the Committee of Creditors, be processed further in accordance with law.

IX. Comprehensive Analysis

1. A temporal, not eternal, reading of Section 29A

The judgment's principal contribution is doctrinal clarity on the temporal scope of Section 29A(c). Prior to *Cosmic CRF*, resolution professionals, committees of creditors and adjudicating authorities were often confronted with an uncomfortable ambiguity: does an NPA classification, once incurred, permanently taint every person connected with it, or does the taint dissipate once the underlying debt is itself extinguished through a resolution process? By anchoring the inquiry firmly to the date of submission of the resolution plan, and by treating an already-resolved NPA as a legal nullity for the purposes of that inquiry, the Court has supplied a workable, predictable standard. This is consistent with the plain text of the first proviso to Section 29A(c), which itself contemplates a cure (payment of overdue amounts) that operates prospectively as on the date of the resolution plan, reinforcing that the provision was never intended to be a permanent civil disability akin to a criminal conviction.

2. Integrating the clean slate doctrine into eligibility analysis

Essar Steel and *Ghanashyam Mishra* addressed the clean slate doctrine from the standpoint of the resolved corporate debtor and its creditors, protecting the resolution applicant that had taken over the company from stale claims. Cosmic CRF applies the same underlying logic in a new setting: protecting a person connected with a previously resolved company from having that company's extinguished history weaponised against them in an unrelated, later CIRP. This is a natural and, in this publication's assessment, correct extension of the doctrine. If Section 31 extinguishes a claim for all purposes and against all persons, it would be conceptually inconsistent to hold that the claim nonetheless survives, zombie-like, for the narrow purpose of

Section 29A eligibility. The Court's reasoning avoids this inconsistency and reads the Code as an integrated whole rather than a patchwork of independently operating provisions.

3. Distinguishing, rather than diluting, ArcelorMittal

The judgment is notable for the care with which it distinguishes, rather than dilutes, the Supreme Court's earlier decision in *ArcelorMittal*. The Court did not hold that a connected person's past NPA is irrelevant to Section 29A, indeed, it reaffirmed that a subsisting, overdue NPA account as on the date of the resolution plan remains squarely disqualifying, exactly as in *ArcelorMittal*. What the Court rejected was the NCLAT's extrapolation of that principle to a materially different factual scenario, where the NPA had already been resolved and the debt extinguished years earlier. This distinction preserves the deterrent force of Section 29A for defaulters with live, unresolved liabilities, while preventing its misapplication to defaulters whose liabilities have already been discharged through the very statutory process Section 29A is designed to protect.

4. Guarding against indefinite and disproportionate disqualification

The Court's explicit concern about "perpetual" and "irreversible" disqualification reflects a proportionality-oriented reading of Section 29A. A construction that treats any historical connection with a resolved NPA as permanently disqualifying would, over time, shrink the pool of eligible resolution applicants and could perversely discourage strategic investors with any history of managing distressed assets, arguably the very investors best placed to understand and revive another distressed enterprise from participating in future CIRPs. The judgment thus also serves the Code's value-maximisation objective by keeping the field of eligible resolution applicants as wide as the text of Section 29A, properly construed, permits.

5. Interpretation of "connected person" and Section 29A(j)

By clarifying that Section 29A(j) is derivative rather than free-standing, the Court has curtailed a line of reasoning under which the mere existence of a "connected person" relationship — however tenuous, historical or economically insignificant (here, a 0.09 per cent shareholding, itself extinguished) could be treated as automatically disqualifying, without a rigorous, contemporaneous inquiry into whether that connected person is actually ineligible under clauses (a) to (i) as on the relevant date. This should discourage a mechanical, checklist-style application of Section 29A(j) by resolution professionals and adjudicating authorities and require a fact-specific inquiry keyed to the present, rather than the historical, status of the connected person.

6. Points warranting continued caution

The judgment should not be read as diluting Section 29A's core disciplinary function. The Court's holding is narrowly and carefully tied to the fact that the earlier NPA had been fully and finally resolved through an approved plan under Section 31, not to situations of ongoing or unresolved default, restructuring outside the Code, one-time settlements of uncertain finality, or

NPAs resolved through mechanisms that do not carry the same statutory finality as an approved CIRP resolution plan. Resolution professionals and committees of creditors would be well advised to continue conducting rigorous, document-based due diligence into a resolution applicant's connected persons, verifying not merely the existence of a past NPA but its precise legal status whether, when and how it was resolved as on the date of plan submission, since the burden of establishing that a claimed extinguishment is genuine and complete will, in practice, fall on the resolution applicant.

X. Key Takeaways for Stakeholders

For resolution applicants and investors

- A historical NPA connection that has been fully resolved and extinguished under an approved resolution plan does not operate as a permanent bar under Section 29A(c); the relevant date for testing eligibility is the date of submission of the resolution plan.
- Maintain a clear documentary record establishing when and how any connected entity's NPA was resolved, including the date of approval of the relevant resolution plan and confirmation that no dues remain outstanding, to pre-empt eligibility challenges.

For committees of creditors and resolution professionals

- Section 29A due diligence should focus on the contemporaneous status of connected persons as on the date of plan submission, rather than a static, backward-looking checklist of historical associations.
- Section 29A(j) findings must be preceded by a specific finding that the connected person is presently ineligible under clauses (a) to (i); a bare historical connection, without more, will not suffice.

For adjudicating authorities and tribunals

- Precedents such as *ArcelorMittal* must be applied with close attention to their underlying facts in particular, whether the connected NPA remained subsisting and overdue as on the relevant date rather than as broad, context-free propositions.
- Findings of ineligibility carry serious and potentially irreversible consequences for a resolution applicant and should be arrived at only after affording a full opportunity of hearing and a rigorous factual inquiry.

XI. Conclusion

Cosmic CRF Limited v. Myotic Trading Private Limited & Ors. is a significant addition to the Supreme Court's expanding jurisprudence on Section 29A, and stands alongside *ArcelorMittal*, *Essar Steel* and *Ghanashyam Mishra* as a key reference point for practitioners navigating resolution applicant eligibility. Its central insight that the clean slate conferred by an approved resolution plan operates not only to protect the resolved company but also to define the very facts against which a connected person's eligibility must subsequently be tested brings coherence to two provisions of the Code that might otherwise be read as pulling in opposite directions. For a statute whose success depends on attracting credible investors to distressed assets, a predictable, date-anchored eligibility standard is likely to be welcomed by the market, while the Court's continued insistence on rigorous, fact-specific inquiry ensures that Section 29A retains its bite against resolution applicants with genuinely unresolved or ongoing defaults.

About India Juris

India Juris is a full-service international law firm providing comprehensive legal solutions to a diverse range of clients, including corporates, financial institutions, and individuals. With a strong focus on delivering practical and result-oriented advice, the firm combines deep legal expertise with a clear understanding of business needs across sectors.

Follow us on : in

www.indiajuris.com

Our Offices

New Delhi
Lajpat Nagar-1 New Delhi
newdelhi@indiajuris.com

Gurugram
Sohna Road, Gurugram
gurugram@indiajuris.com

Bengaluru
Indira Nagar, Bengaluru
bengaluru@indiajuris.com

Mumbai
Andheri East, Mumbai
mumbai@indiajuris.com

GIFT CITY, Gujarat
FF-38, Pragya Accelerator
Processing Area GIFT SEZ, GIFT CITY
giftcity@indiajuris.co.in