2026 INSC 717

(REVISED)

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL Nos. 9052-9053 OF 2026
(Arising out of SLP(C) Nos. 24000-24001 OF 2026)
(@Diary No.36520 Of 2019)

M/S TATA STEEL LTD. ….. APPELLANT

VERSUS

VARSHA & ANR. ….RESPONDENTS

J U D G M E N T

MANMOHAN, J.

1. Delay condoned

2. Leave granted.

3. Present Civil Appeals have been filed by the Appellant-Successful Resolution Applicant ('**Appellant-SRA**') challenging the orders dated 28th March 2019 and 9th July 2019 passed by the High Court of Bombay, Nagpur Bench in ***W.P.(C) No.8620 of 2018*** and ***Miscellaneous Civil Application No. 649 of 2019***. By the said orders, the High Court dismissed the Writ Petition and Review Application filed by the Appellant-SRA and permitted the recovery suit being ***Civil***

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Date: 2026.10.05 19:50:12 IST
Reason:

Suit No. 153 of 2011 filed by one of the Operational Creditors (Respondent No.1-Varsha), to proceed notwithstanding the approval of the Resolution Plan.

4. By order dated 27th August 2021, this Court permitted another Operational Creditor, Masyc Projects Private Limited ('**Intervenor-Masyc**') to address submissions confined to the limited issue as to whether the Operational Creditors may enforce claims for past dues by way of civil suit/arbitration, subsequent to approval of the Resolution Plan?

BRIEF FACTS

5. Prior to the initiation of Corporate Insolvency Resolution Process ('CIRP') against the corporate debtor, Bhushan Steel Limited ('BSL'), Respondent No.1-Varsha instituted a summary Civil Suit against BSL seeking recovery of Rupees Thirty-Eight Lakh Eighty-Nine Thousand Six Hundred Seventy-Four and Fourteen Paise only (₹38,89,674.14/-) together with interest at the rate of 18 per cent (18%) from date of institution of suit till realisation. The said summary suit was subsequently converted to ***Civil Suit No. 153 of 2011***.

6. Similarly, Intervenor-Masyc initiated six separate arbitral references before two independent arbitral tribunals in respect of goods engineered and supplied to BSL. The said arbitration proceedings remained pending as on the date of approval of the Resolution Plan.

7. During the pendency of the aforesaid Civil Suit and Arbitration proceedings, CIRP was initiated against BSL at the instance of State Bank of India. Both Respondent No.1-Varsha and Intervenor-Masyc submitted to the jurisdiction of

Insolvency and Bankruptcy Code, 2016 ('Code') and lodged claim as Operational Creditors before the Interim Resolution Professional to the tune of Rupees Thirty-Four Lakh Twenty-Seven Thousand Eight Hundred Ninety-Five only (₹34,27,895/-) and Rupees Thirty-One Crore Thirty Lakh Sixty-Seven Thousand and Three Hundred Fifty-Four only (₹31,30,67,354/-) respectively.

8. On 17th January 2018, the Resolution Professional compiled an Interim List of Creditors. In this list, the claims of Respondent No.1-Varsha and Intervenor–Masyc were admitted only at a notional value of Rupee One (₹1) each, though Respondent No.1-Varsha's claim was later modified to Rupees One Crore Sixty-Six Lakh Sixty-Six Thousand and Seven Hundred Seven only (₹1,66,66,707/-) upon inclusion of compound interest. Significantly, Note 3 appended to the Interim List of Creditors recorded that, '*Claims are subject to disputes pending before various authorities, and have been admitted/marked as verified with a notional amount of INR 1(Indian Rupee One only) and the liability is subject to the outcome of the ongoing proceedings.'*

9. On 3rd February 2018, the Appellant-SRA submitted its Resolution Plan on the basis of the Information Memorandum prepared by the Resolution Professional. Since claims of financial creditors exceeded the liquidation value, the Operational Creditors were held entitled to NIL payment. Nevertheless, the Appellant-SRA provided for an Operational Creditors Settlement Amount of Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) of which Rupees One Thousand Crore (₹10,00,00,00,000/-) was earmarked for essential and critical Operational Creditors

and the balance Rupees Two Hundred Crore (₹2,00,00,00,000/-) was to be distributed pro-rata among other Operational Creditors whose claims had been admitted.

10. On 20th March 2018, the Resolution Professional prepared the Final List of Creditors for claims received up to 20th March 2018 ('Final List of Creditors'). In this List, the claims of Respondent No.1-Varsha and Intervenor-Masyc were again admitted at the notional value of Rupee One (₹1) each. The aggregate claims of Operational Creditors stood at approximately Rupees One Thousand Four Hundred Twenty-Two Crore only (₹14,22,00,00,000/-). Notably, Note 3 appended to Interim List of Creditors was omitted and, in its place, Note 2 was appended, stating, '*Claims which are subject to disputes pending before various authorities have been verified with a notional amount of INR 1 (Indian Rupee One only).*'

11. On the same day, the Committee of Creditors approved the Resolution Plan submitted by the Appellant-SRA. By Order dated 15th May 2018, the National Company Law Tribunal ('NCLT') sanctioned the Resolution Plan of Appellant-SRA under Section 30 read with Section 31 of the Code. Appeals preferred by aggrieved parties were dismissed by the National Company Law Appellate Tribunal ('NCLAT') on 10th August 2018. Intervenor-Masyc's challenge to the treatment of its claim was dismissed as withdrawn by NCLT on 25th October 2018.

12. On 11th September 2018, the Appellant-SRA moved an application under Section 151 of the Code of Civil Procedure, 1908 ('CPC') seeking dismissal of the Civil Suit. The Trial Court rejected the application by Order dated 25th October

2018. Similarly, an application filed before the Sole Arbitrator seeking termination of the arbitral proceedings initiated by Intervenor-Masyc was dismissed by Order dated 12th January 2019.

13. The Appellant-SRA thereafter filed ***W.P.(C) No. 8620 of 2018*** challenging the order dated 25th October 2018 passed by the Trial Court. The High Court of Bombay, Nagpur Bench, dismissed the Writ Petition by order dated 28th March 2019. A Review Petition filed by the Appellant-SRA met the same fate by Order dated 9th July 2019.

14. The Appellant-SRA also instituted ***CWP No. 37286 of 2019*** before the Punjab and Haryana High Court challenging the Order dated 11.09.2019 passed by the Haryana MSME Facilitation Council. By Order dated 30th January 2020, the High Court directed that the final award shall not be pronounced without leave of the Court.

15. As noted hereinabove, Intervenor-Masyc filed an Intervention Application being ***I.A. No. 34503 of 2020*** before this Court contending that in the arbitral proceedings to which it is a party, a question of law substantially similar to that arising in the present Civil Appeals was likely to arise. This Court by Order dated 27th August 2021 allowed the said application.

ARGUMENTS ON BEHALF OF THE APPELLANT-SRA

16. Mr. Ramji Srinivasan, learned senior counsel appearing for the Appellant-SRA stated that in the present matters, the Resolution Professional had collated all claims which were disputed and pending adjudication before various fora. He

pointed out that in the Interim List of Creditors dated 17th January 2018, the Resolution Professional admitted the disputed claims of Respondent No.1-Varsha and Intervenor-Masyc at a notional value of Rupee One (₹1) each, in conformity with the judgment of this Court in ***Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta and Others, (2020) 8 SCC 531***. In that decision, this Court upheld the practice of admitting claims at a notional value of Rupee One (₹1) where such claims were *sub-judice*. The relevant passages of ***Essar Steel*** (supra) are reproduced hereinbelow:

> *"107. For the same reason, the impugned NCLAT judgment [Standard Chartered Bank v. Satish Kumar Gupta, 2019 SCC OnLine NCLAT 388] in holding that claims that may exist apart from those decided on merits by the resolution professional and by the Adjudicating Authority/Appellate Tribunal can now be decided by an appropriate forum in terms of Section 60(6) of the Code, also militates against the rationale of Section 31 of the Code. A successful resolution applicant cannot suddenly be faced with "undecided" claims after the resolution plan submitted by him has been accepted as this would amount to a hydra head popping up which would throw into uncertainty amounts payable by a prospective resolution applicant who would successfully take over the business of the corporate debtor. All claims must be submitted to and decided by the resolution professional so that a prospective resolution applicant knows exactly what has to be paid in order that it may then take over and run the business of the corporate debtor. This the successful resolution applicant does on a fresh slate, as has been pointed out by us hereinabove. For these reasons, NCLAT judgment must also be set aside on this count.*
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> *xxx xxx xxx xxx*
>
> *155. So far as Dakshin Gujarat Vij Co. (Respondent 11 in Civil Appeal Diary No. 24417 of 2019), State Tax Officer (Respondent 12 in Civil Appeal Diary No. 24417 of 2019), Gujarat Energy Transmission Corporation Ltd. (Respondent 17 in Civil Appeal Diary No. 24417 of 2019) and Indian Oil Corporation Ltd. (Respondent 18 in Civil Appeal Diary No. 24417 of 2019) are concerned, the resolution professional admitted the claim of the abovementioned respondents notionally at INR 1 on the ground that there were disputes pending before various authorities in respect of the said amounts. However, NCLT through its judgment dated 8-3-2019 [Resolution Professional v. Essar Steel (India) Ltd., 2019 SCC OnLine NCLAT 750] directed the resolution professional to register the entire claim of the said respondents. NCLAT in paras 44, 45 and 201 of the impugned judgment upheld [Standard Chartered Bank v. Satish Kumar Gupta, 2019 SCC OnLine NCLAT 388] the order passed [Resolution Professional v. Essar Steel (India) Ltd., 2019 SCC OnLine NCLAT 750] by NCLT as aforesaid and admitted the claim of the*

abovementioned respondents. We therefore hold that this part of the impugned judgment deserves to be set aside on the ground that the resolution professional was correct in only admitting the claim at a notional value of INR 1 due to the pendency of disputes with regard to these claims."

17. Learned senior counsel further stated that on 3rd February 2018, the Appellant-SRA tendered its Resolution Plan. He drew attention to Clause 6.1 of the approved Resolution Plan which categorically stipulated that since the liquidation value was NIL, there was no obligation to make any payment to Operational Creditors. He emphasised, however, that notwithstanding such stipulation, the Approved Resolution Plan, under Clause 8.2.2, nonetheless provided for an Operational Creditors Settlement Amount of Rupees Twelve Hundred Crore (₹12,00,00,00,000/-). Of this, Rupees One Thousand Crore (₹10,00,00,00,000/-) was earmarked for essential and critical Operational Creditors, while the remaining Rupees Two Hundred Crore (₹2,00,00,00,000/-) was allocated for distribution on a pro-rata basis among other Operational Creditors whose claims had been admitted. Clauses 6.1 and 8.2.2 of the approved Resolution Plan are extracted hereinbelow:

*"**6.1. Overview***

Based on the information provided by the Resolution Professional, Tata Steel understands that:

6.1.1. The Resolution Debt Amount is ₹ 57,160 Crore.
6.1.2. The total Outstanding Financial Debt of the Company admitted as of February 1, 2018, is ₹ 5,60,51,46,40,323 (Indian Rupees Fifty Six Thousand and Fifty One Crore Forty Six Lakh Forty Thousand Three Hundred and Twenty Three), and details of the same are set out in Annexure 7 of this Plan.
6.1.3. The total Outstanding Operational Debt of the Company (excluding claims of workmen and employees and Other Creditors) verified and admitted amount, as of January 8, 2018, is ₹ 10,50,88,68,566 (Indian Rupees One Thousand Fifty Crore Eighty Eight Lakh Sixty Eight Thousand Five Hundred and Sixty Six), and details of the same are set out in Annexure 8 of this Plan.

6.1.4. The total Outstanding Operational Debt of the Company to its workmen and employees, admitted as of January 8, 2018, is ₹ 27,00,000 (Indian Rupees Twenty Seven Lakhs) ("Outstanding Employees Dues"), and details of the same are set out in Annexure 8 of this Plan.
6.1.5. The Liquidation Value of the Company is ₹ 1,45,41,00,00,000 (Indian Rupees Fourteen Thousand Five Hundred and Forty One Crores).

xxx *xxx* *xxx*

8.2.2. ***Amounts to be paid to Operational Creditors pursuant to this Plan.***

(i) As per the Information Memorandum, the Liquidation Value of the Company is less than the Outstanding Financial Debt and therefore the Liquidation Value available to Operational Creditors is ***NIL****. Accordingly, no amounts are due to be paid to the Operational Creditors.*

(ii) Pursuant to the terms of the Plan, the following amounts are proposed to be paid to certain Operational Creditors, even though no such amounts are due and payable to such Operational Creditors under the IBC:

- *(a) The Outstanding Employees Dues shall be paid to the employees and workmen on the Closing Date; and*
- *(b) an amount equivalent to ₹ 200 crores shall be paid to the Operational Creditors (excluding Related Party Creditors and Operational Creditors being employees and workmen) on a pro rata basis within 12 (twelve) months from the Closing Date.*

(iii) In addition to (ii) above, the Resolution Applicant, based on the criticality vis-a-vis the continued business viability of the Company, proposes to pay the following Operational Creditors as stated below within 12 months from the Closing Date:

Category of Operational Creditors	***Amount to be paid within 12 months from the Closing Date.***
Capital and Sundry Trade Creditors	*₹ 1,000 crore#*
Related Party Creditors	*NIL*
Statutory Creditors	*NIL*
Employees and Workmen	*NIL*
Total	*₹ 1,000 Crores*

#It is clarified that the Resolution Applicant shall pay the above mentioned amount at its discretion, to be exercised based on the following criteria:

- *(A) Those required to complete the existing capital projects of the Company or those who may be required during the growth projects of the Company.*

> *(B) Those who are supplying essential and critical goods and services and are critical for the continued business viability of the Company;*
> *(C) Those who are involved with critical operations and maintenance of the company.*
>
> *(iv) It is clarified that the amounts proposed to be paid to the Capital Creditors, Sundry Trade Creditors, Statutory Creditors, and the employees and workmen forming part of the Operational Creditors, shall be paid by the Resolution Applicant only to the extent of valid claim amounts.*
> *(v) The aggregate amount to be paid to the Operational Creditors (excluding Operational Creditors being employees and workmen and Related Party Creditors) based on the details set out in this Section is ₹ 1,200 crore (Indian Rupees One Thousand Two Hundred Crore) (**"Operational Creditors Settlement Amount"**).*
> *(vi) If any further claims of Operational Creditors (other than employees and workmen), relating to the period prior to the Effective Date, arise and/or are made and/or are admitted, prior to approval of this Plan by the Adjudicating Authority, then the Operational Creditors Settlement Amount shall remain unaltered and shall be paid to the relevant Operational Creditors as specified above (whose claims have been admitted by the Resolution Professional, including those set out in **Annexure 8**) in accordance with the terms set out hereinabove"*

18. He pointed out that Clause 8.2.2(ii) of the Approved Resolution Plan expressly stipulated that the Operational Creditors Settlement Amount was to be disbursed to '*certain'* Operational Creditors on pro-rata basis within a period of twelve (12) months from the closing date i.e. 15th May 2018. He stated that the List of Creditors compiled up to 20th March 2018 attained finality as the '*Final List of Creditors*'. He emphasised that this Final List of Creditors did not incorporate any note that the liability was contingent upon the outcome of pending proceedings.

19. He submitted that in any event, the List of Creditors serves merely as information for prospective Resolution Applicants. He argued that incorporation of

disputed claims was entirely within the discretion of the Appellant-SRA, who had consciously elected not to allocate any payment towards claims that were *sub-judice*. He underscored that such treatment of disputed claims was duly approved by the Committee of Creditors, whose commercial wisdom is final and binding. In support of this submission, reliance was placed on the judgment of this Court in ***Uttar Pradesh Power Corporation Ltd. and Another v. Bhushan Steels and Strips Ltd., 2025 SCC OnLine SC 2275***.

20. He further drew attention to Clause 8.2.4 read with Clause 8.6.10 of the Approved Resolution Plan which specifically provided the treatment of claims pending adjudication. He submitted that Clauses 8.2.2, 8.2.4 and 8.6.10, read conjointly, categorically provided that, in law, the Appellant-SRA was under no obligation to discharge any *sub-judice* claims beyond the amounts payable under the Operational Creditors Settlement Amount. He stated that it was an admitted position that the Appellant-SRA had duly disbursed the Operational Creditors Settlement Amount within twelve (12) months from the closing date. Relevant portion of Clauses 8.2.4 and 8.6.10 of the Approved Resolution Plan are extracted hereinbelow:

> ***"8.2.4. Treatment of Claims by Operational Creditors on Matters that are Sub Judice***
> *Tata Steel understands that in addition to the list of claims in Annexure 9 and Annexure 10, there are claims submitted by certain persons (including Operational Creditors), including but not limited to the claims set out in Annexure 12 hereto, relating to matters which are sub judice before various judicial forums. The matters set out in Annexures 9, 10, and 12 (and the corresponding claims against the Company), together with all other monetary claims against the Company which may be pending or sub judice before any forum as on the Effective Date (whether or not such claims are included in the list of claims of Operational Creditors as set out in*

Annexures 9, 10 and 12, and, including but not limited to any proceedings in relation to Taxes initiated against the Company), are collectively the "Sub Judice Claims". Each such Sub Judice Claim, is a "claim" and "debt" each as defined under the IBC, and would consequently qualify as "operational debt" (as defined under the IBC) and therefore the full amount of such Sub Judice Claims shall be deemed to be owed and due as of the Insolvency Commencement Date, the Liquidation Value of which is NIL and therefore no amount is payable in relation thereto other than the payment of Operational Creditors Settlement Amount as set out herein.

xxx *xxx* *xxx*

8.6.10 ***Effect on Operational Creditors and Other Creditors***

(i) Except to the extent of the Operational Creditors Settlement Amount proposed to be paid (without an obligation to pay) payable to the relevant Operational Creditors in accordance with the terms of Section 8.2.2, the Company shall have no Liability towards any Operational Creditors and Other Creditors with regard to any claims (as defined under the IBC) relating in any manner to the period prior to the Effective Date (whether under ***Annexures 8, 9, 10, 11, 12*** *or otherwise). Any such Liability shall be deemed to be owed and due as of the Insolvency Commencement Date, the Liquidation Value of which is NIL and therefore no amount is payable in relation thereto. All such Liabilities shall immediately, irrevocably and unconditionally stand fully and finally discharged and settled with there being no further claims whatsoever, and all forms of security created or suffered to exist, or rights to create such a security, to secure any obligations towards the Operational Creditors and Other Creditors whether by way of guarantee, bank guarantee, letters of credit or otherwise) shall immediately, irrevocably and unconditionally stand released and discharged, and the Operational Creditors and Other Creditors shall waive all rights to invoke or enforce the same. In accordance with the foregoing, all claims (whether final or contingent, whether disputed or undisputed, and whether or not notified to or claimed against the Company) of all Governmental Authorities (including in relation to Taxes, and all other dues and statutory payments to any Governmental Authority), relating to the period prior to the Effective Date, shall stand fully and finally discharged and settled.*

(ii) Any and all legal proceedings (including any notice, show cause, adjudication proceedings, assessment proceedings, regulatory orders, etc.) initiated before any forum by or on behalf of any Operational Creditor (whether under ***Annexures 8, 9, 10, 11, 12*** *or otherwise, and including Governmental Authorities) or any Other Creditors to enforce any rights or claims against the Company shall immediately, irrevocably and unconditionally stand withdrawn, abated, settled and/or extinguished, and the Operational Creditors and Other Creditors shall take all necessary steps to ensure the same. Except to the extent of the Operational Creditors Settlement Amount payable to the relevant Operational Creditors in accordance with the terms of Section 8.2.2, the Operational Creditors of the Company (whether under* ***Annexures 8, 9, 10, 11, 12*** *or otherwise, and including Governmental Authorities) and Other Creditors shall have no further rights or claims against the Company (including but not limited to,*

> *in relation to any past breaches by the Company, in respect of the period prior to the Effective Date, and all such claims shall immediately, irrevocably and unconditionally stand extinguished."*

21. Learned senior counsel emphasised that Clause 8.6.10(ii) of the Approved Resolution Plan specifically barred the continuation of any legal proceedings, including those involving *sub-judice* claims, insofar as they pertained to the period prior to approval of the Resolution Plan. He submitted that the Resolution Plan must be construed as an integrated whole and cannot be read in a piecemeal manner to suit the interpretation advanced by the Respondents.

22. He further submitted that sub-classification among Creditors is permissible, as affirmed by this Court in ***Essar Steel*** (supra) and ***Kalyani Transco vs. Bhushan Power and Steel Limited and Others, 2025 SCC Online SC 2093***. Relevant portion of the judgment in ***Kalyani Transco*** (supra) is reproduced hereinbelow:

> *"179. It can thus be seen that this court has held that the Legislature purposefully did not include a means to challenge the commercial wisdom exercised by the CoC. This makes a challenge to the same non-justiciable. It has been further held that a challenge cannot be raised against the decision making of the CoC unless and until the grounds for challenge as given in the Code are satisfied. Any interference in the paramount objective of the CoC of exercising its commercial wisdom would amount to the court rewriting the law and going against the very objectives of the IBC.*
>
> *180. We are therefore of the opinion that in the present matter as well, the CoC exercised its commercial wisdom while approving the resolution plan whereby the appellant-Jaldhi was classified as a contingent creditor and such a decision is deemed to be non-justiciable by this court in view of K. Sashidhar v. Indian Overseas Bank [(2019) 213 Comp Cas 356 (SC); (2019) 12 SCC 150; (2019) 4 SCC (Civ) 222; 2019 SCC OnLine SC 257.] , which has been subsequently followed in a catena of judgments. The NCLT, and the NCLAT have also approved the resolution plan, and in light of the settled principle of law, we find no question of law being raised by the appellant-Jaldhi and therefore, the appeal filed by it is liable to be dismissed.*"

23. Learned senior counsel further contended that Intervenor-Masyc had earlier challenged the treatment of its claims and the Approved Resolution Plan, but such

challenge was dismissed as withdrawn by Order dated 25th October 2018 passed by the NCLT. He pointed out that the said Order was never assailed thereafter and consequently, Intervenor-Masyc cannot now, in an indirect manner, seek to reopen or question either the commercial wisdom of the Committee of Creditors or the validity of the Approved Resolution Plan, as is sought to be done in the present Appeals.

24. He strongly urged that, in view of the '*clean slate*' doctrine, a Corporate Debtor cannot be burdened with undecided or unresolved claims once the Resolution Plan has been approved. He relied upon the decision of this Court in ***Ghanashyam Mishra & Sons Pvt. Ltd. vs. Edelweiss Asset Reconstruction Co. Ltd. (2021) 9 SCC 657***, wherein it was categorically held that upon approval of the Resolution Plan, all claims not forming part thereof stand extinguished and no person is thereafter entitled to initiate or continue any proceeding in respect of a claim excluded from the Plan. The relevant paragraphs of the judgment in ***Ghanshyam Mishra*** (supra) are reproduced hereinbelow:

> "*93. As discussed hereinabove, one of the principal objects of the I&B Code is providing for revival of the corporate debtor and to make it a going concern. The I&B Code is a complete Code in itself. Upon admission of petition under Section 7 there are various important duties and functions entrusted to RP and CoC. RP is required to issue a publication inviting claims from all the stakeholders. He is required to collate the said information and submit necessary details in the information memorandum. The resolution applicants submit their plans on the basis of the details provided in the information memorandum. The resolution plans undergo deep scrutiny by RP as well as CoC. In the negotiations that may be held between CoC and the resolution applicant, various modifications may be made so as to ensure that while paying part of the dues of financial creditors as well as operational creditors and other stakeholders, the corporate debtor is revived and is made an on-going concern. After CoC approves the plan, the adjudicating authority is required to arrive at a subjective satisfaction that the plan conforms to the requirements as are provided in sub-section (2) of Section 30 of the I&B Code. Only*

thereafter, the adjudicating authority can grant its approval to the plan. It is at this stage that the plan becomes binding on the corporate debtor, its employees, members, creditors, guarantors and other stakeholders involved in the resolution plan. The legislative intent behind this is to freeze all the claims so that the resolution applicant starts on a clean slate and is not flung with any surprise claims. If that is permitted, the very calculations on the basis of which the resolution applicant submits its plans would go haywire and the plan would be unworkable.

xxx xxx xxx xxx

102. ....

102.1. That once a resolution plan is duly approved by the adjudicating authority under sub-section (1) of Section 31, the claims as provided in the resolution plan shall stand frozen and will be binding on the corporate debtor and its employees, members, creditors, including the Central Government, any State Government or any local authority, guarantors and other stakeholders. On the date of approval of resolution plan by the adjudicating authority, all such claims, which are not a part of resolution plan, shall stand extinguished and no person will be entitled to initiate or continue any proceedings in respect to a claim, which is not part of the resolution plan.

102.2. The 2019 Amendment to Section 31 of the I&B Code is clarificatory and declaratory in nature and therefore will be effective from the date on which the I&B Code has come into effect.

102.3. Consequently all the dues including the statutory dues owed to the Central Government, any State Government or any local authority, if not part of the resolution plan, shall stand extinguished and no proceedings in respect of such dues for the period prior to the date on which the adjudicating authority grants its approval under Section 31 could be continued."

25. Learned senior counsel further submitted that once the Adjudicating Authority approves a Resolution Plan under Section 31(1) of the Code, the claims provided for therein stand frozen and become binding upon the Corporate Debtor as well as all stakeholders.

26. He lastly contended that the continuation of proceedings against the Appellant-SRA, despite approval of the Resolution Plan, militates against the doctrine of '*clean slate*'. According to him, since the claims of Respondent No.1-Varsha and Intervenor-Masyc had been duly addressed under the Resolution Plan, proceedings before various fora could not be permitted to continue thereafter.

ARGUMENTS ON BEHALF OF RESPONDENT NO.1-VARSHA

27. Mr. Garvesh Kabra, learned counsel appearing for Respondent No.1-Varsha submitted that the Appellant-SRA procured approval of the Resolution Plan by perpetrating serious fraud and misleading both the Resolution Professional and the NCLT. He argued that under the scheme of the Code, the Resolution Professional alone is entrusted with the duty to collect, collate and verify claims. The List of Operational Creditors prepared under Regulation 13 and incorporated into the Information Memorandum constituted the very foundation of the Resolution Plan. He contended that the Successful Resolution Applicant had no authority to alter, suppress or selectively adopt a verified claim. He pointed out that Note 3 of the Interim List of Operational Creditors dated 17th March 2018 expressly recorded that *sub-judice* claims were admitted subject to adjudication. However, in the Final List dated 20th March 2018, the Appellant-SRA deliberately omitted Note 3. Such alteration, he argued, violated Respondent No.1-Varsha's legitimate rights and amounted to '*an egregious breach of the Code*'.

28. According to the learned counsel, the issue at hand was not one of interpretation but of a clear violation of statutory process. He contended that the Appellant-SRA was bound to base its Resolution Plan on verified claims maintained by the Resolution Professional and any selective incorporation or omission struck at the root of Sections 18 and 25 of the Code as well as Regulations 13 and 36. Such manipulation, he argued, rendered the plan non-compliant with Section 30(2)(e) of the Code.

29. He further highlighted that the Resolution Plan earmarked Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) for Operational Creditors against admitted claims of Rupees One Thousand Fifty Crore Eighty-Eight Lakh Sixty-Eight Thousand Five and Hundred Sixty-Six only (₹1,050,88,68,566/-), thereby leaving a surplus of Rupees One Hundred Forty-Nine Crore Eleven Lakh only (₹1,49,11,00,000/-). This surplus, he argued, ought to have been placed in escrow for satisfaction of *sub-judice* claims upon adjudication by the appropriate forum.

30. He submitted that the '*clean slate*' theory presupposes legality of the Resolution Plan. Since the Plan was vitiated by manipulation, its binding nature could not be invoked to defeat Respondent No.1-Varsha's legitimate claims.

31. He contended that this was a fit case for recall of the NCLT's Order dated 15th May 2018 approving the Resolution Plan, by exercise of inherent powers, under Rule 11 of the NCLT Rules. In support of his contention, he relied upon the judgment of this Court in ***Greater Noida Industrial Development Authority vs. Prabhjit Singh Soni & Anr., (2024) 6 SCC 767***.

32. He emphasised that allowing the present Appeals would set a dangerous precedent enabling Corporate Debtors to raise disputes with Operational Creditors during insolvency proceedings and, thereafter, deny their claims on the ground of being *sub-judice*, thereby resulting in a travesty of justice.

ARGUMENTS ON BEHALF OF INTERVENOR-MASYC

33. Mr. Neeraj Kishan Kaul, learned senior counsel for the Intervenor-Masyc, submitted that the arguments of the Appellant-SRA essentially rested upon the

'*clean slate*' theory. He contended, however, that the Resolution Plan itself contained an express carve-out protecting *sub-judice* claims from extinguishment. He pointed out that Clause 8.7.3(i) of the Resolution Plan, dealing with '*Extinguishment and Waiver of Other Claims & Liabilities*', explicitly provided that all claims and obligations relating to the period prior to the closing date stood extinguished, save those set out in Annexures 8, 9, 10, 11 and 12. Since the Intervenor-Masyc's claims were specifically recorded in Annexure 10 (*sub-judice* claims) and Annexure 8 (Operational Creditor claims), he argued that such claims did not stand extinguished upon approval of the Plan. Clause 8.7.3(i) of the Resolution Plan is extracted hereinbelow:-

> "***8.7.3. Extinguishment and Waiver of Claims & Liabilities***
>
> *(i) Extinguishment and Waiver of Other Claims & Liabilities: The Resolution Applicant does not have any knowledge of any liabilities or claims against the Company other than those set out in* ***Annexures 8, 9, 10, 11 and 12****. Accordingly, other than the obligations, claims and liabilities set out in* ***Annexures 8, 9, 10, 11 and 12****; (i) all obligations, claims and Liabilities (whether final or contingent, whether disputed or undisputed, and whether or not notified to or claimed against the Company) of the Company; (ii) all outstanding disputes or legal proceedings against the Company; and (iii) all rights or claims of any person against the Company; in each case, relating to the period prior to the Closing Date, shall immediately, irrevocably and unconditionally stand extinguished, waived, withdrawn and abated on and from the Closing Date, and no person shall have any further rights or claims against the Company in this regard.*"

34. He further submitted that Clauses 8.6.10(ii) and 8.2.4 did not extinguish *sub-judice* claims, inasmuch as, Clause 8.6.10(ii) provided that legal proceedings stood withdrawn, abated, settled and/or extinguished, except to the extent of the Operational Creditors Settlement Amount payable under Clause 8.2.2. Clause 8.2.4 dealing with treatment of claims of Operational Creditors on matters *sub-judice* incorporated a carve-out by stipulating that no amount was payable '*other than the*

payment of Operational Creditors Settlement Amount as set out herein', necessarily referring to Clause 8.2.2 which earmarked Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) for Operational Creditors.

35. He emphasised that Section 3(6)(a) of the Code defines '*claim*' broadly to include '*a right to payment, whether or not such right is reduced to a judgment, fixed, disputed, undisputed, legal, equitable, secured or unsecured*'. Thus, even uncrystallised rights fall within the ambit of a claim.

36. He argued that abatement of proceedings was expressly conditional upon settlement of claims from the Operational Creditors Settlement Amount. He stated that proceedings could not be extinguished while underlying claims remained unpaid and uncrystallised.

37. He contended that the Appellant-SRA consciously adopted the Resolution Professional's notional value of Rupee One (₹1), thereby preserving pending litigation from extinguishment. He pointed out that the Interim List of Creditors dated 17th January 2018 verified Intervenor-Masyc's claim at a notional value of Rupee One (₹1) and appended Note 3, recording that liability was subject to the outcome of ongoing proceedings. In the Final List of Creditors, the claim was again admitted at Rupee One (₹1) with a note stating that *'claims which are subject to disputes pending before various authorities have been verified with a notional amount of INR 1'*. He submitted that the Appellant-SRA with full knowledge of these notes could have rejected *sub-judice* claims or treated the notional value as extinguished, but chose not to. By drafting Clause 8.2.4 and carving out Annexures

8 and 10 under Clause 8.7.3(i) the Appellant-SRA consciously preserved pending litigations.

38. He contended that the Intervenor-Masyc was entitled to payment from Rupees Two Hundred Crore Only (₹2,00,00,00,000/-) earmarked under Clause 8.2.2 for Operational Creditors (excluding related parties and employees/workmen), including those with *sub-judice* claims. He argued that Clause 8.2.2 was not confined to undisputed claims. He stated that the voluntary earmarking of Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) as the Operational Creditors Settlement Amount was a commercial decision aimed at making the Plan more comprehensive and attractive to the Committee of Creditors.

39. He pointed out that the NCLT by order dated 15th May 2018 approved the Resolution Plan and the NCLAT by Order dated 10th August 2018 dismissed the Appeal, specifically recording the statement that the Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) pool was payable to all Operational Creditors without qualification. He contended that earmarking this amount demonstrated clear intent to pay and that the Appellant-SRA voluntarily committed the amount to secure overwhelming approval (99.80%) of the Committee of Creditors and NCLT sanction.

40. He argued that having obtained control of the Corporate Debtor on the strength of a Plan expressly providing for *sub-judice* claims, the Appellant-SRA could not now contend that such claims stood extinguished. This, he submitted, amounted to approbation and reprobation.

41. He submitted that under Section 31(1) of the Code, the Resolution Plan, including obligations to settle *sub-judice* claims from the Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) fund, was binding on the Appellant-SRA.

42. He stated that the Appellant-SRA was reneging on its obligation to pay by contending that adjudication could not be concluded within twelve (12) months. However, it was the Appellant-SRA who chose to include *sub-judice* Creditors without providing any mechanism for interim treatment. Invoking the principle of *contra proferentem*, he argued that ambiguity in drafting must be resolved against the drafter. The Appellant-SRA could have drafted the one year clause to expressly limit eligibility to crystallised claims, but having failed to do so, cannot now rely on its own drafting lacunae to defeat Intervenor-Masyc's claim.

43. He argued that a harmonious reading of the Resolution Plan demonstrated that the obligation to settle *sub-judice* claims within one year was satisfied by computing pro-rata shares and ring-fencing the designated reserve, not necessarily by immediate disbursement.

44. He submitted that a '*face value reservation mechanism*' ought to have been adopted to reconcile the plain language of the Resolution Plan with the interests of all Operational Creditors. He explained that computation should have been based on the face value of each *sub-judice* claim, with the corresponding pro-rata share ring-fenced in a designated account pending adjudication. Surplus amounts, if any, could then be redistributed among other creditors.

45. He added that if the crystallised award was less than the reserved share, the surplus could be redistributed, thereby ensuring no wastage and protecting all interests.

46. He pointed out that the Appellant-SRA's own conduct undermined its interpretation of Clause 8.2.2, as it sought dismissal of arbitration proceedings even before expiry of the twelve (12) month period.

47. He contended that continuation of arbitral proceedings did not violate the '*clean slate*' doctrine, since the claims were known, recorded and preserved in the Resolution Plan. The doctrine, he argued, was intended to protect against surprise claims, not those expressly carved out.

48. He further argued that the '*clean slate*' doctrine could not override the Resolution Plan which expressly provided for continuation of certain litigations through Clause 8.7.3(i) and Clause 8.2.4. He noted that the Appellant-SRA had not challenged the Sole Arbitrator's Order dated 12th January 2019 rejecting its application under Section 16 of the Arbitration and Conciliation Act, 1996.

49. He emphasised that the Code was not intended to serve as a statutory shield for unjust enrichment. He stated that the Intervenor-Masyc, being a Micro, Small and Medium Enterprise ('MSME'), had supplied critical capital infrastructure to the Corporate Debtor, who continues to enjoy the same under the management of the Appellant-SRA while bypassing the Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) settlement fund. This, he argued, amounted to unjust enrichment.

50. He concluded that the Code was designed to facilitate corporate resolution, not to operate as a legal guillotine arbitrarily severing pending claims of MSMEs who bore the brunt of insolvency.

REASONING

PROPOSITIONS OF LAW APPLICABLE TO THIS CASE NOT IN DISPUTE

51. Upon hearing learned counsel for the parties, this Court is of the considered view that the propositions of law applicable to the present controversy are not in dispute. In ***JSW Steel Ltd. vs. Pratishtha Thakur Haritwal & Ors., (2025) 9 SCC 673***, this Court categorically held that '*all claims must be submitted to and decided by the resolution professional so that a prospective resolution applicant knows exactly what has to be paid in order that it may then take over and run the business of the corporate debtor.'* The parties are *ad idem* that the treatment of claims of Creditors must be prescribed in the Resolution Plan approved by the Committee of Creditors, whose commercial wisdom is non-justiciable. It is equally admitted that the Code has an overriding effect in the event of inconsistency with any other law for the time being in force and once a Resolution Plan is approved under Section 31(1) of the Code the claims therein stand frozen and are binding on all stakeholders, including the Corporate Debtor, its Creditors, the Governmental Authorities, Local Authorities, Employees and any other stakeholder[1]. Claims not

[1] *See: Ghanashyam Mishra and Sons Pvt. Ltd. through the Authorised Signatory vs. Edelweiss Asset Reconstruction Company Ltd. through the Director and Ors., (2021) 9 SCC 657, Principal Commissioner of Income Tax Vs. Monnet Ispat and Energy Ltd., (2018) 18 SCC 786 and Kalyani Transco vs. Bhushan Power and Steel Ltd. and Ors., 2025 SCC OnLine SC 2093*

incorporated in the Resolution Plan stand extinguished, withdrawn or abated, consistent with the legislative intent of enabling the Resolution Applicant to commence on a '*clean slate*', free from unforeseen liabilities. It is further undisputed that the jurisdiction of statutory authorities such as the NCLT and NCLAT is circumscribed by the Code and they cannot assume the role of a court of equity or exercise plenary powers[2].

OPERATIONAL CREDITORS LIST IN APPROVED PLAN IS FINAL

52. The admitted position is that the Final List of Operational Creditors prepared by the Resolution Professional was never challenged by Respondent No.1-Varsha. The Intervenor-Masyc did assail the treatment of its claims in the Approved Resolution Plan, but its challenge was dismissed as withdrawn by the NCLT on 25th October 2018. That Order was never impugned and has attained finality. Consequently, the Resolution Plan in the present Appeals is final and binding on all parties.

RESOLUTION PLAN NOT VITIATED BY MANIPULATION AND FRAUD

53. Although learned counsel for Respondent No.1-Varsha urged that the Resolution Plan was vitiated by manipulation and fraud in securing approval from the NCLT, relying upon ***Greater Noida Industrial Development Authority*** (supra), this Court finds the said allegation to be baseless inasmuch as it is the treatment of creditors under the Approved Resolution Plan which is determinative and binding.

[2] *See: K. Sashidhar vs. Indian Overseas Bank and Ors., (2019) 12 SCC 150*

This Court also finds that no application under Rule 11 of the NCLT Rules, 2016 has been filed till date. In the absence of such proceedings, allegations of fraud and manipulation cannot be entertained, particularly in an appeal preferred by the Successful Resolution Applicant. The aforesaid judgment, therefore, affords no assistance to the Operational Creditors.

VALUE OF ₹1 WAS NOT ASSIGNED TO KEEP THE CLAIMS ALIVE

54. Additionally, this Court also finds that the Final List of Operational Creditors dated 20th March 2018 did not contain Note 3 which had been appended to the Interim List dated 17th January 2018. Instead, Note 2 to the Final List stipulated that '*claims which are subject to disputes pending before various authorities have been verified with a notional amount of INR 1 only.'* By virtue of the deletion of Note 3 and incorporation of Note 2 to the Final List, the claims of Respondent No.1-Varsha and the Intervenor-Masyc stood altered from a '*notional*' Rupee One (₹1), subject to adjudication, into a '*quantified*' Rupee One (₹1) claim with apparent finality. Consequently, the argument of the Intervenor-Masyc that the assignment of value of Rupee One (₹1) was intended, in the present Appeals, to keep its claim alive pending litigation is contrary to the Resolution Plan.

₹ 200 CRORE WAS AVAILABLE FOR QUANTIFIED CLAIMS

55. This Court is further of the view that no Resolution Plan can succeed if uncertain or unquantified claims are permitted to linger and resurface against the Successful Resolution Applicant years after approval. Such a situation would be akin to a hydra-headed recurrence and is antithetical to the '*clean slate*' principle.

56. Moreover, as rightly submitted by learned counsel for the Appellant-SRA while the Resolution Professional is the author of the List of Creditors, the treatment of claims must conform to the Approved Resolution Plan prepared by the Successful Resolution Applicant. In the present case, the Appellant-SRA was informed that the total verified and admitted claims of Operational Creditors as on 20th March 2018 aggregated approximately Rupees One Thousand Four Hundred Twenty-Two Crore only (₹14,22,00,00,000/-), with the claims of Respondent No.1-Varsha and the Intervenor-Masyc quantified at Rupee One (₹1) each. The Appellant-SRA, in its Resolution Plan, expressly stated that since there was no surplus and the liquidation value was NIL, there was no legal obligation to pay any amount to Operational Creditors. Nevertheless, the Appellant-SRA provided a corpus of Rupees Twelve Hundred Crore only (₹12,00,00,00,000/-) (upper limit) against claims of Rupees One Thousand Four Hundred Twenty-Two Crore only (₹14,22,00,00,000/-) to be distributed in accordance with Clause 8.2.2. To place matters beyond controversy, Clause 8.2.4 clarifies that since the liquidation value of the Corporate Debtor is NIL, no amount is payable in respect of *sub-judice* claims, save for the Operational Creditors Settlement Amount as set out therein. Further, Clause 8.2.2(ii) mandates that the settlement amount be paid to '*certain*' Operational Creditors on a pro-rata basis within twelve (12) months from the closing date i.e. 18th May 2018. Consequently, only Rupees Two hundred Crore only (₹2,00,00,00,000/-) was available for payment to Operational Creditors like the Respondent No.1-Varsha and the Intervenor-Masyc on a pro-rata basis within

twelve (12) months and that too for claims crystallised and approved by the Committee of Creditors as on 20th March 2018.

PLAN PROVIDED FOR EXTINGUISHMENT OF ALL SUB-JUDICE CLAIMS

57. Additionally, Clauses 8.7.3 and 8.6.10 of the Resolution Plan unequivocally stipulate that all legal proceedings initiated by or on behalf of Operational Creditors, whether under Annexure 8 or Annexure 10 (which includes Respondent No.1-Varsha and the Intervenor-Masyc), '*shall immediately, irrevocably and unconditionally stand withdrawn, abated, settled and/or extinguished.'* Further, except to the extent of amounts payable under Clause 8.2.2, Operational Creditors shall have no rights or claims against the Corporate Debtor in respect of the period prior to the effective date i.e. 15th May 2018, when the NCLT approved the Resolution Plan. Consequently, the Resolution Plan read in its entirety did not provide for an express carve-out protecting *sub-judice* claims from extinguishment. On the contrary, all such claims stood extinguished.

58. Regulation 12(2) of the CIRP Regulations, as applicable at the relevant time, permitted Operational Creditors to file claims only until the date of approval of the Resolution Plan by the Committee of Creditors. This Court holds that Regulation 12(2), as it then stood, requires that the Corporate Debtor's liability towards Operational Creditors be crystallised and quantified by that date. The Resolution Professional accordingly prepared the Final List of Creditors as on 20th March 2018 which was duly intimated to the NCLT. Clause 8.2.2(vi) fortifies this position by providing that claims verified and admitted prior to approval of the Plan by the

NCLT (15th May 2018) would not alter the Operational Creditors Settlement Amount. Consequently, any subsequent increase in verified claims would disrupt the pro-rata distribution already effected as on date.

NEITHER THE 'FACE VALUE RESERVATION MECHANISM' NOR THE PRINCIPLE OF CONTRA PROFERENTEM IS APPLICABLE

59. This Court is further of the opinion that there is no ambiguity in the Resolution Plan prepared by the Appellant-SRA. Consequently, neither the principle of *contra proferentem* is applicable to the present case nor the Intervenor-Masyc's '*face value reservation mechanism*' has any relevance, particularly when the Resolution Plan is not under challenge.

60. This Court concurs with the submission of learned counsel for the Appellant-SRA that it would be illogical and commercially unsound for an approved Resolution Plan to prescribe a twelve (12) months payment timeline for certain Operational Creditors, while simultaneously permitting indeterminate claims to remain pending until crystallisation. Such an interpretation would undermine both the terms of the Resolution Plan and the '*clean slate*' as well as *'fresh start'* principles underlying the Code.

CONCLUSION

61. Consequently, upon a harmonious reading of the Resolution Plan, this Court is of the opinion that all legal proceedings, including arbitration and civil suits which had not culminated in determinable, quantifiable claims by the date of approval of the Resolution Plan by the NCLT stand abated, extinguished, waived

or withdrawn. Only crystallised claims as on the effective date (i.e. 18th May 2018) are payable on a pro-rata basis. Accordingly, no amount beyond Rupee One (₹1) each was payable to Respondent No.1-Varsha and the Intervenor-Masyc, whose pending arbitration and civil proceedings stood abated/waived/ extinguished/withdrawn upon approval of the Resolution Plan.

AN AFTERWORD

62. Before parting with the matter, this Court would like to observe that it is of the considered view that the present cases underscore the impact of the Code on small operational creditors such as MSMEs. There can be no doubt that the Code marks a substantial improvement over the regime under the Sick Industrial Companies (Special Provisions) Act, 1985, which followed a debtor-in-possession model and was often susceptible to misuse by promoters. While the distinction between financial creditors and operational creditors has been upheld in ***Swiss Ribbons Private Limited and Anr. v. Union of India & Ors., 2019 (4) SCC 17,*** as resting on an *'intelligible differentia'*, this Court is nevertheless of the view that the Code does not adequately account for the position of small operational creditors, including MSMEs and statutory local bodies, who stand significantly disenfranchised under the present framework by being placed at the bottom of the repayment waterfall.

63. Most such entities are ill-equipped to absorb even a minor financial setback and are therefore often compelled to adopt an aggressive and disruptive stance, as the facts of the present matters demonstrate. Since this issue lies within the

legislative domain, this Court observes that the Law Commission and the Legislature may usefully examine the matter to ensure a fair and balanced repayment mechanism alongside an efficient insolvency regime.

RELIEF

64. Keeping in view the law as it stands today and the aforesaid conclusions, the present Civil Appeals are allowed and the impugned Judgment and Orders passed by the Bombay High Court and Order dated 25th October 2018 passed in Regular Civil Suit No. 153/2011 are set aside. Further, the Suit for recovery filed by Respondent No.1-Varsha (Civil Suit No. 153/2011) pending before 13th Joint Civil Judge, Senior Division, Nagpur as well as arbitration proceedings initiated by Intervenor-Masyc are dismissed. Pending applications, if any, stand disposed of.

…….J.
[MANOJ MISRA]

…….J.
[MANMOHAN]

New Delhi;
July 17, 2026

2026 INSC 717

REPORTABLE

IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL Nos. 9052-9053 OF 2026
(Arising out of SLP(C) Nos. 24000-24001 OF 2026)
(@Diary No.36520 Of 2019)

M/S TATA STEEL LTD. ….. APPELLANT

VERSUS

VARSHA & ANR. ….RESPONDENTS

J U D G M E N T

MANMOHAN, J.

1. Delay condoned

2. Leave granted.

3. Present Civil Appeals have been filed by the Appellant-Successful Resolution Applicant ('**Appellant-SRA**') challenging the orders dated 28th March 2019 and 9th July 2019 passed by the High Court of Bombay, Nagpur Bench in ***W.P.(C) No.8620 of 2018*** and ***Miscellaneous Civil Application No. 649 of 2019***. By the said orders, the High Court dismissed the Writ Petition and Review Application filed by the Appellant-SRA and permitted the recovery suit being ***Civil Suit No. 153 of 2011*** filed by one of the Operational Creditors (Respondent No.1-Varsha), to proceed notwithstanding the approval of the Resolution Plan.

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Date: 2026.02.17 16:09:00 IST
Reason:

4. By order dated 27th August 2021, this Court permitted another Operational Creditor, Masyc Projects Private Limited ('**Intervenor-Masyc**') to address submissions confined to the limited issue as to whether the Operational Creditors may enforce claims for past dues by way of civil suit/arbitration, subsequent to approval of the Resolution Plan?

BRIEF FACTS

5. Prior to the initiation of Corporate Insolvency Resolution Process ('CIRP') against the corporate debtor, Bhushan Steel Limited ('BSL'), Respondent No.1-Varsha instituted a summary Civil Suit against BSL seeking recovery of Rupees Thirty-Eight Lakh Eighty-Nine Thousand Six Hundred Seventy-Four and Fourteen Paise only (₹38,89,674.14/-) together with interest at the rate of 18 per cent (18%) from date of institution of suit till realisation. The said summary suit was subsequently converted to ***Civil Suit No. 153 of 2011***.

6. Similarly, Intervenor-Masyc initiated six separate arbitral references before two independent arbitral tribunals in respect of goods engineered and supplied to BSL. The said arbitration proceedings remained pending as on the date of approval of the Resolution Plan.

7. During the pendency of the aforesaid Civil Suit and Arbitration proceedings, CIRP was initiated against BSL at the instance of State Bank of India. Both Respondent No.1-Varsha and Intervenor-Masyc submitted to the jurisdiction of Insolvency and Bankruptcy Code, 2016 ('Code') and lodged claim as Operational Creditors before the Interim Resolution Professional to the tune of Rupees Thirty-

Four Lakh Twenty-Seven Thousand Eight Hundred Ninety-Five only (₹34,27,895/-) and Rupees Thirty-One Crore Thirty Lakh Sixty-Seven Thousand and Three Hundred Fifty-Four only (₹31,30,67,354/-) respectively.

8. On 17th January 2018, the Resolution Professional compiled an Interim List of Creditors. In this list, the claims of Respondent No.1-Varsha and Intervenor–Masyc were admitted only at a notional value of Rupee One (₹1) each, though Respondent No.1-Varsha's claim was later modified to Rupees One Crore Sixty-Six Lakh Sixty-Six Thousand and Seven Hundred Seven only (₹1,66,66,707/-) upon inclusion of compound interest. Significantly, Note 3 appended to the Interim List of Creditors recorded that, '*Claims are subject to disputes pending before various authorities, and have been admitted/marked as verified with a notional amount of INR 1(Indian Rupee One only) and the liability is subject to the outcome of the ongoing proceedings.'*

9. On 3rd February 2018, the Appellant-SRA submitted its Resolution Plan on the basis of the Information Memorandum prepared by the Resolution Professional. Since claims of financial creditors exceeded the liquidation value, the Operational Creditors were held entitled to NIL payment. Nevertheless, the Appellant-SRA provided for an Operational Creditors Settlement Amount of Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) of which Rupees One Thousand Crore (₹10,00,00,00,000/-) was earmarked for essential and critical Operational Creditors and the balance Rupees Two Hundred Crore (₹2,00,00,00,000/-) was to be

distributed pro-rata among other Operational Creditors whose claims had been admitted.

10. On 20th March 2018, the Resolution Professional prepared the Final List of Creditors for claims received up to 20th March 2018 ('Final List of Creditors'). In this List, the claims of Respondent No.1-Varsha and Intervenor-Masyc were again admitted at the notional value of Rupee One (₹1) each. The aggregate claims of Operational Creditors stood at approximately Rupees One Thousand Four Hundred Twenty-Two Crore only (₹14,22,00,00,000/-). Notably, Note 3 appended to Interim List of Creditors was omitted and, in its place, Note 2 was appended, stating, '*Claims which are subject to disputes pending before various authorities have been verified with a notional amount of INR 1 (Indian Rupee One only).*'

11. On the same day, the Committee of Creditors approved the Resolution Plan submitted by the Appellant-SRA. By Order dated 15th May 2018, the National Company Law Tribunal ('NCLT') sanctioned the Resolution Plan of Appellant-SRA under Section 30 read with Section 31 of the Code. Appeals preferred by aggrieved parties were dismissed by the National Company Law Appellate Tribunal ('NCLAT') on 10th August 2018. Intervenor-Masyc's challenge to the treatment of its claim was dismissed as withdrawn by NCLT on 25th October 2018.

12. On 11th September 2018, the Appellant-SRA moved an application under Section 151 of the Code of Civil Procedure, 1908 ('CPC') seeking dismissal of the Civil Suit. The Trial Court rejected the application by Order dated 25th October 2018. Similarly, an application filed before the Sole Arbitrator seeking termination

of the arbitral proceedings initiated by Intervenor-Masyc was dismissed by Order dated 12th January 2019.

13. The Appellant-SRA thereafter filed ***W.P.(C) No. 8620 of 2018*** challenging the order dated 25th October 2018 passed by the Trial Court. The High Court of Bombay, Nagpur Bench, dismissed the Writ Petition by order dated 28th March 2019. A Review Petition filed by the Appellant-SRA met the same fate by Order dated 9th July 2019.

14. The Appellant-SRA also instituted ***CWP No. 37286 of 2019*** before the Punjab and Haryana High Court challenging the Order dated 12th January 2019 passed by the Sole Arbitrator. By Order dated 30th January 2020, the High Court dismissed the Writ Petition while directing that the final award shall not be pronounced without leave of the Court.

15. As noted hereinabove, Intervenor-Masyc filed an Intervention Application being ***I.A. No. 34503 of 2020*** before this Court contending that in the arbitral proceedings to which it is a party, a question of law substantially similar to that arising in the present Civil Appeals was likely to arise. This Court by Order dated 27th August 2021 allowed the said application.

ARGUMENTS ON BEHALF OF THE APPELLANT-SRA

16. Mr. Ramji Srinivasan, learned senior counsel appearing for the Appellant-SRA stated that in the present matters, the Resolution Professional had collated all claims which were disputed and pending adjudication before various fora. He pointed out that in the Interim List of Creditors dated 17th January 2018, the

Resolution Professional admitted the disputed claims of Respondent No.1-Varsha and Intervenor-Masyc at a notional value of Rupee One (₹1) each, in conformity with the judgment of this Court in ***Committee of Creditors of Essar Steel India Limited v. Satish Kumar Gupta and Others, (2020) 8 SCC 531***. In that decision, this Court upheld the practice of admitting claims at a notional value of Rupee One (₹1) where such claims were *sub-judice*. The relevant passages of ***Essar Steel*** (supra) are reproduced hereinbelow:

> *"107. For the same reason, the impugned NCLAT judgment [Standard Chartered Bank v. Satish Kumar Gupta, 2019 SCC OnLine NCLAT 388] in holding that claims that may exist apart from those decided on merits by the resolution professional and by the Adjudicating Authority/Appellate Tribunal can now be decided by an appropriate forum in terms of Section 60(6) of the Code, also militates against the rationale of Section 31 of the Code. A successful resolution applicant cannot suddenly be faced with "undecided" claims after the resolution plan submitted by him has been accepted as this would amount to a hydra head popping up which would throw into uncertainty amounts payable by a prospective resolution applicant who would successfully take over the business of the corporate debtor. All claims must be submitted to and decided by the resolution professional so that a prospective resolution applicant knows exactly what has to be paid in order that it may then take over and run the business of the corporate debtor. This the successful resolution applicant does on a fresh slate, as has been pointed out by us hereinabove. For these reasons, NCLAT judgment must also be set aside on this count.*
>
> *xxx xxx xxx xxx*
>
> *155. So far as Dakshin Gujarat Vij Co. (Respondent 11 in Civil Appeal Diary No. 24417 of 2019), State Tax Officer (Respondent 12 in Civil Appeal Diary No. 24417 of 2019), Gujarat Energy Transmission Corporation Ltd. (Respondent 17 in Civil Appeal Diary No. 24417 of 2019) and Indian Oil Corporation Ltd. (Respondent 18 in Civil Appeal Diary No. 24417 of 2019) are concerned, the resolution professional admitted the claim of the abovementioned respondents notionally at INR 1 on the ground that there were disputes pending before various authorities in respect of the said amounts. However, NCLT through its judgment dated 8-3-2019 [Resolution Professional v. Essar Steel (India) Ltd., 2019 SCC OnLine NCLAT 750] directed the resolution professional to register the entire claim of the said respondents. NCLAT in paras 44, 45 and 201 of the impugned judgment upheld [Standard Chartered Bank v. Satish Kumar Gupta, 2019 SCC OnLine NCLAT 388] the order passed [Resolution Professional v. Essar Steel (India) Ltd., 2019 SCC OnLine NCLAT 750] by NCLT as aforesaid and admitted the claim of the abovementioned respondents. We therefore hold that this part of the impugned judgment deserves to be set aside on the ground that the resolution professional was*

correct in only admitting the claim at a notional value of INR 1 due to the pendency of disputes with regard to these claims."

17. Learned senior counsel further stated that on 3rd February 2018, the Appellant-SRA tendered its Resolution Plan. He drew attention to Clause 6.1 of the approved Resolution Plan which categorically stipulated that since the liquidation value was NIL, there was no obligation to make any payment to Operational Creditors. He emphasised, however, that notwithstanding such stipulation, the Approved Resolution Plan, under Clause 8.2.2, nonetheless provided for an Operational Creditors Settlement Amount of Rupees Twelve Hundred Crore (₹12,00,00,00,000/-). Of this, Rupees One Thousand Crore (₹10,00,00,00,000/-) was earmarked for essential and critical Operational Creditors, while the remaining Rupees Two Hundred Crore (₹2,00,00,00,000/-) was allocated for distribution on a pro-rata basis among other Operational Creditors whose claims had been admitted. Clauses 6.1 and 8.2.2 of the approved Resolution Plan are extracted hereinbelow:

*"**6.1. Overview***

Based on the information provided by the Resolution Professional, Tata Steel understands that:

6.1.1. The Resolution Debt Amount is ₹ 57,160 Crore.
6.1.2. The total Outstanding Financial Debt of the Company admitted as of February 1, 2018, is ₹ 5,60,51,46,40,323 (Indian Rupees Fifty Six Thousand and Fifty One Crore Forty Six Lakh Forty Thousand Three Hundred and Twenty Three), and details of the same are set out in Annexure 7 of this Plan.
6.1.3. The total Outstanding Operational Debt of the Company (excluding claims of workmen and employees and Other Creditors) verified and admitted amount, as of January 8, 2018, is ₹ 10,50,88,68,566 (Indian Rupees One Thousand Fifty Crore Eighty Eight Lakh Sixty Eight Thousand Five Hundred and Sixty Six), and details of the same are set out in Annexure 8 of this Plan.
6.1.4. The total Outstanding Operational Debt of the Company to its workmen and employees, admitted as of January 8, 2018, is ₹ 27,00,000 (Indian Rupees Twenty

Seven Lakhs) ("Outstanding Employees Dues"), and details of the same are set out in Annexure 8 of this Plan.
6.1.5. The Liquidation Value of the Company is ₹ 1,45,41,00,00,000 (Indian Rupees Fourteen Thousand Five Hundred and Forty One Crores).

xxx *xxx* *xxx*

8.2.2. ***Amounts to be paid to Operational Creditors pursuant to this Plan.***

(i) As per the Information Memorandum, the Liquidation Value of the Company is less than the Outstanding Financial Debt and therefore the Liquidation Value available to Operational Creditors is ***NIL****. Accordingly, no amounts are due to be paid to the Operational Creditors.*

(ii) Pursuant to the terms of the Plan, the following amounts are proposed to be paid to certain Operational Creditors, even though no such amounts are due and payable to such Operational Creditors under the IBC:

- *(a) The Outstanding Employees Dues shall be paid to the employees and workmen on the Closing Date; and*
- *(b) an amount equivalent to ₹ 200 crores shall be paid to the Operational Creditors (excluding Related Party Creditors and Operational Creditors being employees and workmen) on a pro rata basis within 12 (twelve) months from the Closing Date.*

(iii) In addition to (ii) above, the Resolution Applicant, based on the criticality vis-a-vis the continued business viability of the Company, proposes to pay the following Operational Creditors as stated below within 12 months from the Closing Date:

Category of Operational Creditors	***Amount to be paid within 12 months from the Closing Date.***
Capital and Sundry Trade Creditors	*₹ 1,000 crore#*
Related Party Creditors	*NIL*
Statutory Creditors	*NIL*
Employees and Workmen	*NIL*
Total	*₹ 1,000 Crores*

#It is clarified that the Resolution Applicant shall pay the above mentioned amount at its discretion, to be exercised based on the following criteria:

- *(A) Those required to complete the existing capital projects of the Company or those who may be required during the growth projects of the Company.*
- *(B) Those who are supplying essential and critical goods and services and are critical for the continued business viability of the Company;*

> *(C) Those who are involved with critical operations and maintenance of the company.*
>
> *(iv) It is clarified that the amounts proposed to be paid to the Capital Creditors, Sundry Trade Creditors, Statutory Creditors, and the employees and workmen forming part of the Operational Creditors, shall be paid by the Resolution Applicant only to the extent of valid claim amounts.*
> *(v) The aggregate amount to be paid to the Operational Creditors (excluding Operational Creditors being employees and workmen and Related Party Creditors) based on the details set out in this Section is ₹ 1,200 crore (Indian Rupees One Thousand Two Hundred Crore) (**"Operational Creditors Settlement Amount"**).*
> *(vi) If any further claims of Operational Creditors (other than employees and workmen), relating to the period prior to the Effective Date, arise and/or are made and/or are admitted, prior to approval of this Plan by the Adjudicating Authority, then the Operational Creditors Settlement Amount shall remain unaltered and shall be paid to the relevant Operational Creditors as specified above (whose claims have been admitted by the Resolution Professional, including those set out in **Annexure 8**) in accordance with the terms set out hereinabove"*

18. He pointed out that Clause 8.2.2(ii) of the Approved Resolution Plan expressly stipulated that the Operational Creditors Settlement Amount was to be disbursed to '*certain'* Operational Creditors on pro-rata basis within a period of twelve (12) months from the closing date i.e. 15th May 2018. He stated that the List of Creditors compiled up to 20th March 2018 attained finality as the '*Final List of Creditors*'. He emphasised that this Final List of Creditors did not incorporate any note that the liability was contingent upon the outcome of pending proceedings.

19. He submitted that in any event, the List of Creditors serves merely as information for prospective Resolution Applicants. He argued that incorporation of disputed claims was entirely within the discretion of the Appellant-SRA, who had consciously elected not to allocate any payment towards claims that were *sub-*

judice. He underscored that such treatment of disputed claims was duly approved by the Committee of Creditors, whose commercial wisdom is final and binding. In support of this submission, reliance was placed on the judgment of this Court in ***Uttar Pradesh Power Corporation Ltd. and Another v. Bhushan Steels and Strips Ltd., 2025 SCC OnLine SC 2275***.

20. He further drew attention to Clause 8.2.4 read with Clause 8.6.10 of the Approved Resolution Plan which specifically provided the treatment of claims pending adjudication. He submitted that Clauses 8.2.2, 8.2.4 and 8.6.10, read conjointly, categorically provided that, in law, the Appellant-SRA was under no obligation to discharge any *sub-judice* claims beyond the amounts payable under the Operational Creditors Settlement Amount. He stated that it was an admitted position that the Appellant-SRA had duly disbursed the Operational Creditors Settlement Amount within twelve (12) months from the closing date. Relevant portion of Clauses 8.2.4 and 8.6.10 of the Approved Resolution Plan are extracted hereinbelow:

> ***"8.2.4. Treatment of Claims by Operational Creditors on Matters that are Sub Judice***
> *Tata Steel understands that in addition to the list of claims in Annexure 9 and Annexure 10, there are claims submitted by certain persons (including Operational Creditors), including but not limited to the claims set out in Annexure 12 hereto, relating to matters which are sub judice before various judicial forums. The matters set out in Annexures 9, 10, and 12 (and the corresponding claims against the Company), together with all other monetary claims against the Company which may be pending or sub judice before any forum as on the Effective Date (whether or not such claims are included in the list of claims of Operational Creditors as set out in Annexures 9, 10 and 12, and, including but not limited to any proceedings in relation to Taxes initiated against the Company), are collectively the "Sub Judice Claims". Each such Sub Judice Claim, is a "claim" and "debt" each as defined under the IBC, and would consequently qualify as "operational debt" (as defined under the IBC) and therefore the full amount of such Sub Judice Claims shall be deemed to be owed*

and due as of the Insolvency Commencement Date, the Liquidation Value of which is NIL and therefore no amount is payable in relation thereto other than the payment of Operational Creditors Settlement Amount as set out herein.

xxx *xxx* *xxx*

8.6.10 ***Effect on Operational Creditors and Other Creditors***

(i) Except to the extent of the Operational Creditors Settlement Amount proposed to be paid (without an obligation to pay) payable to the relevant Operational Creditors in accordance with the terms of Section 8.2.2, the Company shall have no Liability towards any Operational Creditors and Other Creditors with regard to any claims (as defined under the IBC) relating in any manner to the period prior to the Effective Date (whether under ***Annexures 8, 9, 10, 11, 12*** *or otherwise). Any such Liability shall be deemed to be owed and due as of the Insolvency Commencement Date, the Liquidation Value of which is NIL and therefore no amount is payable in relation thereto. All such Liabilities shall immediately, irrevocably and unconditionally stand fully and finally discharged and settled with there being no further claims whatsoever, and all forms of security created or suffered to exist, or rights to create such a security, to secure any obligations towards the Operational Creditors and Other Creditors whether by way of guarantee, bank guarantee, letters of credit or otherwise) shall immediately, irrevocably and unconditionally stand released and discharged, and the Operational Creditors and Other Creditors shall waive all rights to invoke or enforce the same. In accordance with the foregoing, all claims (whether final or contingent, whether disputed or undisputed, and whether or not notified to or claimed against the Company) of all Governmental Authorities (including in relation to Taxes, and all other dues and statutory payments to any Governmental Authority), relating to the period prior to the Effective Date, shall stand fully and finally discharged and settled.*

(ii) Any and all legal proceedings (including any notice, show cause, adjudication proceedings, assessment proceedings, regulatory orders, etc.) initiated before any forum by or on behalf of any Operational Creditor (whether under ***Annexures 8, 9, 10, 11, 12*** *or otherwise, and including Governmental Authorities) or any Other Creditors to enforce any rights or claims against the Company shall immediately, irrevocably and unconditionally stand withdrawn, abated, settled and/or extinguished, and the Operational Creditors and Other Creditors shall take all necessary steps to ensure the same. Except to the extent of the Operational Creditors Settlement Amount payable to the relevant Operational Creditors in accordance with the terms of Section 8.2.2, the Operational Creditors of the Company (whether under* ***Annexures 8, 9, 10, 11, 12*** *or otherwise, and including Governmental Authorities) and Other Creditors shall have no further rights or claims against the Company (including but not limited to, in relation to any past breaches by the Company, in respect of the period prior to the Effective Date, and all such claims shall immediately, irrevocably and unconditionally stand extinguished."*

21. Learned senior counsel emphasised that Clause 8.6.10(ii) of the Approved Resolution Plan specifically barred the continuation of any legal proceedings, including those involving *sub-judice* claims, insofar as they pertained to the period prior to approval of the Resolution Plan. He submitted that the Resolution Plan must be construed as an integrated whole and cannot be read in a piecemeal manner to suit the interpretation advanced by the Respondents.

22. He further submitted that sub-classification among Creditors is permissible, as affirmed by this Court in ***Essar Steel*** (supra) and ***Kalyani Transco vs. Bhushan Power and Steel Limited and Others, 2025 SCC Online SC 2093***. Relevant portion of the judgment in ***Kalyani Transco*** (supra) is reproduced hereinbelow:

> *"179. It can thus be seen that this court has held that the Legislature purposefully did not include a means to challenge the commercial wisdom exercised by the CoC. This makes a challenge to the same non-justiciable. It has been further held that a challenge cannot be raised against the decision making of the CoC unless and until the grounds for challenge as given in the Code are satisfied. Any interference in the paramount objective of the CoC of exercising its commercial wisdom would amount to the court rewriting the law and going against the very objectives of the IBC.*
>
> *180. We are therefore of the opinion that in the present matter as well, the CoC exercised its commercial wisdom while approving the resolution plan whereby the appellant-Jaldhi was classified as a contingent creditor and such a decision is deemed to be non-justiciable by this court in view of K. Sashidhar v. Indian Overseas Bank [(2019) 213 Comp Cas 356 (SC); (2019) 12 SCC 150; (2019) 4 SCC (Civ) 222; 2019 SCC OnLine SC 257.] , which has been subsequently followed in a catena of judgments. The NCLT, and the NCLAT have also approved the resolution plan, and in light of the settled principle of law, we find no question of law being raised by the appellant-Jaldhi and therefore, the appeal filed by it is liable to be dismissed.*"

23. Learned senior counsel further contended that Intervenor-Masyc had earlier challenged the treatment of its claims and the Approved Resolution Plan, but such challenge was dismissed as withdrawn by Order dated 25th October 2018 passed by the NCLT. He pointed out that the said Order was never assailed thereafter and

consequently, Intervenor-Masyc cannot now, in an indirect manner, seek to reopen or question either the commercial wisdom of the Committee of Creditors or the validity of the Approved Resolution Plan, as is sought to be done in the present Appeals.

24. He strongly urged that, in view of the '*clean slate*' doctrine, a Corporate Debtor cannot be burdened with undecided or unresolved claims once the Resolution Plan has been approved. He relied upon the decision of this Court in ***Ghanashyam Mishra & Sons Pvt. Ltd. vs. Edelweiss Asset Reconstruction Co. Ltd. (2021) 9 SCC 657***, wherein it was categorically held that upon approval of the Resolution Plan, all claims not forming part thereof stand extinguished and no person is thereafter entitled to initiate or continue any proceeding in respect of a claim excluded from the Plan. The relevant paragraphs of the judgment in ***Ghanshyam Mishra*** (supra) are reproduced hereinbelow:

> "*93. As discussed hereinabove, one of the principal objects of the I&B Code is providing for revival of the corporate debtor and to make it a going concern. The I&B Code is a complete Code in itself. Upon admission of petition under Section 7 there are various important duties and functions entrusted to RP and CoC. RP is required to issue a publication inviting claims from all the stakeholders. He is required to collate the said information and submit necessary details in the information memorandum. The resolution applicants submit their plans on the basis of the details provided in the information memorandum. The resolution plans undergo deep scrutiny by RP as well as CoC. In the negotiations that may be held between CoC and the resolution applicant, various modifications may be made so as to ensure that while paying part of the dues of financial creditors as well as operational creditors and other stakeholders, the corporate debtor is revived and is made an on-going concern. After CoC approves the plan, the adjudicating authority is required to arrive at a subjective satisfaction that the plan conforms to the requirements as are provided in sub-section (2) of Section 30 of the I&B Code. Only thereafter, the adjudicating authority can grant its approval to the plan. It is at this stage that the plan becomes binding on the corporate debtor, its employees, members, creditors, guarantors and other stakeholders involved in the resolution plan. The legislative intent behind this is to freeze all the claims so that the resolution applicant starts on a clean slate and is not flung with any surprise claims.*

If that is permitted, the very calculations on the basis of which the resolution applicant submits its plans would go haywire and the plan would be unworkable.

xxx xxx xxx xxx

102. ....

102.1. That once a resolution plan is duly approved by the adjudicating authority under sub-section (1) of Section 31, the claims as provided in the resolution plan shall stand frozen and will be binding on the corporate debtor and its employees, members, creditors, including the Central Government, any State Government or any local authority, guarantors and other stakeholders. On the date of approval of resolution plan by the adjudicating authority, all such claims, which are not a part of resolution plan, shall stand extinguished and no person will be entitled to initiate or continue any proceedings in respect to a claim, which is not part of the resolution plan.

102.2. The 2019 Amendment to Section 31 of the I&B Code is clarificatory and declaratory in nature and therefore will be effective from the date on which the I&B Code has come into effect.

102.3. Consequently all the dues including the statutory dues owed to the Central Government, any State Government or any local authority, if not part of the resolution plan, shall stand extinguished and no proceedings in respect of such dues for the period prior to the date on which the adjudicating authority grants its approval under Section 31 could be continued."

25. Learned senior counsel further submitted that once the Adjudicating Authority approves a Resolution Plan under Section 31(1) of the Code, the claims provided for therein stand frozen and become binding upon the Corporate Debtor as well as all stakeholders.

26. He lastly contended that the continuation of proceedings against the Appellant-SRA, despite approval of the Resolution Plan, militates against the doctrine of '*clean slate*'. According to him, since the claims of Respondent No.1-Varsha and Intervenor-Masyc had been duly addressed under the Resolution Plan, proceedings before various fora could not be permitted to continue thereafter.

ARGUMENTS ON BEHALF OF RESPONDENT NO.1-VARSHA

27. Mr. Garvesh Kabra, learned counsel appearing for Respondent No.1-Varsha submitted that the Appellant-SRA procured approval of the Resolution Plan by perpetrating serious fraud and misleading both the Resolution Professional and the NCLT. He argued that under the scheme of the Code, the Resolution Professional alone is entrusted with the duty to collect, collate and verify claims. The List of Operational Creditors prepared under Regulation 13 and incorporated into the Information Memorandum constituted the very foundation of the Resolution Plan. He contended that the Successful Resolution Applicant had no authority to alter, suppress or selectively adopt a verified claim. He pointed out that Note 3 of the Interim List of Operational Creditors dated 17th March 2018 expressly recorded that *sub-judice* claims were admitted subject to adjudication. However, in the Final List dated 20th March 2018, the Appellant-SRA deliberately omitted Note 3. Such alteration, he argued, violated Respondent No.1-Varsha's legitimate rights and amounted to '*an egregious breach of the Code*'.

28. According to the learned counsel, the issue at hand was not one of interpretation but of a clear violation of statutory process. He contended that the Appellant-SRA was bound to base its Resolution Plan on verified claims maintained by the Resolution Professional and any selective incorporation or omission struck at the root of Sections 18 and 25 of the Code as well as Regulations 13 and 36. Such manipulation, he argued, rendered the plan non-compliant with Section 30(2)(e) of the Code.

29. He further highlighted that the Resolution Plan earmarked Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) for Operational Creditors against admitted claims of Rupees One Thousand Fifty Crore Eighty-Eight Lakh Sixty-Eight Thousand Five and Hundred Sixty-Six only (₹1,050,88,68,566/-), thereby leaving a surplus of Rupees One Hundred Forty-Nine Crore Eleven Lakh only (₹1,49,11,00,000/-). This surplus, he argued, ought to have been placed in escrow for satisfaction of *sub-judice* claims upon adjudication by the appropriate forum.

30. He submitted that the '*clean slate*' theory presupposes legality of the Resolution Plan. Since the Plan was vitiated by manipulation, its binding nature could not be invoked to defeat Respondent No.1-Varsha's legitimate claims.

31. He contended that this was a fit case for recall of the NCLT's Order dated 15th May 2018 approving the Resolution Plan, by exercise of inherent powers, under Rule 11 of the NCLT Rules. In support of his contention, he relied upon the judgment of this Court in ***Greater Noida Industrial Development Authority vs. Prabhjit Singh Soni & Anr., (2024) 6 SCC 767***.

32. He emphasised that allowing the present Appeals would set a dangerous precedent enabling Corporate Debtors to raise disputes with Operational Creditors during insolvency proceedings and, thereafter, deny their claims on the ground of being *sub-judice*, thereby resulting in a travesty of justice.

ARGUMENTS ON BEHALF OF INTERVENOR-MASYC

33. Mr. Neeraj Kishan Kaul, learned senior counsel for the Intervenor-Masyc, submitted that the arguments of the Appellant-SRA essentially rested upon the

'*clean slate*' theory. He contended, however, that the Resolution Plan itself contained an express carve-out protecting *sub-judice* claims from extinguishment. He pointed out that Clause 8.7.3(i) of the Resolution Plan, dealing with '*Extinguishment and Waiver of Other Claims & Liabilities*', explicitly provided that all claims and obligations relating to the period prior to the closing date stood extinguished, save those set out in Annexures 8, 9, 10, 11 and 12. Since the Intervenor-Masyc's claims were specifically recorded in Annexure 10 (*sub-judice* claims) and Annexure 8 (Operational Creditor claims), he argued that such claims did not stand extinguished upon approval of the Plan. Clause 8.7.3(i) of the Resolution Plan is extracted hereinbelow:-

> "***8.7.3. Extinguishment and Waiver of Claims & Liabilities***
>
> *(i) Extinguishment and Waiver of Other Claims & Liabilities: The Resolution Applicant does not have any knowledge of any liabilities or claims against the Company other than those set out in* ***Annexures 8, 9, 10, 11 and 12****. Accordingly, other than the obligations, claims and liabilities set out in* ***Annexures 8, 9, 10, 11 and 12****; (i) all obligations, claims and Liabilities (whether final or contingent, whether disputed or undisputed, and whether or not notified to or claimed against the Company) of the Company; (ii) all outstanding disputes or legal proceedings against the Company; and (iii) all rights or claims of any person against the Company; in each case, relating to the period prior to the Closing Date, shall immediately, irrevocably and unconditionally stand extinguished, waived, withdrawn and abated on and from the Closing Date, and no person shall have any further rights or claims against the Company in this regard.*"

34. He further submitted that Clauses 8.6.10(ii) and 8.2.4 did not extinguish *sub-judice* claims, inasmuch as, Clause 8.6.10(ii) provided that legal proceedings stood withdrawn, abated, settled and/or extinguished, except to the extent of the Operational Creditors Settlement Amount payable under Clause 8.2.2. Clause 8.2.4 dealing with treatment of claims of Operational Creditors on matters *sub-judice* incorporated a carve-out by stipulating that no amount was payable '*other than the*

payment of Operational Creditors Settlement Amount as set out herein', necessarily referring to Clause 8.2.2 which earmarked Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) for Operational Creditors.

35. He emphasised that Section 3(6)(a) of the Code defines '*claim*' broadly to include '*a right to payment, whether or not such right is reduced to a judgment, fixed, disputed, undisputed, legal, equitable, secured or unsecured*'. Thus, even uncrystallised rights fall within the ambit of a claim.

36. He argued that abatement of proceedings was expressly conditional upon settlement of claims from the Operational Creditors Settlement Amount. He stated that proceedings could not be extinguished while underlying claims remained unpaid and uncrystallised.

37. He contended that the Appellant-SRA consciously adopted the Resolution Professional's notional value of Rupee One (₹1), thereby preserving pending litigation from extinguishment. He pointed out that the Interim List of Creditors dated 17th January 2018 verified Intervenor-Masyc's claim at a notional value of Rupee One (₹1) and appended Note 3, recording that liability was subject to the outcome of ongoing proceedings. In the Final List of Creditors, the claim was again admitted at Rupee One (₹1) with a note stating that *'claims which are subject to disputes pending before various authorities have been verified with a notional amount of INR 1'*. He submitted that the Appellant-SRA with full knowledge of these notes could have rejected *sub-judice* claims or treated the notional value as extinguished, but chose not to. By drafting Clause 8.2.4 and carving out Annexures

8 and 10 under Clause 8.7.3(i) the Appellant-SRA consciously preserved pending litigations.

38. He contended that the Intervenor-Masyc was entitled to payment from Rupees Two Hundred Crore Only (₹2,00,00,00,000/-) earmarked under Clause 8.2.2 for Operational Creditors (excluding related parties and employees/workmen), including those with *sub-judice* claims. He argued that Clause 8.2.2 was not confined to undisputed claims. He stated that the voluntary earmarking of Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) as the Operational Creditors Settlement Amount was a commercial decision aimed at making the Plan more comprehensive and attractive to the Committee of Creditors.

39. He pointed out that the NCLT by order dated 15th May 2018 approved the Resolution Plan and the NCLAT by Order dated 10th August 2018 dismissed the Appeal, specifically recording the statement that the Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) pool was payable to all Operational Creditors without qualification. He contended that earmarking this amount demonstrated clear intent to pay and that the Appellant-SRA voluntarily committed the amount to secure overwhelming approval (99.80%) of the Committee of Creditors and NCLT sanction.

40. He argued that having obtained control of the Corporate Debtor on the strength of a Plan expressly providing for *sub-judice* claims, the Appellant-SRA could not now contend that such claims stood extinguished. This, he submitted, amounted to approbation and reprobation.

41. He submitted that under Section 31(1) of the Code, the Resolution Plan, including obligations to settle *sub-judice* claims from the Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) fund, was binding on the Appellant-SRA.

42. He stated that the Appellant-SRA was reneging on its obligation to pay by contending that adjudication could not be concluded within twelve (12) months. However, it was the Appellant-SRA who chose to include *sub-judice* Creditors without providing any mechanism for interim treatment. Invoking the principle of *contra proferentem*, he argued that ambiguity in drafting must be resolved against the drafter. The Appellant-SRA could have drafted the one year clause to expressly limit eligibility to crystallised claims, but having failed to do so, cannot now rely on its own drafting lacunae to defeat Intervenor-Masyc's claim.

43. He argued that a harmonious reading of the Resolution Plan demonstrated that the obligation to settle *sub-judice* claims within one year was satisfied by computing pro-rata shares and ring-fencing the designated reserve, not necessarily by immediate disbursement.

44. He submitted that a '*face value reservation mechanism*' ought to have been adopted to reconcile the plain language of the Resolution Plan with the interests of all Operational Creditors. He explained that computation should have been based on the face value of each *sub-judice* claim, with the corresponding pro-rata share ring-fenced in a designated account pending adjudication. Surplus amounts, if any, could then be redistributed among other creditors.

45. He added that if the crystallised award was less than the reserved share, the surplus could be redistributed, thereby ensuring no wastage and protecting all interests.

46. He pointed out that the Appellant-SRA's own conduct undermined its interpretation of Clause 8.2.2, as it sought dismissal of arbitration proceedings even before expiry of the twelve (12) month period.

47. He contended that continuation of arbitral proceedings did not violate the '*clean slate*' doctrine, since the claims were known, recorded and preserved in the Resolution Plan. The doctrine, he argued, was intended to protect against surprise claims, not those expressly carved out.

48. He further argued that the '*clean slate*' doctrine could not override the Resolution Plan which expressly provided for continuation of certain litigations through Clause 8.7.3(i) and Clause 8.2.4. He noted that the Appellant-SRA had not challenged the Sole Arbitrator's Order dated 12th January 2019 rejecting its application under Section 16 of the Arbitration and Conciliation Act, 1996.

49. He emphasised that the Code was not intended to serve as a statutory shield for unjust enrichment. He stated that the Intervenor-Masyc, being a Micro, Small and Medium Enterprise ('MSME'), had supplied critical capital infrastructure to the Corporate Debtor, who continues to enjoy the same under the management of the Appellant-SRA while bypassing the Rupees Twelve Hundred Crore (₹12,00,00,00,000/-) settlement fund. This, he argued, amounted to unjust enrichment.

50. He concluded that the Code was designed to facilitate corporate resolution, not to operate as a legal guillotine arbitrarily severing pending claims of MSMEs who bore the brunt of insolvency.

REASONING

PROPOSITIONS OF LAW APPLICABLE TO THIS CASE NOT IN DISPUTE

51. Upon hearing learned counsel for the parties, this Court is of the considered view that the propositions of law applicable to the present controversy are not in dispute. In ***JSW Steel Ltd. vs. Pratishtha Thakur Haritwal & Ors., (2025) 9 SCC 673***, this Court categorically held that '*all claims must be submitted to and decided by the resolution professional so that a prospective resolution applicant knows exactly what has to be paid in order that it may then take over and run the business of the corporate debtor.'* The parties are *ad idem* that the treatment of claims of Creditors must be prescribed in the Resolution Plan approved by the Committee of Creditors, whose commercial wisdom is non-justiciable. It is equally admitted that the Code has an overriding effect in the event of inconsistency with any other law for the time being in force and once a Resolution Plan is approved under Section 31(1) of the Code the claims therein stand frozen and are binding on all stakeholders, including the Corporate Debtor, its Creditors, the Governmental Authorities, Local Authorities, Employees and any other stakeholder[1]. Claims not

[1] *See: Ghanashyam Mishra and Sons Pvt. Ltd. through the Authorised Signatory vs. Edelweiss Asset Reconstruction Company Ltd. through the Director and Ors., (2021) 9 SCC 657, Principal Commissioner of Income Tax Vs. Monnet Ispat and Energy Ltd., (2018) 18 SCC 786 and Kalyani Transco vs. Bhushan Power and Steel Ltd. and Ors., 2025 SCC OnLine SC 2093*

incorporated in the Resolution Plan stand extinguished, withdrawn or abated, consistent with the legislative intent of enabling the Resolution Applicant to commence on a '*clean slate*', free from unforeseen liabilities. It is further undisputed that the jurisdiction of statutory authorities such as the NCLT and NCLAT is circumscribed by the Code and they cannot assume the role of a court of equity or exercise plenary powers[2].

OPERATIONAL CREDITORS LIST IN APPROVED PLAN IS FINAL

52. The admitted position is that the Final List of Operational Creditors prepared by the Resolution Professional was never challenged by Respondent No.1-Varsha. The Intervenor-Masyc did assail the treatment of its claims in the Approved Resolution Plan, but its challenge was dismissed as withdrawn by the NCLT on 25th October 2018. That Order was never impugned and has attained finality. Consequently, the Resolution Plan in the present Appeals is final and binding on all parties.

RESOLUTION PLAN NOT VITIATED BY MANIPULATION AND FRAUD

53. Although learned counsel for Respondent No.1-Varsha urged that the Resolution Plan was vitiated by manipulation and fraud in securing approval from the NCLT, relying upon ***Greater Noida Industrial Development Authority*** (supra), this Court finds the said allegation to be baseless inasmuch as it is the treatment of creditors under the Approved Resolution Plan which is determinative and binding.

[2] *See: K. Sashidhar vs. Indian Overseas Bank and Ors., (2019) 12 SCC 150*

This Court also finds that no application under Rule 11 of the NCLT Rules, 2016 has been filed till date. In the absence of such proceedings, allegations of fraud and manipulation cannot be entertained, particularly in an appeal preferred by the Successful Resolution Applicant. The aforesaid judgment, therefore, affords no assistance to the Operational Creditors.

VALUE OF ₹1 WAS NOT ASSIGNED TO KEEP THE CLAIMS ALIVE

54. Additionally, this Court also finds that the Final List of Operational Creditors dated 20th March 2018 did not contain Note 3 which had been appended to the Interim List dated 17th January 2018. Instead, Note 2 to the Final List stipulated that '*claims which are subject to disputes pending before various authorities have been verified with a notional amount of INR 1 only.'* By virtue of the deletion of Note 3 and incorporation of Note 2 to the Final List, the claims of Respondent No.1-Varsha and the Intervenor-Masyc stood altered from a '*notional*' Rupee One (₹1), subject to adjudication, into a '*quantified*' Rupee One (₹1) claim with apparent finality. Consequently, the argument of the Intervenor-Masyc that the assignment of value of Rupee One (₹1) was intended, in the present Appeals, to keep its claim alive pending litigation is contrary to the Resolution Plan.

₹ 200 CRORE WAS AVAILABLE FOR QUANTIFIED CLAIMS

55. This Court is further of the view that no Resolution Plan can succeed if uncertain or unquantified claims are permitted to linger and resurface against the Successful Resolution Applicant years after approval. Such a situation would be akin to a hydra-headed recurrence and is antithetical to the '*clean slate*' principle.

56. Moreover, as rightly submitted by learned counsel for the Appellant-SRA while the Resolution Professional is the author of the List of Creditors, the treatment of claims must conform to the Approved Resolution Plan prepared by the Successful Resolution Applicant. In the present case, the Appellant-SRA was informed that the total verified and admitted claims of Operational Creditors as on 20th March 2018 aggregated approximately Rupees One Thousand Four Hundred Twenty-Two Crore only (₹14,22,00,00,000/-), with the claims of Respondent No.1-Varsha and the Intervenor-Masyc quantified at Rupee One (₹1) each. The Appellant-SRA, in its Resolution Plan, expressly stated that since there was no surplus and the liquidation value was NIL, there was no legal obligation to pay any amount to Operational Creditors. Nevertheless, the Appellant-SRA provided a corpus of Rupees Twelve Hundred Crore only (₹12,00,00,00,000/-) (upper limit) against claims of Rupees One Thousand Four Hundred Twenty-Two Crore only (₹14,22,00,00,000/-) to be distributed in accordance with Clause 8.2.2. To place matters beyond controversy, Clause 8.2.4 clarifies that since the liquidation value of the Corporate Debtor is NIL, no amount is payable in respect of *sub-judice* claims, save for the Operational Creditors Settlement Amount as set out therein. Further, Clause 8.2.2(ii) mandates that the settlement amount be paid to '*certain*' Operational Creditors on a pro-rata basis within twelve (12) months from the closing date i.e. 18th May 2018. Consequently, only Rupees Two hundred Crore only (₹2,00,00,00,000/-) was available for payment to Operational Creditors like the Respondent No.1-Varsha and the Intervenor-Masyc on a pro-rata basis within

twelve (12) months and that too for claims crystallised and approved by the Committee of Creditors as on 20th March 2018.

PLAN PROVIDED FOR EXTINGUISHMENT OF ALL SUB-JUDICE CLAIMS

57. Additionally, Clauses 8.7.3 and 8.6.10 of the Resolution Plan unequivocally stipulate that all legal proceedings initiated by or on behalf of Operational Creditors, whether under Annexure 8 or Annexure 10 (which includes Respondent No.1-Varsha and the Intervenor-Masyc), '*shall immediately, irrevocably and unconditionally stand withdrawn, abated, settled and/or extinguished.'* Further, except to the extent of amounts payable under Clause 8.2.2, Operational Creditors shall have no rights or claims against the Corporate Debtor in respect of the period prior to the effective date i.e. 15th May 2018, when the NCLT approved the Resolution Plan. Consequently, the Resolution Plan read in its entirety did not provide for an express carve-out protecting *sub-judice* claims from extinguishment. On the contrary, all such claims stood extinguished.

58. Regulation 12(2) of the CIRP Regulations, as applicable at the relevant time, permitted Operational Creditors to file claims only until the date of approval of the Resolution Plan by the Committee of Creditors. This Court holds that Regulation 12(2), as it then stood, requires that the Corporate Debtor's liability towards Operational Creditors be crystallised and quantified by that date. The Resolution Professional accordingly prepared the Final List of Creditors as on 20th March 2018 which was duly intimated to the NCLT. Clause 8.2.2(vi) fortifies this position by providing that claims verified and admitted prior to approval of the Plan by the

NCLT (15th May 2018) would not alter the Operational Creditors Settlement Amount. Consequently, any subsequent increase in verified claims would disrupt the pro-rata distribution already effected as on date.

NEITHER THE 'FACE VALUE RESERVATION MECHANISM' NOR THE PRINCIPLE OF CONTRA PROFERENTEM IS APPLICABLE

59. This Court is further of the opinion that there is no ambiguity in the Resolution Plan prepared by the Appellant-SRA. Consequently, neither the principle of *contra proferentem* is applicable to the present case nor the Intervenor-Masyc's '*face value reservation mechanism*' has any relevance, particularly when the Resolution Plan is not under challenge.

60. This Court concurs with the submission of learned counsel for the Appellant-SRA that it would be illogical and commercially unsound for an approved Resolution Plan to prescribe a twelve (12) months payment timeline for certain Operational Creditors, while simultaneously permitting indeterminate claims to remain pending until crystallisation. Such an interpretation would undermine both the terms of the Resolution Plan and the '*clean slate*' as well as *'fresh start'* principles underlying the Code.

CONCLUSION

61. Consequently, upon a harmonious reading of the Resolution Plan, this Court is of the opinion that all legal proceedings, including arbitration and civil suits which had not culminated in determinable, quantifiable claims by the date of approval of the Resolution Plan by the NCLT stand abated, extinguished, waived

or withdrawn. Only crystallised claims as on the effective date (i.e. 18th May 2018) are payable on a pro-rata basis. Accordingly, no amount beyond Rupee One (₹1) each was payable to Respondent No.1-Varsha and the Intervenor-Masyc, whose pending arbitration and civil proceedings stood abated/waived/ extinguished/withdrawn upon approval of the Resolution Plan.

AN AFTERWORD

62. Before parting with the matter, this Court would like to observe that it is of the considered view that the present cases underscore the impact of the Code on small operational creditors such as MSMEs. There can be no doubt that the Code marks a substantial improvement over the regime under the Sick Industrial Companies (Special Provisions) Act, 1985, which followed a debtor-in-possession model and was often susceptible to misuse by promoters. While the distinction between financial creditors and operational creditors has been upheld in ***Swiss Ribbons Private Limited and Anr. v. Union of India & Ors., 2019 (4) SCC 17,*** as resting on an *'intelligible differentia'*, this Court is nevertheless of the view that the Code does not adequately account for the position of small operational creditors, including MSMEs and statutory local bodies, who stand significantly disenfranchised under the present framework by being placed at the bottom of the repayment waterfall.

63. Most such entities are ill-equipped to absorb even a minor financial setback and are therefore often compelled to adopt an aggressive and disruptive stance, as the facts of the present matters demonstrate. Since this issue lies within the

legislative domain, this Court observes that the Law Commission and the Legislature may usefully examine the matter to ensure a fair and balanced repayment mechanism alongside an efficient insolvency regime.

RELIEF

64. Keeping in view the law as it stands today and the aforesaid conclusions, the present Civil Appeals are allowed and the impugned Judgment and Orders passed by the Bombay High Court and Order dated 25th October 2018 passed in Regular Civil Suit No. 153/2011 are set aside. Further, the Suit for recovery filed by Respondent No.1-Varsha (Civil Suit No. 153/2011) pending before 13th Joint Civil Judge, Senior Division, Nagpur as well as arbitration proceedings initiated by Intervenor-Masyc are dismissed. Pending applications, if any, stand disposed of.

…….J.
[MANOJ MISRA]

…….J.
[MANMOHAN]

New Delhi;
July 17, 2026