**NATIONAL COMPANY LAW APPELLATE TRIBUNAL,**
**PRINCIPAL BENCH, NEW DELHI**

**Comp. App. (AT) (Ins) No. 388 & 389 of 2026**

**[Arising out of the Impugned Order dated 16.02.2026 passed by the Adjudicating Authority, National Company Law Tribunal, Mumbai, Bench-I in Contempt Application No. 39 of 2025 and Contempt Application No. 41 of 2025 in C.P. (IB) 1137/MB/2017]**

**IN THE MATTER OF:**

**1. State Bank of India**
Having its registered office at
State Bank of India, Commercial Branch, N.G.N. Vaidya Marg, Bank Street, Horniman Circle, Fort, Mumbai - 400 001
Email: amtl.cbmumbai@sbi.con, rmamtl.cbmum@sbi.co.in

**2. Bank of India**
Having its registered office at Bank of India, Andheri Large Corporate Branch, MDJ Building, Andheri (W), Mumbai - 400 058
Email: andherilcb.mumbainorth@bankofindia.co.in, asset.mnz@bankofindia.co.in

**3. Canara Bank**
Having its registered office at Mid Corporate Branch, Fort Market, Ground Floor, Canara Bank Bldg., Adi Marzban Street, Ballard Estate, Mumbai - 400 001
Email: cb5505@canarabank.com

**4. ICICI Bank**
Having its corporate office at ICICI Bank Towers, Bandra Kurla Complex, Bandra (East), Mumbai, Maharashtra 400 051
Email: Atit.Dedhia@icicibank.com

**5. Indian Bank**
Having its registered office at:

Stressed Asset Management Branch,
Mumbai Office No. 73, 7th Floor, Mittal Chambers, Nariman Point,
Mumbai-400 021
Email: mumbaifort@indianbank.co.in, s816@indianbank.co.in, armmumbai@indianbank.co.in, A112@indianbanl.co.in, horecovery@indianbank.co.in

**6. Union Bank of India**
Having its registered office at
Union Bank of India, Mumbai main office,
Union Bank Bhavan, Nariman Point, Mumbai - 400 021
Email: ubin0549576@unionbankofindia.com, samvmumbai@unionbankofindia.com; chandradeep@unionbankofindia.bank, tnlavand@unionbankofindia.bank **...Appellant(s)**

**Versus**

**1. Jyoti Structures Limited**
Having its registered office at:
Valecha Chambers, 6th Floor, New Link Road, Andheri (West), Mumbai, Maharashtra - 400 053

**2. Abhinav Angirish**
Residing at:
B/1602, Oberoi Sky Heights, Lokhandwala Back Road, Lokhandwala Cx., Andheri West, Mumbai, Maharashtra - 400 053

**3. Sharad Sanghi**
Residing at:
No. 23, Sea Gul, Carmicahel Road, Gamdevi, Mumbai, Maharashtra - 400 026 **...Respondent(s)**

**Present:**

**For Appellant** : Mr. Tushar Mehta (Solicitor General), Mr. Sunil Fernandes, Sr. Advocate with Mr. Abhishek

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| | | Mukherjee, Mr. Animesh Bisht, Ms. Surabhi Khattar, Mr. Aniruddh Gambhir, Mr. Shivansh Vishwakarma and Mr. Harsh Rathi, Mr. Sriharsh Rai, Anuh A., M. Naik, Vailarh Ram, Advocates. |
| **For Respondents** | **:** | Mr. Darius Khambata, Sr. Adv. & Mr. Arun Kathpalia, Sr. Advocate with Mr. Anuj Tiwari, Ms. Diksha Gupta, Ms. Shalini Basu, Mr. Shivendranath Mishra and Mr. Sameer Mishra, Vaibhav Vats, Advocates for R1.<br>Mr. Abhijeet Sinha, Sr. Advocate with Mr. Malak Bhatt and Ms. Samridhi, Advocates for R2 and R3. |

**J U D G M E N T**
**(Hybrid Mode)**

**Per: Barun Mitra, Member (Technical)**

The present appeal, preferred under Section 61 of the Insolvency and Bankruptcy Code, 2016 ('**IBC**' in short), arises from the order dated 16.02.2026 (hereinafter referred to as the '**Impugned Order'**) passed by the Adjudicating Authority (National Company Law Tribunal, Mumbai Bench-1) in Contempt Application No. 39 of 2025 and Contempt Application No. 41 of 2025 filed in C.P. (IB) N0.1137 (MB) 2017. By the said Impugned Order, the Adjudicating Authority has disposed of both Contempt Application Nos. 39 & 41 of 2025 filed by Respondent No. 1–Jyoti Structures Ltd. and Respondent Nos. 2 and 3–Shareholders of Corporate Debtor by directing the Appellants to release the rolled over BG limits failing which they would be subject to one day simple imprisonment in civil prison. Aggrieved by the impugned order, the Appellants – Lender Banks have preferred the present appeal.

**2.** Coming to the brief factual matrix of the present case at hand, the relevant points which require to be noticed are as follows:-

- The Adjudicating Authority had admitted the Corporate Debtor–Jyoti Structures Ltd. (‘**JSL**’ in short) into Corporate Insolvency Resolution Process (‘**CIRP’** in short) on 04.07.2017.
- The resolution plan submitted by Sharad Sanghi – Respondent No. 3 was approved by the Adjudicating Authority on 27.03.2019. The Committee of Creditors (‘**CoC’** in short) which had approved the resolution plan interalia comprised of the Appellant Banks viz. State Bank of India, Bank of India, Canara Bank, ICICI Bank, Indian Bank and Union Bank of India and were assenting Financial Creditors of the Corporate Debtor.
- The approved resolution plan provided for roll-over/issuance of Bank Guarantees (‘**BGs’** in short)/Letter of Credits (‘**LCs’** in short) by the Appellants to the Corporate Debtor. The resolution plan provided for entering into definitive agreements pursuant to which Non-Fund Based Facility Agreement (‘**NFB Agreement’** in short) was entered into between the Appellants who are Non-Fund Based Lenders of the Borrower-Corporate Debtor. The NFB Agreement outlined the detailed terms and conditions for issuance of NFB limits.
- In terms of the NFB Agreement, the Appellants were to issue BGs/LCs to the Corporate Debtor immediately upon the “Closing Date” which “Closing Date” was achieved on 09.11.2021.
- On achievement of the Closing Date, the proposed shareholders/investors in the Corporate Debtor Company had infused

Rs. 170 Cr. based on terms and conditions of the approved resolution plan and in terms of the NFB Agreement, the obligation of the Appellants as NFB Lenders to release the NFB limits became purportedly operational.

- As the Appellants allegedly failed to release the NFB limits as provided for in the approved resolution plan and envisaged in the NFB Agreement, the Respondents preferred I.A No. 4959 of 2023 and I.A No. 5023 of 2023 before the Adjudicating Authority under Section 60(5) of the IBC. The Adjudicating Authority in its order dated 20.08.2024 (hereinafter referred to as '**August 20 NCLT order'**) held that NFB limits ought to have been released at the first instance by the Appellant Lenders as contemplated in the Plan and directed the Appellants to release the NFB limits to the Corporate Debtor and the Respondents shall furnish information/documents to the Appellant lenders required by them for review of financial performance of the Corporate Debtor after its first release.
- The 20 August NCLT order passed by the Adjudicating Authority was challenged by the Appellants before this Tribunal. This Tribunal however dismissed the appeal filed by the Appellants on 09.12.2024 (hereinafter referred to as '**December 9 NCLAT order'**) and confirmed the August 20 NCLT order. While upholding the order of the NCLT, this Tribunal also observed that the clauses of the NFB Agreement have to be read in a manner to give effect to the plan and not make any clause of the plan otiose and unworkable, the plan having been approved by

the lenders themselves wherein a conscious decision was taken to roll-over NFB facilities by the existing lenders.

- On 18.02.2025, the Shareholders of the Corporate Debtor had submitted an OTS proposal which was followed by OTS proposal from the Corporate Debtor for Rs. 507 Cr. to the Appellants as an alternative to the release of NFB Limits which proposal also mentioned that if the same is not accepted by the Joint Lenders Meeting ('**JLM**' in short) of the Lenders on or before 31.03.2025, the OTS proposal shall stand withdrawn. While there was some discussion on the quantum of the OTS proposal during the JLM meeting held on 03.06.2025, majority of the Appellant Banks were in favour of release of NFB Limits. Another JLM was conducted on 10.09.2025 wherein the Appellants discussed the status of approval of sanction/roll over of the NFB limits in which meeting the representatives of the Borrower was also present.
- While some of the Appellant Lenders had either issued fresh sanction letter or were in the process of issuing such sanction letters sanctioning their portion of NFB limits, the fresh sanction letters were objected to by the Respondents-Corporate Debtor and Shareholders for the NFB facilities had already stood rolled-over in terms of the plan and also because the fresh sanction orders imposed terms which were inconsistent with the approved resolution plan and NFB Agreement.
- Since NFB Limits were not released by the Appellants, two separate Contempt Applications were filed by Respondents No. 1 and by Respondent No. 2 and 3 against the Appellants seeking release of NFB Limits on 12.10.2025.

- Before the Contempt Applications could be adjudicated by the Adjudicating Authority, Bank of Baroda released its BGs/LCs to the Borrower on 17.10.2025 which was followed suit by IDBI Bank.
- On 25.11.2025, the Adjudicating Authority in its interim orders directed all Appellants to adhere to the conditions in the approved resolution plan and to ensure that sanction letters were issued in accordance with the terms of the approved resolution plan.
- On 17.12.2025, the Appellants filed an additional affidavit placing on record the sanction letters issued by each Bank.
- The Adjudicating Authority passed the impugned order on 16.02.2026 disposing both the Contempt Applications by issuing directions to the Appellant Lenders to release the rolled over BG limits in the manner provided under the resolution plan and in terms as were applicable to those limits prior to CIRP within one month from the date of the order failing which one day simple imprisonment in civil prison was ordered against the Appellants.
- Aggrieved by the impugned order, the present appeal has been filed by the Appellants challenging the impugned order on 24.02.2026.

**3.** Shri Tushar Mehta, Ld. Solicitor General and Shri Sunil Fernandes, Ld. Sr. Counsel appeared on behalf of the Appellants; Shri Darius Khambata and Shri Arun Kathpalia, Ld. Sr. Counsels appeared on behalf of the Respondent No. 1 and Shri Abhijeet Sinha, Ld. Sr. Counsel appeared on behalf of the Respondents No. 2 and 3. All the parties were heard at length extensively. At the very outset we would like to observe that the arguments canvassed and documents relied upon by Respondent No. 1 to 3 being common and

overlapping, we propose to conjointly record their submissions for reasons of convenience.

**4.** Making submissions on behalf of the Appellants, Ld. Solicitor General submitted that the Contempt Application Nos. 39 & 41 of 2025 filed in CP (IB) No. 1137 of 2017 before the Adjudicating Authority under Section 425 of the Companies Act, 2013 and Section 12 of the Contempt of Courts Act, 1971, suffered from inherent infirmity since the contempt applications were filed by the Respondents without identifying or implicating any individual as the alleged contemnor. It was vehemently contended that in the absence of individuals being specifically named for having wilfully disobeyed the directions of the court, the present contempt order imposing one day simple imprisonment is not sustainable in the eyes of law. It was contended that the impugned order was vitiated in law because the Adjudicating Authority had directly imposed punishment without recording prima-facie satisfaction that a case of contempt was made out and without having issued a show cause notice to the Appellants communicating the gist of charges and giving an opportunity to defend themselves.

**5.** Submission was pressed by the Appellants that the Respondents had clearly failed to unequivocally satisfy that the essential ingredient of contempt proceedings of wilful and deliberate disobedience of court directions had been met in the present case. It was asserted that the primary ground on which the Respondents had filed the contempt application was that the 20 August NCLT order and 09 December NCLAT Order had laid down that the Appellants were required to release the NFB limits to the Respondents without issue of sanction letter which was a fallacious and misconceived argument. It was

asserted that when the Adjudicating Authority in its own interim order while hearing the contempt application on 25.11.2025 had itself directed the Appellants to issue sanction letters in accordance with the resolution plan, the question of having committed a contempt for having issued sanction letters could not have arisen. The interim order dated 25.11.2025 is reproduced below:

> *"5) Having considered the submissions and in the circumstances, we consider it appropriate to direct all the Eight Banks, viz. (i) State Bank of India; (ii) Bank of India; (iii) Indian Bank; (iv) ICICI Bank Ltd; (v) Canara Bank; (vi) IDBI Bank Ltd; (vii) Union Bank of India; and (viii) Bank of Baroda to adhere to the conditions as per the approved Resolution Plan and shall ensure that the Sanction Letter in accordance with terms of the approved Resolution Plan is issued to the Corporate Debtor."*
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> *(Emphasis supplied)*

**6.** It was submitted that the issuance of fresh sanction letters for rolling over the existing NFB exposure alongwith conditions did not constitute disobedience of August 20 NCLT order or the 09 December NCLAT Order as has been misconstrued by the Respondents. Elaborating further, it was added that even the impugned order had not only taken cognizance of the sanction letters with conditions issued by the Appellants but that the Adjudicating Authority neither questioned the authority or competence to issue such sanction orders nor held that the conditions contained therein tantamount to committing any wilful disobedience of the directions of the Court. Following paragraphs from the impugned order were adverted to:

> *"37.However, the issuance of fresh sanction letter for rolling over the existing exposure cannot be considered to the disobedience of the order of this Tribunal so long as the limits are made available in accordance*

*with the approved Resolution Plan as observed by us in the order dated 20.08.2024.*

*38.It is not clear to us whether the Corporate Debtor was availing NFB limits under consortium financing arrangement. However, if the Corporate Debtor was availing the earlier NFB limits under consortium financing arrangement, the stipulation of consortium before release of rolled over limits cannot said to be contrary to the approved Resolution Plan even in view of clause 2.2 of NFB agreement providing for individual obligation on part of each Respondent dehors performance of such obligation by one or more Respondents. On the contrary, in case the Corporate Debtor was not availing the earlier NFB limits under consortium financing arrangement, the stipulation of consortium before release of rolled over limits certainly results into disobedience of the order of this Tribunal and cannot be said an issue of interpretation.*

*39.Further, the condition in relation to due diligence prior to release of NFB facility can only be extended to project specific due diligence and not to the company label due diligence. Nonetheless, we do not find any disobedience of order in stipulating valuation of securities.*

*40.Since the personal guarantors have already executed deed of personal guarantee in favour of Security Trustee acting for the benefit of relevant Respondent Lenders, we of considered view the specific stipulation in this relation in the sanction letter does not result into any disobedience.*

*42.As regards pre condition of credit rating, we find that rating conditions are post released and are ordinarily imposed by the lenders in case last financing for fiscal discipline, we do not consider these conditions to be contravening the stipulations of roll-over if the credit rating does not result into review of company profile beyond the approved Resolution Plan and the order dated 24.08.2024.*

*43.Further, as regards the conditions alleged to be "Inconsistent terms and provisions" by the Applicant, it is noted that these conditions mandates are in nature of general conditions which are incorporated by the lenders and ought to have been they're in the earlier sanctions as well. However, the Respondents ought to be specific in relation to covenants or general conditions to ensure that none of these conditions contravene the approved Resolution Plan. In relation to stipulation of 100% margin for issuance of guarantees covering disputed liabilities, we do not find any disobedience in this relation.*

*51. Some of the conditions and issuance of sanction letter found bona-fide by this Tribunal cannot be considered as wilful disobedience. The Hon'ble Supreme Court in case of Dinesh Kumar Gupta v. United India Insurance Co. Ltd., (2010) 12 SCC 770 held at para 23 that " ..... Bearing this important factor in mind, it is relevant to note that a proceeding for civil contempt would not lie if the order alleged to have been disobeyed itself provides scope for reasonable or rational interpretation of an order or circumstance which is the factual position in the instant matter. It would equally not be correct to infer that a party although acting due to misapprehension of the correct legal position and in good faith without any motive to defeat or defy the order of the Court, should be viewed as a serious ground so as to give rise to a contempt proceeding".*

*(Emphasis supplied)*

**7.** It was also asserted that even the resolution plan and the NFB Agreement expressly provided that the request of Respondents for issue of BGs/LCs was to be based on due consideration of the project by the issuing Lender and after taking into consideration of applicable laws and regulations to the satisfaction of the Lender. Attention was adverted to the relevant clause in the Plan as reproduced below:

*Resolution Plan(Schedule VI, Clause F(1)*

*"The Proposed Investors have not sought any fresh BG/LC limits, but have only sought a roll-over, utilisation/issuance of the BG/LC limits to the extent of the current exposure of financial creditors as on the date on which the CoC votes on this Final Resolution Plan. Provided however that any such utilisation/issuance of the BG/LC will be done based on due consideration of the project by such creditor issuing the LC/BG and subject to applicable laws and regulations for such issuance / utilisation. However, the approval for the same will not be unreasonably withheld by the relevant Secured Financial Creditor issuing the BG/LC. Also, prior to issuance/ utilisation of the LC/BG, the BG/LC issuing bank will be provided with all details of the project including but not limited to the client, location, and project funding while requesting for issue of rolled over BG/LC, for its evaluation."*

*(Emphasis supplied)*

**8.** That the Appellant-Lenders were also entitled to appraise the projects of the Respondent while issuing sanction letters also formed part of the definitive documents which was expressly provided for in the NFB Agreement. Canvassing this argument, attentions was drawn to read with Recital D Article 1.1; Clause 2.4(a)(i) and (iii) of NFB Agreement which are as reproduced below:

*NFB Agreement*

*"(D) The execution of this Agreement and other Financing Documents by the Borrower has been authorised to give effect to the terms of the Approved Resolution Plan.*

*ARTICLE 1.1*
*"Financing Documents" means this (a) this Agreement; (b) any Security Document; (c) the lntercreditor Agreement; (d) sanction letters/renewal letters issued by Lenders from time to time and (e) any other agreement or document so designated by Lenders and the Borrower;"*

*2.4(a)(i) Subject to the terms and conditions set forth in this Agreement, the Borrower may request a Lender to issue, in a form, manner and tenor acceptable to such Lender based on due consideration of the Borrower and the project by such Lender, a Letter of Credit or Bank Guarantee for its own account, up to the Lender's available Limit in respect of the relevant Letter of Credit Facilities or Bank Guarantee Facilities, as the case may be. The Letter of Credit Facilities and the Bank Guarantee Facilities may be interchanged upto the extent as set out in Schedule I.*

*(ii)Any request by the Borrower for issuance of a Letter of Credit or Bank Guarantee (or the amendment, renewal or extension of a Letter of Credit or Bank Guarantee) may be made by the Borrower by sending a notice to the relevant Lender (reasonably in advance of the requested date of issuance, amendment, renewal or extension), requesting such Lender to issue the Letter of Credit or Bank Guarantee or identifying the Letter of Credit or Bank Guarantee to be amended, renewed or extended, and setting out the information as required by the relevant Lender to prepare, amend, renew or extend such Letter of Credit or Bank Guarantee, including details pertaining to the project including but not limited to the client, location, and project funding while requesting for issue of rolled over BG/LC, for its evaluation.*
*…*

*2.4(a)(iii)Any such utilisation/ issuance of a Bank Guarantee or Letter of Credit will be done based on (a) due consideration of the Borrower and the project by such Lender issuing the Bank Guarantee or Letter of Credit and subject to applicable laws and regulations for such issuance / utilization, to the satisfaction of the Lender. However, the issuance of the same will not be unreasonably withheld by the relevant Lender issuing the Bank Guarantee or Letter of Credit. Also, prior to issuance / utilisation of the Bank Guarantee or Letter of Credit, the issuing Lender will be provided with all details of the project including but not limited to the client, location, and project funding while requesting for issue of rolled over Bank Guarantee or Letter of Credit, for its evaluation and (b) the funding/ financial arrangements required for undertaking and completing the project (including any fund based or non-fund based financing, or milestone based payment in terms of the relevant EPC contract for the project, as applicable), for which the Bank Guarantees/ Letters of Credit is being requested from the relevant Lender(s), has been arranged by the Borrower and requisite documents to this effect having been submitted to the relevant lender prior to the issuance of the Bank Guarantees/ Letters of Credit. The Lender(s) shall also, prior to the issuance of any LC/ BG, as required, have the right to appoint a lenders' independent engineer for appraisal and evaluation of the project. The reasonable costs and expenses of such LIE shall be borne by the Borrower. Such appointment shall not be unreasonably withheld or delayed by the Lenders."*

*(Emphasis supplied)*

**9.** Even the August 20 NCLT order at paras 7.1 and 7.2 had recognised that the Lenders were entitled to appraise the projects of the Company before releasing the NFB facilities which is as extracted:

"*7.1. There is no dispute between the parties that the Respondents have right to evaluate each project awarded by the customer of Company. The dispute before us pertains to the Respondent's right to also evaluate the Company as such before releasing Non-Fund Facilities, which shall result into issuance of Guarantee(s)/ Letter of Credit by the Respondents in relation to projects awarded to the Company, as is contemplated in NFB Agreement having been entered subsequent to approval of Resolution Plan in terms of stipulation contained in such approved Resolution Plan that the parties shall enter into definitive agreements.*

*7.2. It is not in dispute that Resolution Plan contemplate for appraisal of Project only, however, NFB Agreement contemplate for consideration of company as well as project. The consideration of company as stipulated in NFB agreement is the bone of contention and has caused holding back the NFB facilities by the Respondents, though the Guarantees/Letter of Credit in force as on date of approval of Resolution Plan were allowed to be continued…*

*(Emphasis supplied)*

**10.** Further the above finding has also been affirmed by this Tribunal in its 9 December order at para 24 wherein it held "*that the lenders shall examine the project for which bank guarantees have been asked for and the Respondent shall have right to constantly monitor the business performance of the company and shall be competent to raise flag at appropriate time in case of deviation and take corrective action at that time and company shall furnish information/documents required by the lenders for review of financial performance of the company after its first release".* The NCLAT order had only prohibited the reassessment and reappraisal of the Borrower as a condition precedent for release of BGs/LCs and Appellants having adhered to this observation committed no breach of 09 December NCLAT order. However, incorporation of other conditions as provided for in the resolution plan and the NFB Agreement and incorporation of conditions arising out standard banking requirements had not been prohibited either by the 20 August NCLT or the 09 December NCLAT orders.

**11.** It was vehemently contended that it was misconceived on the part of the Respondents to contend that no fresh sanction letters could have been issued and that BGs/LCs limits were to be released to the Corporate Debtor Company by the Appellant Lenders unconditionally. It was also asserted that the conditions in the sanction letters issued by the Appellants were neither

unreasonable not did it involve any evaluation or appraisal of the Borrower Company. In fact when the rationale for each and every condition in the sanction letter was explained in details by the Appellants before the Adjudicating Authority, these conditions could not be seen to be a defiance of the court directions. When neither the resolution plan nor the NFB Agreement nor the August 20 NCLT order or the December 9 NCLAT order put any embargo on the issue of sanction letters or imposing of conditionalities therein, there was no basis to substantiate wilful disobedience of court directions by the Appellants or any cogent ground for the Adjudicating Authority to hold that the Appellants by their conduct had committed contempt of the orders of the NCLT or this Tribunal. When the impugned order itself records that it has found the issuance of the sanction letter with conditions to be bonafide, clearly this could not thereafter be a good ground for holding the Appellants to be contemnors. Further, the impugned order at para 59 having noted that the conduct of the Appellants on release of NFB limits has been guided by their concern for safety of public money and adherence to RBI norms, this clearly demonstrates that Appellants had raised their defence to justify their conduct, hence, the finding of wilful disobedience of the courts' order cannot be sustained.

**12.** It was also asserted that the Appellants had acted in good faith and issued sanction letters as a positive step towards release of NFB limits while the delay in the release of NFB limits was entirely attributable to the conduct of the Respondents who without fleshing out reasons for their purported objections to the conditions contained in the sanction order have unreasonably desired unconditional release of NFB limits. The August 20

NCLT Order was confined to directing the Appellants to release the NFB limits at the first instance but did not prohibit the Appellants from issuing sanction letters with specific terms and conditions therein for such release. The Appellants having issued the sanction letters had fully discharged their obligations. Onus had shifted to the Respondents to accept and comply with the terms of the sanction letters. Having refused to accept the sanction letters, NFB limits could not have been released by the Appellant Banks. Moreover, the Respondents had insisted on unconditional release which was an arbitrary demand on their part and towards perpetration of this unreasonable demand, they chose to file a contempt application while circumventing their own obligations to accept and act upon the sanction letters. Hence, while the Appellants having demonstrated their bonafide, the Borrowers by not accepting the sanction letters are disentitled from contending that the Appellants had wilfully disobeyed the orders of NCLT and NCLAT.

**13.** A lot of emphasis was laid by Ld. Solicitor General that the Appellants being bound by standard banking compliance requirements, issuance of sanction letters constituted an integral part of the standard banking norm for availing of BGs/LCs, the fundamentals behind issuance of sanction letters did not suffer from any impropriety. The issuance of sanction also cannot be objected to particularly so since sanction letters were issued to the Corporate Debtor even prior to its getting admitted into CIRP. It was further added that the Appellants are governed by RBI Regulations and these Regulations required periodical review of credit limits and adherence to internal policies

relating to NFB facilities, which has also been recorded in the impugned order at para 33 (ix) which is as extracted below:

> *"ix. Banks are required to make internal policies relating to guarantees on aspects such as tenor, renewal. [The RBI (Commercial Banks Credit Facilities) Directions, 2025 issued on 28.11.25 consolidate the extant regulations. They contemplate compliance by banks of their internal policies put in place even for the purpose of renewal."*

**14.** Furthermore, it was added that the stance of the Respondents that the obligations of the Appellants to release the BG/LC limits was several and not joint was entirely misplaced. Clause 2.2(a) of the NFB Agreement itself stipulated the liability of the Lenders to be separate and the relevant clause is as extracted hereunder:

> *2.2. Obligations of the Lenders*
>
> *a) Except as specifically set out in this Agreement, the obligations of the Lenders under this Agreement are several. No Lender shall be responsible for the obligations of any other Lender. The failure of any Lender to carry out its obligations under this Agreement shall not relieve the Borrower or any other Lender from any of its obligations under this Agreement.*
>
> *(Emphasis supplied)*

**15.** Moreover, the impugned order has itself recorded that if the Corporate Debtor was availing earlier NFB limits under consortium financing arrangement, the stipulation of consortium was not contrary to the terms of plan. In support of their contention, the Appellants adverted attention to paragraph 38 of the impugned order which is to the effect:

> *"38. It is not clear to us whether the Corporate Debtor was availing NFB limits under consortium financing arrangement. However, if the Corporate Debtor was availing the earlier NFB limits under consortium financing arrangement, the stipulation of consortium before release of rolled over limits cannot said to be contrary to the approved Resolution Plan even in view of clause 2.2 of NFB agreement providing for individual*

*obligation on part of each Respondent dehors performance of such obligation by one or more Respondents. On the contrary, in case the Corporate Debtor was not availing the earlier NFB limits under consortium financing arrangement, the stipulation of consortium before release of rolled over limits certainly results into disobedience of the order of this Tribunal and cannot be said an issue of interpretation."*

Therefore, it was contended that when the previous sanction letters provided for consortium financing arrangement, such an arrangement now in the sanction orders cannot be said to be contrary to the resolution plan. Even if it is accepted for argument's sake that there was a condition of several liability on the Lenders, the very fact that Lenders have issued their respective sanction letters and have also confirmed their willingness to release their individual share of the NFB limits, there was no evidence of any violence being caused to the court directions. It was pressed hard that it not incumbent upon the Appellants to follow the course of action adopted by Bank of Baroda (BoB) and IDBI Bank of separate release of NFB limits by them whose exposure was distinguishably smaller in comparison to the limits of the other Appellants which ranged from Rs. 51 Cr. to Rs. 101 Cr. as against Rs. 3 Cr. to 3.75 Cr. in case of BoB and IDBI Bank.

**16.** It was also contended that when any order is susceptible to more than one interpretation, this amounts to ambiguity in the direction of the Court and it is a well settled legal precept that disobedience to an ambiguous order is a clear defence to contempt action as has been held in the judgement of Hon'ble Supreme Court in ***Ram Kishan v. Tarun Bajaj & Ors., (2014) 16 SCC 204*** which is as reproduced here under:

*"15. It is well-settled principle of law that if two interpretations are possible, and if the action is not contumacious, a contempt proceeding would not be maintainable. The effect and purport of*

*the order is to be taken into consideration and the same must be read in its entirety. Therefore, the element of willingness is an indispensable requirement to bring home the charge within the meaning of the Act."*

**17.** Reliance was also placed on the judgement of Hon'ble Supreme Court in ***Sushila Raje Holkar Vs. Anil Kak (2008) 14 SCC 392*** to contend that the effect and purport of the impugned order cannot be seen in a fragmented manner but read in its totality and if multiple interpretations are possible, there is a good defence against being held guilty of contempt. The relevant portion of the said judgement is as under:

*"28. …… It is a well-settled principle of law that if two interpretations are possible of the order which is ambiguous, a contempt proceeding would not be maintainable. In State of Bihar v. Sonabati Kumari it was stated: (AIR p. 225, para 18)*

> *"18. (2) The second contention urged was that even if on a proper construction of the order, read in the light of the relevant pleadings, the State Government was directed to abstain from publishing a notification under Section 3(1) of the Act, still, if the order was ambiguous and equivocal and reasonably capable of two interpretations, a party who acted on the basis of one of such interpretations could not be held to have wilfully disobeyed the order. Stated in these terms, the contention appears unexceptionable. For its being accepted in any particular case, however, two conditions have to be satisfied: (1) that the order was ambiguous and was reasonably capable of more than one interpretation, (2) that the party being proceeded against in fact did not intend to disobey the order, but conducted himself in accordance with his interpretation of the order."*

Harping on the fact that contempt jurisdiction has a narrow compass, it was contended that not only the finding of the Adjudicating Authority about wilful disobedience of the court directions cannot be sustained but also that the contempt proceedings are liable to be set aside as punishment for contempt

has been imposed without identifying specific individuals and without notifying them the positive finding recording contempt having been committed by them and giving them an opportunity to be heard in their personal capacity.

**18.** Rebutting the arguments canvassed by the Appellants, the Ld. Counsels representing the interests on behalf of Respondents No. 1, 2 and 3 in unison defended the decision of the Adjudicating Authority holding the Appellants to be in contempt of their directions of 20.08.2024 which had been affirmed by this Tribunal on 09.12.2024. It is the contention of the Respondents that the Appellants as the assenting financial creditors of the Corporate Debtor Company in the CoC had themselves approved and consented to the resolution plan. Hence they were required to fulfil their reciprocal obligations under the resolution plan, particularly so, when the Investors/Shareholders of the Corporate Debtor had already complied with their part of obligations under the resolution plan of infusing funds. The Respondents as on the Closing Date had already infused Rs. 170 Cr. by way of equity in terms of the resolution plan and because the Appellants had not yet fulfilled their reciprocal obligations of releasing NFB limits, the Shareholders of the Corporate Debtor were compelled to infuse additional Rs. 732 Cr. The continued failure of the Appellants to release/disburse the BGs/LCs has put to jeopardy the investment made by the shareholders of the Company and amounts to clear defiance of court directions.

**19.** It was also submitted that Corporate Debtor being an Engineering Procurement and Construction (EPC) Company was heavily reliant on banking support and hence sought roll-over of existing BGs/LCs limits as

envisaged under the resolution plan which was not only necessary for the growth of revenue and margin of the Corporate Debtor but was essential for its survival. The resolution plan in its Executive Summary at Clause 2(b) had clearly stipulated that the Shareholders/Investors of the Corporate debtor would require a roll-over of the BGs/LCs to the extent of the current exposure of the Financial Creditors as on the date of approval of the resolution plan approved by the CoC. The said clause is as reproduced below:

> *"2. Restructuring of Debt*
>
> *(b) Engineering Procurement & Construction ("EPC") business is dependent on banking support. In this regard, the Proposed Investors have not sought any fresh limits. The Proposed Investors would only require roll-over of bank guarantees ("BG")/letter of credit ("LC") limits to the extent of the current exposure of financial creditors as on the date on which the CoC votes on this Final Resolution Plan.*
>
> *This will ensure growth of revenue and margins for the Company, which are crucial for meeting debt repayment commitments. The roll-over of the BG /LC limits is only applicable to the extent of released/ discharged/ cancelled/ returned (by the beneficiaries) BGs/LCs (and not invoked/ encashed BGs/LCs). This is further explained in paragraph F of Section VI.*
>
> *In case any new BG/LC, that is issued after the BG/LC limit being rolled over, is invoked or encashed, the amount of such invocation/ encashment will be payable by the Company on demand, as per the terms of the BG/LC."*

It was emphasised that the Respondents had only sought issuance of existing BGs/LCs limits and no fresh limits were sought.

**20.** Besides the resolution plan, even the NFB Agreement which gave effect to the terms of the approval resolution plan also recorded the obligations of the Appellants to issue BGs/LCs. Recital C and D of the NFB Agreement read as under:

*"(C) In furtherance of the terms of the Approved Resolution Plan, the Borrower and the Lenders have agreed that the Lenders shall make available to the Borrower the Facilities up to an amount not exceeding an aggregate of their respective Limit in the manner stipulated in Schedule I hereto and upon the terms and conditions set out in this Agreement for existing or future projects to be undertaken by the Borrower. This Agreement sets out the terms and conditions of the Facilities sanctioned to the Borrower, as extended and modified by the Lenders."*

*(Emphasis supplied)*

Also, Article 5 of the NFB Agreement provided that the Appellant were obliged to disburse the NFB limits effective as on Closing Date which is as reproduced below:

*"5.1 PRE-DISBURSEMENT CONDITIONS*

*The obligation of the Lenders to disburse/permit it the utilization and/or Drawal of the Facilities under this Agreement shall be effective as on the Closing Date. Provided that this is without prejudice to the continuation of the any bank guarantee or letter of credit or indemnity issued by a Lender under the sanction letters and subsisting as on the Effective Date which shall continue and be in full force and effect and shall be governed by the terms of this Agreement and the Approved Resolution Plan."*

*(Emphasis supplied)*

**21.** The NFB had thus clearly set out the terms and conditions of the facilities sanctioned to the Corporate Debtor Company which contractually obligated the Appellants to disburse BGs/LCs to the Corporate Debtor immediately upon the Closing Date. No fresh sanction letter was contemplated under the NFB Agreement. It is an undisputed fact that the Closing Date was achieved on 09.11.2021 and yet until now even after nearly five years, the Appellants have been dragging their feet by not disbursing/releasing the BGs/LCs. Once, the resolution plan was approved by the Adjudicating Authority it had become statutorily binding on all concerned including the

Appellants. The resolution plan had also provided for the execution of definitive documents which were to supersede and replace the terms of all agreements with all existing financial creditors of the Corporate Debtor Company including the Appellants. When the resolution plan provided for roll-over of existing NFB limits, it clearly implied that the Appellants had already sanctioned the NFB limits and issue of fresh sanction letters by the Appellants cannot be viewed as compliance with their reciprocal obligations as has been wrongly asserted by the Appellants.

**22.** When the resolution plan was approved by the Appellant Banks in their capacity as CoC members, the plan had become final and binding on all stakeholders including the Appellants. The Appellants were obliged and bound by the plan to release/disburse NFB limits to the Corporate Debtor in accordance with the resolution plan and the NFB Agreement. Embattled as they were in making debt repayments and in improving their business performance, it was added that the Respondents had made multiple requests to the Appellants to issue the BGs/LCs as they were heavily reliant on the NFB limits. This was a case where the Appellants despite having already secured their share of profits by sale of equity shares received by them from the Corporate Debtor on the Closing Date, and reaped the gains from the resolution plan they were wilfully jeopardising the revival of the Corporate Debtor by non-release of NFB limits.

**23.** Since, the Appellants had not been acceding to the request of the Respondents for issue of BGs/LCs, the Shareholders had approached the Adjudicating Authority following which it issued clear directions on

20.08.2024 for immediate and several release of NFB limits by the Appellants at the first instance. The relevant orders are as extracted below:

> *"7.7. … Accordingly, we have no hesitation to hold that CoC was conscious of proposals in the Resolution Plan in relation to NFB limits and they voted on the Plan realising fully well that the said NFB limits are to be released, subject to project appraisal……*
> *7.9. …However, we are of the considered view that the NFB limits ought to have been released at the first instance by the lenders as contemplated in the plan."*

**24.** It was emphatically asserted that non-release of BGs/LCs had also been frowned upon by this Tribunal on 09.12.2024 by observing that the CoC while approving the plan had consciously decided to roll-over NFB facilities by the existing Lenders such conduct was akin to stopping the Corporate Debtor from carrying out its normal functions which was never the object of resolution plan. The relevant paragraph of the said order is as reproduced below:

> *24. …… We have noticed the relevant clauses of the plan which indicate that various repayments have to be made by company out of cash flow and revenue generated. The company being EPC contractor has to carry out and to work the contract to earn revenue, without the company carrying any contract it cannot generate revenue. Stopping the company to not able to work any contract due to non-release of bank guarantee is akin to stopping the company from carrying out normal function which shall lead non-compliance of the repayment obligation of the company which can never be object of approval of the Resolution Plan. Counsel for the Respondent has also relied on Joint Lenders' Meeting held on 26.09.2024 i.e. after passing of the order passed by the Adjudicating Authority where IDBI Bank has also flagged the issue the non-release of NFB limits may jeopardise the operations of the company which will impact the repayment of NCDs to assenting Financial Creditors……"*
>
> *(Emphasis supplied)*

**25.** However, the Appellants had consciously and deliberately failed to comply with their reciprocal obligations to release the sanction/rolled-over NFB limits at the first instance as directed by the 20 August NCLT order which was subsequently duly affirmed by this Tribunal vide order dated 09.12.2024. This non-release of NFB limits was in gross violation of the judicial orders passed. Failure to discharge their reciprocal obligations under the resolution plan inspite of clear directions by the Adjudicating Authority and this Tribunal clearly constituted contempt of the court's authority.

**26.** Once the primary step of issuance of sanction orders had taken place after the approval of the resolution plan and the Appellants had signed the NFB Agreement setting out the detailed terms and conditions and procedure for issue of BGs/LCs, the procedural requirement of sanction order already stood met and the Appellants thereafter cannot insist on issuance of a fresh sanction. By issuing fresh sanction letters, four years after Closing Date, the Appellants had effectively restarted the process. Moreover, the Appellants have issued afresh sanction letters without demonstrating any shortcoming or deficiencies on the part of the Corporate Debtor Company which had led to non-release of BGs/LCs to the Company Corporate Debtor. Issuance of fresh sanction was nothing but a disguised attempt to create a new parent document to govern the relationship between the Appellants and the Corporate Debtor in a manner which was at variance from the original relationship envisaged under the resolution plan and the NFB Agreement and a contrived afterthought to resile from their obligations under the plan. Therefore, the intent was clearly to delay and/or avoid releasing of the NFB limits. The fresh sanction letters cannot be taken as an innocent, innocuous

and harmless document but a strategised and calculated design to repudiate their committed obligations and obstruct the release of the NFB limits. This was clearly a wilful breach of the direction given by the Adjudicating Authority and this Tribunal in their respective orders of 20.08.2024 and 09.12.2024.

**27.** It is the case of the Respondents that it has been the consistent approach of the Appellants not to release the BGs/LCs which had been rolled over under the resolution plan in spite of multiple opportunities given to them. The same intransigence can be seen when the Appellants again failed to abide by the interim order dated 25.11.2025 passed by the Adjudicating Authority wherein the Appellants were directed to ensure that their sanction letter was to be in accord with the terms of the approved plan. Despite clear directions to the Appellants to adhere to the terms and conditions of the resolution plan, they proceeded to issue fresh sanction letters and insisted on compliance with new terms and conditions set out therein in variance with the approved resolution plan and NFB Agreement. As no forward action was taken by the Appellant Banks, the Respondents were left with no choice but to file the contempt application. Even the impugned order at Para 59 had provided yet another opportunity to the Appellants to release the BGs/LCs in the manner provided in the approved resolution plan. Instead of complying thereto, the Appellants chose to file an appeal before this Tribunal. In such circumstances, the impugned order has rightly found the conduct of the Appellants to be intentionally evasive in discharging their obligations of disbursing the NFB limits by issue of BGs/LCs which amounted to wilful disobedience of the orders of 20.08.2024 and 09.12.2024 issued by the Adjudicating Authority and this Tribunal respectively.

**28.** It was further contended by the Respondents that the Appellants have made the release/disbursal of NFB limits subject to availability of limit by other lenders. This conditionality was never contemplated in the plan or the NFB Agreement. In terms of the "General Terms of the Facilities" under the NFB, the Banks had already sanctioned facilities to the Corporate Debtor Company and that upon the Closing Date being achieved 'each of the Lenders had already agreed to extend/lend to the Borrower the facilities to the maximum extent of the limits as was clearly spelt out in Clause 2.1(a) of the NFB Agreement. Further, the NFB Agreement at Clause 2.2(b) clearly provided that the obligation of each NFB Lender was to release its respective limit and that the obligation of each of the Lenders was 'several'.

> *"2.2. Obligations of the Lenders*
>
> *a) Except as specifically set out in this Agreement, the rights of the Lenders under this Agreement are separate and independent rights and any debt to any Lender arising under the Financing Documents from the Borrower shall be a separate and independent debt from debt owed to any other Lender. Except as specifically set out in this Agreement, a Lender may separately enforce any of its rights arising out of this Agreement."*

The approved resolution plan had also stipulated that the BG limits will be allowed to be used as LCs as per business needs. Clause 2.4 of the NFB Agreement under the caption ***'Terms of the Facilities'*** also provided that the LC and BG facilities may be interchanged up to the extent as set out in Schedule I.

**29.** Once the Closing Date was achieved by which time the investors had already infused their share, the obligation of the NFB lenders to release/disburse the NFB limits severally and separately had become

operational and having failed to release the same, they acted in contravention of the resolution plan and NFB Agreement. Further, the contention of the Appellants that release of NFB limits was joint was misplaced as it fails to explain how BoB and IDBI Bank had released the NFB limits on their own steam. It was also pointed out that merely because the comparative quantum of exposure of BoB and IDBI were not as large as much as of the Appellants, the margin of exposure cannot be a cogent ground not to comply with binding release orders issued by the Adjudicating Authority and this Tribunal. It was also pointed that on the one hand the Appellants have claimed that they were not bound by the decision taken by BoB and IDBI but at the same time have also claimed that the release of NFB limits have to be done by the consortium. This mutually contradictory stance was also in contravention of the NFB Agreement which expressly sets out that the obligation of the Appellants was several and not joint.

**30.** Submission was also pressed that the Appellants had taken shield of compliance with RBI Regulations as a condition for non-release of the NFB limits without specifically spelling out as to which applicable laws or regulations of the standard banking practices prevented them from releasing the BGs/LCs limits. It was asserted that the 09 December NCLAT order had already dealt with this aspect at para 24 of its order which is as reproduced below:

> *"24. The above clause which has been relied by Counsel for the Appellant as its heading showing is towards 'precautions for averting frauds'. The above clause is for the purposes of averting frauds. Present is not a case that the borrower is asking for issuance of NFB facilities which will lead to perpetuating any fraud on the lenders. Present is a case where Resolution Plan has already been*

*approved by the CoC where decision was consciously taken to roll-over NFB facilities by the existing lenders. It is also not the case that the borrower has defaulted in any of the bank guarantees or letter of credit so as to give any apprehension in the mind of the lenders that borrower will not be able to honour the service the NFB facilities."*

Taking the plea of RBI Regulations was a farcical ploy adopted by the Appellants to justify their wilful and deliberate action of not issuing the BGs/LCs. It was also pointed out that when BoB and IDBI Bank which were also public sector banks could have issued BGs/LCs upon demand by Corporate Debtor under the NFB Agreement, it remains unexplained as to how the RBI circulars prevented the Appellants from issuing the BGs/LCs. The ground of adherence to RBI norms and Internal Banking Procedures been resorted to frustrate the release of the NFB limits which was clearly an attempt to defy the judicial directions contained in the August 20 NCLT Order and December 9 NCLAT Order.

**31.** Asserting that the directions of the Adjudicating Authority were clear, unambiguous and therefore binding, submission was pressed that conduct of the Appellants satisfy all ingredients of wilful and deliberate disobedience of court direction. Reliance was placed on the judgment of the Hon'ble Supreme Court in ***Maninderjit Singh Bitta Vs. Union of India, (2012) 1 SCC 273*** wherein it was held that every person is expected to obey the orders of the Court in its true spirit and where the party does not obey the orders of the Court nor approaches the Court seeking extension of time for compliance or variation of the order, the only possible inference is that the party intends to disobey the orders of the Court. The persistence on the part of the Appellants insisting on issue of fresh sanction letters with new terms and conditions

clearly amounted to wilful disobedience and defiance of Courts orders which tantamount to committing contempt.

**32.** We have extensively heard the Ld. Counsel for all the parties and have noted the rival contentions in great details and perused the records carefully.

**33.** It is an undisputed fact that the impugned order has stemmed out from the prayers made in two contempt applications which had been filed by the Respondents herein.

**34.** At this stage, it may be useful to glance at the prayers contained in the two Contempt Applications which have been filed by the Respondents which is reproduced below:

*Cont. App. 39 of 2025*

*"In view of the above-mentioned facts and circumstances the Applicant most respectfully prays that this Hon 'ble Tribunal may be pleased to order and direct:*

*a) That this Hon'ble Tribunal order that the Respondents are guilty under Section 74(3) of the Code for willfully and knowingly contravening the provisions of the Approved Resolution Plan;*

*b) That this Hon'ble Tribunal order that the Respondents are guilty of contempt of this Hon'ble Tribunal and the Hon'ble Appellate Authority for willful, deliberate disobedience/breach of the order dated 20 August 2024 passed in Interlocutory Application No. 5023 of 2023 by this Hon'ble Tribunal and order dated 9 December 2024 of the Hon'ble Appellate Authority by way of which it affirmed order dated 20 August 2024, in terms of Section 12 of the Contempt of Courts Act, 1971;*

*c) Order the chairmen/officers in-charge of the Respondent banks, to undergo imprisonment and pay fine in terms of Section 74(3) of the Code and Section 12 of the Contempt of Courts Act, 1971;*

*d) Order and direct Respondents to purge contempt by forthwith complying with the order dated 20 August 2024 passed in Interlocuto1y Application No. 4959 of 2023 by this Hon'ble Tribunal and order dated 9 December 2024 of the Hon'ble Appellate Authority by way of which it affirmed order dated 20 August 2024;*

*e) Pass any such other order or orders as this Hon'ble Tribunal may deem fit, proper, and appropriate in the interest of justice;*

*f) Costs of this Application."*

*Cont. App. 41 of 2025*

*"In view of the above-mentioned facts and circumstances the Applicant most respectfully prays that this Hon'ble Tribunal may be pleased to order and direct:*

*a) That Respondent banks (No. 1 to 7) are guilty under Section 74(3) of the Code for willfully and knowingly contravening the provisions of the Approved Resolution Plan;*

*b) That this Hon'ble Tribunal order that the Respondent banks (No.1 to 7) are guilty of contempt of this Hon'ble Tribunal and the Hon'ble Appellate Authority for willful, deliberate disobedience/breach of the order dated 20 August 2024 passed in Interlocutory Application No. 5023 of 2023 by this Hon'ble Tribunal and order dated 9 December 2024 of the Hon'ble Appellate Authority by way of which it affirmed order dated 20 August 2024, in terms of Section 12 of the Contempt of Courts Act, 1971;*

*c) Order the officers in-charge of Respondent banks (No.1 to 7) to undergo imprisonment and pay fine in terms of Section 12 of the Contempt of Courts Act, 1971 and/or Section 74(3) of the Code;*

*d) Order and direct the Respondent banks (No.1 to 7) to purge the contempt by forthwith complying with the order dated 20 August 2024 passed in Interlocutory Application No. 5023 of 2023 by this Hon'ble Tribunal and order dated 9 December 2024 of the Hon'ble Appellate Authority by way of which it affirmed order dated 20 August 2024;*

*e) Pass any such other order or orders as this Hon'ble Tribunal may deem fit, proper, and appropriate in the interest of justice;*

*f) Pass an order granting the costs of this Application in favour of the Applicants."*

**35.** It would be constructive to see how the Adjudicating Authority had disposed of both the Contempt Applications. The relevant para 59 of the impugned order is as reproduced below:

*"59. It is noted that the Respondent's Officers are in contempt of this Tribunals order however their defiance arises from their concern for safety of public money and adherence to the RBI norms. Accordingly, we*

*are of considered view that end of justice would be met if the Respondents release rolled over BG limits in the manner provided in the approved Resolution Plan and in terms as were applicable to those limits prior to commencement of CIRP within one month from the date of communication of this Order, considering that the Applicant as well as the Respondents have a long way to go together and any disharmony between them may be prejudicial to their business interest as well. In case, the Respondents failed to do so within the period allowed, this Tribunal orders one day of simple imprisonment in civil prison and the application herein, shall inform the Prison authorities for taking appropriate action for compliance of this order."*

**36.** It was contended by Ld. Solicitor General that the Adjudicating Authority in the present case has neither formed any prima-facie satisfaction of unambiguous and unequivocal case of wilful disobedience nor issued any show cause notice for contempt at any stage. The Adjudicating Authority on 15.10.2025 had merely directed issuance of routine notice calling upon the Appellants to file replies without framing precise charges against the Appellants. Pursuant to these directions, notices which came to be issued were not "Show Cause Notices" as contemplated under NCLT Rules or Section 12 of Contempt of Courts Act. Neither did the routine notice identify any specific conduct constituting contempt nor was it addressed to specific individuals. Contempt proceedings being quasi criminal in nature, compliance with procedural requirement is not an empty formality but requires to be essentially complied with. But in the present case the Adjudicating Authority failed to record that its prima-facie satisfaction that a case of contempt had been made out but went ahead to impose punishment which suffers from grave procedural infirmities and that too without identifying the specific officers of the Appellants before imposing of punishment. The direction of imprisonment of the Respondents who are

corporate entities without identifying the individual contemnors, the contempt order could not have been passed.

**37.** Per contra, it is the case of the Respondents that the Appellants despite being aware of the fact that in terms of the NFB Agreement, they were required to disburse the NFB limits from the Closing Date, they have dragged their feet for nearly five years in disbursing the NFB limits and have now issued fresh sanction orders which are objectionable since the sanction orders contain a string of conditionalities which were alien to the resolution plan and the NFB Agreement executed in pursuance of the plan. It was also emphatically asserted that the intent of Respondents behind filing the contempt application was only to make the Appellants see sense and release the NFB limits which was vital for their survival as crucial for their revival. The idea behind filing the contempt application was to simply make the Appellants comply with the court orders for release of NFB limits for the successful resolution of the Corporate Debtor. The intent of the Respondents was not to send the Appellants to civil prison but to tackle the undue hostility on their part in the release of NFB limits.

**38.** We are conscious that the power to punish a person for contempt is undoubtedly a powerful and potent weapon in the hands of court but it is also well-recognised that this power has to be exercised with utmost caution and circumspection and cannot be used unless the Court is fully satisfied beyond doubt that the alleged contemnor has deliberately and intentionally violated the order of the Court. Therefore, mere disobedience is not enough to hold a person guilty of civil contempt unless it is accompanied with an element of

deliberate and wilful intent to defy the orders of the court. Any party which complains breach of courts' order by the other party must allege deliberate or contumacious disobedience of the court's order and only if such allegation is proven and substantiated before the court that contempt can be said to have been made out. It follows therefore that in matters of contempt, following the due procedure and the principles of natural justice is of great significance. The court must serve a formal, personal notice of show-cause on the person charged with contempt which notice must be accompanied by the precise and explicit charges framed against him so that he knows exactly what he is required to defend. A simple or generic notice is not sufficient. The person so charged must also be given a fair chance to file an affidavit in reply to the show-cause notice as why he should not be punished. The court must give the person a fair opportunity to present his defence before making a final determination on whether the purported conduct is contemptuous or otherwise. As in the present case, the contempt proceedings have resulted in penal consequences of imprisonment, it is all the more incumbent upon us to satisfy ourselves whether procedural compliances have been met with or not.

**39.** Emphasising that contempt proceedings require a two-stage process viz., (i) recording of prima facie satisfaction before issuing show case notice; and (ii) framing of a precise charge so that the alleged contemnor is conscious of the case he has to meet, it was asserted by the Ld. Solicitor General that the Adjudicating Authority having brushed aside these procedural niceties has exercised the contempt jurisdiction in a casual manner which is not sustainable in the eyes of law. Reliance was placed on the judgement of the

Hon'ble Supreme Court in ***Om Prakash Jaiswal Vs. D.K. Mittal & Anr. (2000) 3 SCC 171*** wherein adverting attention to the well-established practice of following the two-stage process, it has been laid down that:

> *"15. …… Filing of an application or petition for initiating proceedings for contempt or a mere receipt of such reference by the court does not amount to initiation of the proceedings by court. On receiving any such document it is usual with the courts to commence some proceedings by employing an expression such as "admit", "rule", "issue notice" or "issue notice to show cause why proceedings for contempt be not initiated". In all such cases the notice is issued either in routine or because the court has not yet felt satisfied that a case for initiating any proceedings for contempt has been made out and therefore the court calls upon the opposite party to admit or deny the allegations made or to collect more facts so as to satisfy itself if a case for initiating proceedings for contempt was made out. Such a notice is certainly anterior to initiation. The tenor of the notice is itself suggestive of the fact that in spite of having applied its mind to the allegations and the material placed before it the court was not satisfied of the need for initiating proceedings for contempt; it was still desirous of ascertaining facts or collecting further material whereon to formulate such opinion. It is only when the court has formed an opinion that a prima facie case for initiating proceedings for contempt is made out and that the respondents or the alleged contemners should be called upon to show cause why they should not be punished; then the court can be said to have initiated proceedings for contempt. It is the result of a conscious application of the mind of the court to the facts and the material before it. Such initiation of proceedings for contempt based on application of mind by the court to the facts of the case and the material before it must take place within a period of one year from the date on which the contempt is alleged to have been committed failing which the jurisdiction to initiate any proceedings for contempt is lost. The heading of Section 20 is "limitation for actions for contempt". Strictly speaking, this section does not provide limitation in the sense in which the term is understood in the Limitation Act. Section 5 of the Limitation Act also does not, therefore, apply. Section 20 strikes at the jurisdiction of the court to initiate any proceedings for contempt."*

**40.** Another judgment relied upon by the Appellant in support of the two-stage process is that of this Tribunal in ***G. Ravi Shankar Vs. S***

***Radhakrishnan in CA(AT)(CH) No. 93 of 2023*** wherein it was held as follows:

> *"7. It is only when the Tribunal comes to a conclusion of an apparent, intentional and deliberate contempt having been committed, then only after framing of a charge under Rule 13 of the Contempt of Courts Rules, the appellant may be called upon to appear in-person before the Tribunal, if required as per law."*

**41.** Reliance has also been placed on the judgment of Hon'ble Supreme Court in ***L.P Misra Vs. State of UP (1998) 7 SCC 379*** wherein it was held that the court could not have passed the contempt order without issuing a show-cause notice or giving an opportunity to the Appellants to explain the alleged contemptuous conduct.

**42.** Yet another judgement which had been adverted to is that of the Hon'ble Delhi High Court in ***McDonald's India Private Limited v. Union of India & Ors. 2018 SCC OnLine Del 6617***, as extracted below:

> *"35. There can be no quarrel with the proposition that the proceedings under the Contempt of Courts Act, 1971 are quasi criminal in nature. Initiation of action under the criminal law is one of great import and therefore, a serious matter. The burden and standard of proof in contempt proceedings is the same standard of proof as required in criminal proceedings. Great circumspection is required to be exercised by the court or the forum conferred with power to punish for contempt. Such action cannot be undertaken merely based on conjectures or surmises. The proceedings of contempt of court are generally treated as sui generis. Though the procedure adopted both under the common law and the statute in this context has invariably been summary in nature and the provisions of the Code of Criminal Procedure or the Evidence Act do not strictly control the same, it is essential that the court or the forum follows the procedure that is fair and objective. Before issuing notice calling upon the alleged contemnor to answer the charge of contempt, the court or the forum must record satisfaction that there is a clear, unambiguous and unequivocal case made out showing willful and contumacious conduct by the respondent. The procedure to be followed, after formal cognizance is taken, must*

*include framing of a precise and specific charge or notice so as to inform the party in question as to the charge he is to meet. It may be added that it is not always necessary to frame a formal charge as in a criminal trial. It is sufficient if the gist of the specific allegations is made clear to the alleged contemnor affording him the opportunity of being heard in his defence. Further, the charge must be substantiated by clear and reliable evidence to be adduced at the trial.*

*……*

*49. The NCLT, rather than acting in hurry or undue haste, as is alleged, has taken the neutral course of treating the application seeking initiation of contempt proceedings or for the parties in question to be asked to purge, merely as an application filed in the wake of its order dated 13.07.2017. The decision as to whether or not a prima facie case of willful disobedience, defiance or commission of any act constituting contempt is made out, would undoubtedly be taken by the NCLT after it has secured the replies and considered the contentions having heard the parties in question. The argument that NCLT has acted arbitrarily, or with bias, is without basis. By giving opportunity to show cause, it has instead acted in most fair manner, following the spirit of the rules. [Rule 59]."*

*(Emphasis supplied)*

**43.** In their defence, however, the Respondents have argued that that in ***McDonalds India judgement supra*** it has been held that it is not always necessary to frame a formal charge and that it is sufficient if the gist of specific allegation is made clear to the alleged contemnor affording him an opportunity of being heard in his defence. In the present case, notice had been issued to the Appellants on 29.10.2025 directing them to appear before the NCLT and the Respondent had been directed to serve a copy of their contempt application upon all Appellants which had also been complied with. Furthermore, in the interim order dated 25.11.2025 the NCLT had given the Appellant Banks another opportunity to comply with the directions to issue sanction letters in accordance with the terms of the approved resolution plan which not having been complied with, the Adjudicating Authority committed no infirmity in holding the conduct of the Appellant Banks to be neither in

compliance with the approved resolution plan nor in terms of the August 20 NCLT Order and December 9 NCLAT Order and therefore their conduct to be in contempt of the court.

**44.** Having perused the judgements cited by both the Appellants and the Respondents, we are not inclined to agree with the submission made by the Respondents dispensing with the need for the Adjudicating Authority to record prima-facie satisfaction of wilful disobedience and communication of the charges on the alleged contemnors. The Adjudicating Authority in this case has directly imposed punishment without first passing an order recording its prima-facie satisfaction that there is a contempt. Further the imposition of punishment without issue of a show cause notice to the Appellants setting out the issues/charges which allegedly constituted contempt of the August 20 NCLT Order and December 9 NCLAT order is a procedural breach. Further, penalty can be visited only after receipt of explanation and oral hearing of the specific individuals to be penalised which has not happened.

**45.** We find that the judgements relied upon by the Appellants adequately support the submissions made by them that contempt proceedings necessarily require recording of prima-facie satisfaction by the concerned court of law of wilful disobedience of its orders followed by framing of precise charges against the alleged contemnor to be met by the alleged contemnor before being visited with any punishment arising out of the contempt proceedings. The minimal requirement of following the procedure prescribed

by law has been clearly overlooked by the Adjudicating Authority in the present case.

**46.** Court must first ascertain facts and satisfy itself that a prima facie case of contempt is made out, and only thereafter should it call upon the alleged contemnors to show cause why they should not be punished. It is also to be kept in mind that contempt can be initiated against specific individuals and the principle of natural justice necessitates that a meaningful opportunity is to be allowed to the identified contemnors so as to give them an opportunity to defend themselves. The Adjudicating Authority in the present case has neither formed any prima facie satisfaction for issue of show- cause notice for contempt but merely directed issuance of routine notice without framing precise charges against specific individual representing the respective Appellant lenders. Furthermore, when the sanction letters have been independently issued by each of the Appellant Banks, which sanction terms are at variance from each other, the Adjudicating Authority without going into the specific sanctions order and identifying how each of them breached the directions of the court could not have passed a composite order for contempt against the Appellant Banks and that too without naming the specific officers who are charged with contumacious disobedience. We also find that the Appellants have rightly drawn strength from the judgment of Hon'ble Supreme Court in ***Union of India Vs. Satish Chandra Sharma (1980) 2 SCC 144*** which has held as follows:

> *"10. We are a little startled that a court in the contempt jurisdiction should deprive the personal liberty of a person without naming in the order whom the court's bailiff should take into custody or the jail authorities should receive…….. The constitutional sanctity of liberty*

*and the (then) protection of property will become chimerical and the processual law will hang limp if the substantive order is silent and identifying the offender is left over as a ministerial measure. ……. Nameless humans cannot be whisked off to prison even in the name of contempt by insertion of the name after the judgment is delivered. Natural justice is a pervasive doctrine integral to processual fair play in Indian jurisprudence. For this reason alone, the extant order under challenge is vulnerable–against both the attachment of unspecified property and detention of unnamed contemners."*

*(Emphasis supplied)*

**47.** To our minds, for the reasons stated above, the Adjudicating Authority has given a go-by to the procedural requirements which are required to be mandatorily followed in contempt proceedings particularly so when a one-day imprisonment has been ordered as penal consequence rendering the proceedings quasi-criminal in character. We find that the impugned order subjecting the Appellants to contempt and consequential civil imprisonment suffers from impropriety since punishment arising from contempt is required to be directed against an individual(s) who are found to have wilfully and deliberately disobeyed the court directions. In the present case, the Respondents in their contempt application have not identified specific individual(s) by name as alleged contemnors nor made express and specific charges of violation of court directions by them. Since contempt jurisdiction has not been exercised by the Adjudicating Authority in accordance with the procedure prescribed by law, in such circumstances, the impugned order cannot be sustained.

**48.** In view of the forgoing discussion, the Appeal is allowed. The impugned order is set aside with the following directions:

(i) It shall be open to the Respondents to send a written communication to each of the Appellant Banks separately for release/disbursal of NFB limits in terms of August 20 NCLT order and December 09 NCLAT order.

(ii) The Appellant Banks so approached may send their categorical response on the request for release/disbursal of NFB limits to the Respondents within a period of one month from the date on which the request is received from the Respondents. The Appellant Banks are also directed to cooperate in providing the name of the specific Officer(s) dealing with the disbursal/release of NFB limits to the Respondents while sending their respective responses.

(iii) In the event, the Respondents are aggrieved with the response received from the Appellant Banks in respect of Serial No. (ii) above, the Respondents shall have the liberty to revive their Contempt Applications before the Adjudicating Authority by indicating the name of specific Officer(s) of each Appellant Banks by filing fresh averments and pleadings which the Adjudicating Authority may consider in accordance with law, without being influenced in any manner with any observations made by this Tribunal in this order.

(iv) The parties shall bear their own costs.

**[Justice Ashok Bhushan]**
**Chairperson**

**[Mr. Barun Mitra]**
**Member (Technical)**

*Place: New Delhi*
Date : 26.05.2026
*Sheetal*