NATIONAL COMPANY LAW TRIBUNAL,
MUMBAI BENCH COURT III

Item No. 01
I.A. 579/2025
In
C.P.(IB)2915(MB)/2019

CORAM:
SH. HARIHARAN NEELAKANTA IYER
Member (Technical)

MS. LAKSHMI GURUNG
Member (Judicial)

ORDER SHEET OF THE HEARING ON **03.09.2026**
(HEARING THROUGH: HYBRID MODE)

NAME OF THE PARTIES: M/s. Finquest Financial Solutions Pvt Ltd.
V/s.
Ballarpur Industries Ltd.

Appearance

For Applicant : Adv. Rishabh Chandra i/b Vaish Associates

For Respondent : Adv. Shekhar Raj Sharma, Addl. AG, State of Haryana a/w Adv. Nidhi Narwal, - Haryana State Pollution Control Board

SECTION 7 OF THE IBC, 2016

ORDER

I.A. 579/2025

This application is listed for pronouncement of order. The same is pronounced in open court, vide a separate order.

Sd/-
HARIHARAN NEELAKANTA IYER
Member (Technical)

Sd/-
LAKSHMI GURUNG
Member (Judicial)

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IN THE NATIONAL COMPANY LAW TRIBUNAL

MUMBAI BENCH COURT III

I.A. 579/2025

In

C.P. No. (IB) 2915/MB/C-III/2019

Under Section 60(5) of the Insolvency and Bankruptcy Code, 2016 read with Rule 11 of the National Company Law Tribunal Rules, 2016

Ballarpur Industries Limited
Having registered office at:
PO Ballarpur Mills, Ballarpur, Dist. Chandrapur, Maharashtra - 442901

... Applicant

Vs

Haryana State Pollution Control Board
Through its Member Secretary
Having office at:
C-11, Sector 6, Panchkula, Haryana-134109

... Respondent

In the matter of

[Under section 7 of the Insolvency and Bankruptcy Code, 2016]

Finquest Financial Solutions Private Limited
Having its registered address at: 602, Boston House Near Cinemax, Suren Road, Andheri (East), Mumbai - 400 093

... Financial Creditor

Vs

Ballarpur Industries Limited
Having registered office at:
PO Ballarpur Mills, Ballarpur, Dist. Chandrapur, Maharashtra - 442901

...Corporate Debtor

Order pronounced on: 03.09.2026

Coram:

Shri Hariharan Neelakanta Iyer
Member (Technical)

Smt. Lakshmi Gurung
Member (Judicial)

Appearances:

For the Applicant : Adv. Neel Mehta a/w Rishabh Chandra i/b Vaish Associates

For the Respondent : Adv. Nidhi Narwal (Junior to Ld. Additional Advocate General for Haryana) appeared VC

Per: Ms. Lakshmi Gurung, Member (Judicial)

ORDER

1. The present application was filed by M/s Ballarpur Industries Limited **('Corporate Debtor'/ the Applicant')** under new management after undergoing through Corporate Insolvency Resolution Process (**CIRP**), seeking following reliefs:

a) This Hon'ble Tribunal be pleased to direct the Respondent to withdraw their demand for the alleged dues amounting to INR 7,49,04,730/- (Rupees Seven Crore Forty Nine Lakh Four Thousand Seven Hundred and Only) towards excess expenses for acquisition of land for construction of Ditch Drain and direct the Respondent to update their records to reflect that no arrears remain due and payable by the Applicant towards excess expenses for acquisition of land for construction of Ditch Drain.

b) This Hon'ble Tribunal permanently restrain the Respondent from sealing the unit of the Applicant on account of non-payment of the aforesaid sum of INR 7,49,04,730/- (Rupees Seven Crore Forty Nine Lakh Four Thousand Seven Hundred and Only) or any other amounts pertaining to excess expenses for acquisition of land for construction of Ditch Drain.

c) This Hon'ble Tribunal permanently restrain the Respondent from creating any obstruction to the Applicant in restarting the SGU unit on account of non payment of alleged dues towards acquisition of land for construction of Ditch Drain.

d) Pending the hearing and final disposal of the present Application, this Hon'ble Tribunal be pleased to direct the Respondent to not take any further steps to recover the amount of INR 7,49,04,730/- (Rupees Seven Crore Forty Nine Lakh Four Thousand Seven Hundred and Only) towards excess expenses for acquisition of land for construction of Ditch Drain and recover any further amounts towards the same.

e) Pending the hearing and final disposal of the present Application, this Hon'ble Tribunal be pleased to direct the Respondent to not take any coercive steps for recovery of the amount of INR 7,49,04,730/- (Rupees Seven Crore Forty Nine Lakh Four Thousand Seven Hundred and Only) or any other amounts pertaining to excess expenses for acquisition of land for construction of Ditch Drain.

f) Pending the hearing and final disposal of the present Application, this Hon'ble Tribunal be pleased to direct the Respondent de-seal the SGU unit and not create any obstruction for restarting the SGU unit.

g) P ass such other and further order/ directions as this Hon'ble Tribunal may deem fit and proper in the facts and circumstances of the case, in the interest of justice and in accordance with the provisions of the Code.

Brief Facts as emerging from the pleadings

2. A Ditch Drain was constructed by the Irrigation Department, for carrying effluent of District Yamunanagar. The total cost of Ditch Drain was initially estimated to Rs. 8.33 Crores but was later revised by Irrigation Department. Admittedly, the Ditch Drain became operational upon its full completion in December 2009.

3. Upon an application filed by M/s Finquest Financial Solutions Pvt. Ltd. under section 7 of the Insolvency and Bankruptcy code (IBC), the Corporate Debtor was admitted into insolvency proceedings vide order dated **17.01.2020**. The Resolution Plan was approved by the Adjudicating Authority under section 31 of IBC, on 31.03.2023 and a new Board of Directors for the Applicant was appointed vide resolution dated 12.06.2023.

3.1 Going backward to the events prior to the admission of the corporate debtor, it is submitted that the Respondent, vide letter No HSPCB/YMN/2007/7622 dated 20.12.2007, had asked the corporate debtor to pay the balance amount of Rs. 67.59 Lakhs towards contribution for acquisition of land and construction of Ditch Drain. It was stated that the corporate debtor was liable to contribute a total amount of Rs. 556.52 Lakhs out of which balance due is Rs. 67.59 Lakhs only.

3.2 In response thereof, the corporate debtor deposited Rs. 67.59 Lakhs vide cheque No. 181572 dated 24.12.2007 with a covering letter dated 28.12.2007 addressed to The Regional Officer, Haryana State Pollution Control Board, Jagadhri, Yamuna Nagar, which was duly acknowledged.

3.3 Subsequently, the Respondent sent letter reference no. HSPCB/YMN/2015/591) dated 30.04.2015 raising additional demand from the corporate debtor. The erstwhile management of the Corporate Debtor, vide letter dated 13.05.2015 replied stating that a sum of Rs.67.59 lakhs had already been paid and that no further amount remained due or payable to the Respondent.

3.4 The Respondent sent another letter reference no. HSPCB/EE/2016/3220-3225 dated 23.12.2016 for additional payment towards enhanced land compensation, which was replied by the corporate debtor vide letter dated 02.01.2017 stating that Rs. 5.56 Crores towards its share had already been paid to the Respondent and no sums remain due and payable.

3.5 It is submitted that vide letter dated 28.01.2019, the Respondent raised another demand for a sum of Rs. 4,73,30,367/- towards enhanced compensation for land acquisition for construction of the Ditch Drain. It is submitted that the Corporate Debtor, vide letter dated 31.01.2019 replied reiterating its stand that the total amount of Rs. 5.56 crores towards its share for construction of Ditch Drain has already been remitted to the Respondent as full and final payment and nothing remains due from the corporate debtor.

3.6 It is submitted that the Respondent sent a letter dated 03.01.2020 to the Corporate Debtor enclosing the minutes of the meeting held on **20.12.2019** in which payment regarding enhanced compensation for land acquisition for construction of the Ditch Drain was discussed by Irrigation Department and it was decided that a tentative amount of Rs. 14,13,48,870/- shall be payable by all the stakeholders (including Corporate Debtor), where an amount of Rs. 7,83,14,735/- was payable by Corporate Debtor towards its share, as depicted in the table below:

S.N.	**Stakeholder**	**% share of contribution by stakeholder**	**Previous Due (Rs.)**	**Current due (Rs.)**	**Yet to be paid (Rs.)**
1	PHED	30.56%	NIL	4,31,96,215	4,31,96,215
2	BILT (CD)	49.26%	86,85,282	5,96,28,453	7,83,14,735
3	Bharat Starch	1.6%	NIL	22,61,582	22,06,365
4	Saraswati Sugars	11.24%	NIL	1,58,87,613	71,15,567
5	Haryana Distilleries	7.34%	12,86,403	1,03,75,007	1,16,61,410
	Total	**100.00%**	**99,72,685**	**14,13,48,870**	**14,24,94,292**

3.7 In the meantime, the corporate debtor was admitted into CIRP on 17.01.2020. The corporate debtor replied vide letter dated 04.03.2020, informing that total amount of Rs. 5.56 Crores had already been paid and nothing further is due from its side and further stated that the minutes of meeting dated 20.12.2019 has wrongly recorded that Corporate Debtor had given consent to making payments in 15 days. Respondent was also

informed about the company's admission into CIRP vide order dated 17.01.2020.

3.8 Subsequently, the resolution plan was approved by the Adjudicating Authority on 31.03.2023 and the SRA took over the control and management of the corporate debtor.

3.9 Thereafter, Respondent sent notice no. HSPCB/WC/7907-12 dated 12.06.2023 **('1st Notice')**, informing the Applicant of a meeting to be held on 14.06.2023 for balance payment of excess expenses for acquisition of land for construction of Ditch Drain. The Applicant responded to the aforesaid 1st Notice vide reply dated 14.06.2023 (**1st Reply**) wherein, it was informed to the Respondent that upon approval of the Resolution Plan by the Adjudicating Authority, all remaining claims if any, pertaining to any period prior to the commencement of CIRP date shall be deemed to have been permanently extinguished.

3.10 However, Respondent issued 2nd Notice no. HSPCB/WC/7933-7939 dated 15.06.2023 ("**2nd Notice**") enclosing the proceedings of meeting held on 14.06.2023, regarding enhanced payment for construction of Ditch Drain. The Applicant responded to the 2nd Notice vide reply dated 28.06.2023 (**2nd Reply**) reiterating that no amount was due or payable by the Applicant towards the alleged excess demand.

3.11 Thereafter, the Respondent issued an order no HSPCB/WC/8055-8062 dated 13.07.2023 **("Order")**, directing the Applicant to pay the excess balance amount. The Applicant responded vide letter dated 19.07.2023 **('3rd Reply')** to the Order, reiterating the contents of 1st and 2nd Reply and once again informing that the balance dues as alleged in the order are not due and payable by the Applicant on account of approval of the Resolution Plan by the Tribunal.

3.12 It is further submitted that the Respondent once again issued a notice no HSPCB/YRJ2024/1931 dated 05.11.2024, ("**3rd Notice**"), referring to the

Order and once again calling upon the Applicant to pay the excess amount. The Corporate Debtor vide reply dated 18.11.2024 ('**4th Reply'**) reproduced the relevant extracts of the Resolution Plan and the Code, the Respondent was also apprised of the order passed by this Tribunal in I.A. No. 731 of 2023 in CP No. 2915 of 2019, which was filed by the erstwhile RP against the Respondent, seeking de -sealing of the plant and machinery of corporate debtor at Shree Gopal Unit, Yamunanagar, Haryana **("SGU Unit")** and brought the attention of the Respondent to it and informed that vide the aforesaid order, this Tribunal directed the Respondent to keep in mind the applicability of the clean slate principle laid down in the judgement of *Ghanshyam Mishra and Sons Private Limited vs. Edelweiss Asset Reconstruction Company Limited.*

4. **Legal Submission of the Applicant**

4.1. It is submitted that the decision for acquiring land for construction of a Ditch Drain was taken on 11.04.2003 and thereafter from 2007, the Respondent raised various additional demands towards enhanced compensation which pertained to the pre-CIRP period and the corporate debtor had already paid the amounts as demanded by the Respondent from time to time.

4.2. The Applicant submits that if any balance payment was remaining, the same ought to have been filed by way of a claim before the RP. In absence of such claim, the Respondent cannot demand monies from the Applicant pursuant to the approval of the Resolution Plan by this Tribunal.

4.3. It is submitted that the corporate debtor has duly responded to all the notices issued by the Respondent for recovery of the Excess Amount, but the Respondent has failed to take cognizance of any of the responses and has chosen to ignore the position of law with respect to pre-CIRP dues.

4.4. It is further submitted that the dues sought to be recovered by the Respondent are pre CIRP dues and no claims towards the same have been

filed by the Respondent. The amount being demanded by the Respondent stand extinguished upon approval of the Resolution Plan.

4.5. Reliance has been placed on the judgment of the Hon'ble Supreme Court in the case of *Committee of Creditors of Essar Steel Limited vs Satish Kumar Gupta ((2020) 8 SCC 531)* and *Ghanashyam Mishra and Sons Private Limited versus Edelweiss Asset Reconstruction Company Limited ((2021) 13 SCC 737).*

4.6. It is submitted that the action of the Respondent in seeking recovery of pre-CIRP dues is an intentional and deliberate contravention of the Code. It is just and proper that directions be issued, extinguishing the alleged dues amounting to INR 7,49,04,730/- towards excess expenses for acquisition of land for construction of Ditch Drain, since the same pertains to the pre-CIRP period.

Reply of the Respondent:

5. The Respondent has filed reply dated 25.03.2025 making following submissions:

5.1. The effluent of the industries of Yamunanagar was being discharged into WJC which was creating problem for potable water. The proposal for construction of Ditch Drain was jointly finalised as per the decisions of the Irrigation Department, PHED, HSPCB, Haryana Govt., CPCB and ultimately led to issuance of directions by the Hon'ble High Court of Punjab & Haryana at Chandigarh in Writ Petition No. 5803 of 2003 for its early completion. Meetings were held under the Chairmanship of PS to the Chief Minister on 11.04.2003, 29.05.2003 and 17.07.2003 to construct a separate effluent disposal drain. The total cost of ditch drain was estimated to Rs. 832.70 Lakhs and the cost was to be shared by the Industries and the Department as per their discharges.

5.2. The Ditch Drain was constructed by the Irrigation Department and it started functioning from December, 2009. The major contributories to

trade effluent included the unit of the corporate debtor. It was decided that the total cost of the project will be contributed by the parties in proportion to their discharge percentage given below:

S.No.	Name of Industries	Share in %
1.	EICL Ltd. (Old Name Bharat Starch Industries) Radaur Road, Yamuna Nagar.	1.60
2.	Saraswati Sugar Mill Ltd., Yamuna Nagar.	11.24
3.	Haryana Distillery.	7.34
4.	Ballarpur Industries Limited, Unit of Shree Gopal, Industrial Area, Yamuna Nagar.	49.26
5.	Public Health Engineering Department.	30.56
	Total	**100**

5.3. The cost of the ditch drain was revised by Irrigation Department and the Irrigation Department vide its letter dated 03.07.2023, has raised a demand of Rs. 11,13,47,120/- towards excess expenses for acquisition of land and construction of Ditch Drain. The calculation of amount payable by the industries are as under:

Amount in Rs.

S.No.	Name of Industries	Share in %	Amount to be paid	Previous balance	Total
1.	EICL Ltd. Radaur Road, Yamuna Nagar	1.60	8,95,635		8,95,635
2.	Saraswati Sugar Mill Ltd., Yamuna Nagar.	11.24	62,91,836		62,91,836
3.	Haryana Distillery	7.34	41,08,726	80,39,564	1,21,48,290
4.	Ballarpur Industries Limited, Unit of Shree Gopal, Industrial Area, Yamuna Nagar	49.26	2,75,74,363	4,73,30,367	7,49,04,730
5.	Public Health Engineering Department	30.56	1,71,06,629		1,71,06,629
	Total	**100**	**559,77,189**	**553,69,931**	**1113,47,120**

5.4. It is submitted that with the exception of Corporate Debtor, all units have duly deposited the requisite financial contribution as required. It is further submitted that Haryana Distillery unit has been operating under a Zero Liquid Discharge (ZLD) system continuously since July 2009 ensuring compliance with environmental discharge regulations.

5.5. It is submitted that the said unit of Corporate Debtor is a paper and pulp manufacturing unit engaged in the production of paper and related products, and as part of its operational processes, the unit discharges trade effluent through this designated ditch drain.

5.6. It is further submitted that the effluent discharge has been carried out in accordance with the requirements set forth by the relevant authorities, including the Irrigation Department. As per the regulations, the unit had paid the amount of Rs.556.60 Lakh in the past.

5.7. It is submitted that during the said period, the Irrigation Department undertook excess expenses for acquisition of land for construction of ditch drain. As a result of these enhancements, the unit holds a financial responsibility for a share of the associated costs. This share of Rs. 7,49,04,730/- remains unpaid and is currently pending and as a beneficiary of the ditch drain, the unit is obligated to contribute its proportionate share.

5.8. It is submitted that for the payment of excess expenses for acquisition of land for ditch drain construction, this office has issued letter reference no HSPCB/WC/7907-12 dated 12.06.2023, vide letter ref. no. HSPCB/WC/7933-7939 dated 15.06.2023 and vide letter ref. no. HSPCB/YR/2024/ 1931 dated 05.11.2024 to the Corporate Debtor and communicated that unit is required to pay the amount of Rs. 7,49,04,730/- as per enhanced share/payment percentage.

5.9. The unit has been non-operational for the past 05 years (March 2020 onwards). Whereas, in compliance of the directions vide letter No. B-19004 QMII/CPCB/TPA/2021-22/3882 dated 25.08.2022 issued by the Central Pollution Control Board, M/s Ballarpur Industries Limited, Unit: Shree Gopal, Yamuna Nagar-13500l was sealed on 20.09.2022. Despite the unit's temporary cessation of operations, it is noted that the unit has, in the past, discharged its effluent into this same drain. This discharge has resulted in the accrual of a financial liability for which the unit must settle its share of the costs. Further, in the event that the unit resumes operations in the future, the unit will continue to rely on this ditch drain for the discharge of its effluent and as such, the unit will once again be obligated to pay its share of the costs associated with the ditch drain system.

5.10. It is submitted that in addition to financial obligations, the unit is bound by legal and regulatory frameworks governing environmental protection and the management of effluent discharge. As such the unit cannot lawfully refuse or neglect to comply with environmental laws and regulations, which include the timely payment of its share of the costs for the ditch drain.

Additional Affidavit on behalf of the Applicant

6. The applicant has filed additional affidavit dated 13.10.2025.

6.1. It is submitted that the Applicant has made all possible efforts to ensure de-sealing of the plant and in furtherance of grant of CTO. Vide undertaking dated 19.03.2025, the Applicant acknowledged that the final decision of the Court/NCLT/NCLAT regarding the demand for the dues amounting to INR 7,49,04,730/- shall be binding on them. Thereafter, vide letter dated 23.06.2025, the Respondent sought certain clarifications from the Applicant and in response thereto issued by the Applicant on 24.06.2025, the Applicant reiterated the aforesaid undertaking to comply with the final decision of the Court

6.2. Vide order dated 07.08.2025 issued by Haryana Government Environment & Climate Change Department, the direction for closure of unit, which was issued by the Central Pollution Control Board vide Letter No. B-19004/WQM-II/CPCB/TPA/2021-22/3882 dated 25.08.2022, was suspended subject to certain conditions such as compliance of environmental rules and regulations, which the Applicant is committed to comply.

6.3. It was further submitted that the Respondent has issued the CTO bearing No.HSPCB/Consent/:313106325YAMCTO111717570 dated 18.08.2025 pursuant to application no. 111717570 dated 07.08.2025, which is valid for the period 15.08.2025 to 30.09.2029. However, Specific Conditions Nos.2, 4 and 21 from the CTO are against the settled legal position and prejudicial to the Applicant. Therefore, the Applicant has addressed a letter dated 21.08.2025 to the Regional Officer, Haryana State Pollution Control Board, which is annexed thereto and marked as *Exhibit G*.

Analysis and Findings

7. Heard the Learned Counsel for the parties, perused the material on record and considered the submissions advanced on behalf of the parties.

8. Before proceeding in the matter we refer to the daily order dated 11.08.2025 of this Tribunal relating to Prayer (f):

"..

2. Ld. Counsel for the Applicant has tendered an order issued by Additional Chief Secretary to Government, Haryana, Environment, Forest and Wildlife Department dated 07.08.2025, wherein the closure orders in respect of the Corporate Debtor have been suspended under Section 5 of the Environment Protection Act 1986, with certain conditions.

3. Accordingly, in view of the said order dated 07.08.2025, the applicant does not press prayer (f)."

9. The core issue involved in the present case is whether the Corporate Debtor, after the approval of the resolution plan is liable to pay the amount of Rs. 7,49,04,730/- as demanded by the Respondent. To determine the issue, it is necessary to ascertain whether such claim of the respondent pertains to the pre-CIRP period or post CIRP period.

10. It is admitted fact that the payment of Rs. 7,49,04,730/- is being demanded by the Respondent towards the cost for acquisition of land and construction of Ditch Drain which was constructed by the Irrigation Department for carrying effluent discharged by the contributing units. It is also admitted that the initial cost was estimated to Rs. 8.33 crores. It is further admitted that the said Ditch Drain became operational in December 2009.

11. We note that the corporate insolvency process for the corporate debtor commenced on 17.01.2020 which after completion of construction and operationalization of the Ditch Drain.

12. The Applicant had paid the full amount of Rs. 556.52 lakhs demanded by the Respondent till the Ditch Drain became operational. The erstwhile management of the corporate debtor had taken a stand that any demand by the Respondent for the enhanced compensation for the land acquired was a matter between the land owners and the Department and the corporate debtor was not liable to make any payment after making the final payment of Rs. 556.52 lakhs as demanded by the Respondent vide letter dated 20.12.2007.

13. We note that the Respondent had been raising demand towards the excess cost from the year 2015 onward which remained unpaid by the corporate debtor. The Respondent finally, issued a letter dated 03.01.2020 enclosing the copy of the minutes of the meeting held on **20.12.2019** regarding payment of enhanced compensation for acquiring of land for Ditch Drain and demanded Payment of Rs.7,83,14,736/- towards the enhancement.

14. In the meantime, the Corporate Debtor was admitted into the Corporate Insolvency Resolution Process ("CIRP") on 17.01.2020 and no payment has been made by the corporate debtor thereafter.

15. We have examined the reply of the Respondent to ascertain whether the demand pertains to a period prior to CIRP or during CIRP or after CIRP. During the oral submission also, this aspect was pointedly raised to Ld. Counsel for the Respondent. The stand taken by the Respondent is that the said demand is a current demand. Even if the unit of the corporate debtor was sealed for five years and did not discharge any effluent during that period but shall be discharging effluent in future therefore the demand ascertained for the acquisition of the land and for construction of Ditch Drain for carrying effluent has to be treated as current demand and not as pre-CIRP demand.

16. It was submitted that the unit of corporate debtor is a paper and pulp manufacturing unit and discharges trade effluent through the designated ditch drain which provides safer disposal of unit's trade effluent and thus the corporate debtor is beneficiary of the ditch drain and obligated to contribute its proportionate share. Therefore, the applicant must be directed to make this payment, which is in-compliance with the environmental laws. It was argued that every unit including a corporate debtor under insolvency must comply with the environmental laws.

17. There is no quarrel to the principle that every operational unit is bound by legal and regulatory frameworks governing environmental protection and the management of effluent discharge and must comply with the environmental and other laws. However, the moot question here is whether such demand raised by the Respondent pertains to a period prior to CIRP and if yes, whether claim was filed by the Respondent in accordance with the IBC requirement.

18. The respondent has not indicated the exact date when the additional demand was raised for the first time, though it has admitted that the Ditch Drain became operational w.e.f December, 2009. Once the Ditch Drain stood operationalized in December 2009, all dues pertaining to construction and operation of Ditch Drain stood attached to it.

19. From the material placed on record by the applicant, we note that there is a letter dated 13.05.2015 sent by the corporate debtor to the Respondent's letter no. HSPCB/YMN/2015/591) dated 30.04.2015 raising additional demand. There is another letter reference no. HSPCB/EE/2016/3220-3225 dated 23.12.2016 by the Respondent for additional payment towards enhanced land compensation, which was replied by the corporate debtor vide letter dated 02.01.2017 stating that Rs. 5.56 Crores towards its share had already been paid to the Respondent and no sums remain due and payable.

20. We also note letter dated 28.01.2019, sent by the Respondent to the corporate debtor raising demand of Rs. 4,73,30,367/- towards enhanced compensation for land acquisition for construction of the Ditch Drain, which was replied by the Corporate Debtor, vide its letter dated 31.01.2019. It is clear that all demands are pertaining to the enhanced expenses incurred by the Irrigation Department for acquisition of land and construction of Ditch Drain which became operational in December, 2009 and obviously pertain to that period though raised later.

21. The Respondent then sent a letter dated **03.01.2020** to the corporate debtor enclosing the minutes of meeting held under Chairmanship of HSPCB on 20.12.2019 in which payment regarding enhanced compensation for land acquisition for construction of the Ditch Drain was discussed by Irrigation Department and it was decided that a tentative amount of Rs. 14,13,48,870/- shall be payable by all the stakeholders (including Corporate Debtor), where an amount of Rs. 7,83,14,735/- was payable by Corporate Debtor towards its share.

22. The Respondent has not denied the above demand letters of the respondent and the replies of the corporate debtor which are all prior to CIRP. The Respondent has referred to its 1st notice no. HSPCB/WC/7907-12 dated 12.06.2023, 2nd Notice no. HSPCB/WC/7933-7939 dated 15.06.2023 and 3rd notice no HSPCB/YRJ2024/1931 dated 05.11.2024 asking the unit to pay Rs. 7,49,04,730/-. These notices, without any doubt refer to the enhanced cost of construction of Ditch Drain resulting into enhanced share of contribution by the effluent discharging units. Such enhanced demand was already made vide letter dated 03.01.2020, which is a date prior to the commencement of the CIRP of the Corporate Debtor. Therefore, we have no hesitation to conclude that the demand by the Respondent pertains to pre-CIRP period.

23. The Respondent has been demanding the payment from the corporate debtor even prior to the commencement of CIRP of the corporate debtor but the Respondent did not file any claim before the Resolution Professional despite being informed that the corporate debtor has been admitted into insolvency proceedings. The stand of the Respondent is that CD is the beneficiary of ditch drain constructed by Irrigation Department for discharge of effluent and shall be utilising it in future also is bound by environmental laws and therefore, even if no claim is submitted before the RP the Respondent being a statutory authority cannot remain unpaid.

24. The Respondent had relied on ***State Tax Officer vs. Rainbow Papers Limited [Civil Appeal No. 1661 of 2021]*** to contend that the resolution plan that ignores statutory dues are legally flawed. In this case, the Hon'ble Supreme Court observed:

> *"22. Prior to amendment by Notification No.IBBI/2018-19/GN/REG013 dated 3rd July 2018, with effect from 4th July, 2018, Sub-Regulation (1) of Regulation 12 read with Sub-Regulation (2) provided that a creditor shall submit proof of claim on or before the last date mentioned in the public announcement. Sub-Regulation (2) was amended with effect from 4th July, 2018 and now reads "a creditor shall submit claim with proof on or before the last date mentioned in the public announcement".*

***

24. In this case, claims were invited well before the 5th October, 2017 which was the last date for submission of claims. Under the unamended provisions of Regulation 12(1), the Appellant was not required to file any claim. Read with Regulation 10, the appellant would only be required to substantiate the claim by production of such materials as might be called for. The time stipulations are not mandatory as is obvious from Sub-Regulation (2) of Regulation 14 which enables the Interim Resolution Professional or the Resolution Professional, as the case may be, to revise the amounts of claims admitted, including the estimates of claims made under Sub-Regulation (1) of the said Regulation as soon as might be practicable, when he came across additional information warranting such revision.

25. In this case, at the cost of repetition, it may be noted that there was no obligation on the part of the State to lodge a claim in respect of dues which are statutory dues for which recovery proceedings have also been initiated. The appellants were never called upon to produce materials in connection with the claim raised by the Appellants towards statutory dues. The Adjudicating Authority as well as the Appellate Authority/ NCLAT misconstrued the Regulations."

25. At this stage we would like to refer to applicable Regulation 12 of the CIRP Regulations that governed submission of claims by creditors to the RP. It is worth noting that by Notification No. IBBI/2018-19/GN/REG013 dated 03.07.2018 (with effect from 04.07.2018), the CIRP Regulations, 2016 was amended and the words "*shall submit proof of claim*" in Regulations 7, 8, 9 and 12 were substituted with "*shall submit claim with proof*". Thus, from the effective date of the said amendment i.e. 04.07.2018, it became mandatory for creditors to submit their claim with proof.

12. Submission of proof of claims.

(1) Subject to sub-regulation (2), a creditor shall submit claim with proof on or before the last date mentioned in the public announcement.

***Provided that** a creditor, who fails to submit claim with proof within the time stipulated in the public announcement, may submit his claim with proof to the interim resolution professional or the resolution professional, as the case may be, up to the date of issue*

of request for resolution plans under regulation 36B or ninety days from the insolvency commencement date, whichever is later:

Provided further *that the creditor shall provide reasons for delay in submitting the claim beyond the period of ninety days from the insolvency commencement.*

(2) A creditor, who fails to submit claim with proof within the time stipulated in the public announcement, may submit the claim with proof to the interim resolution professional or the resolution professional, as the case may be, on or before the ninetieth day of the insolvency commencement date "

26. The observations in ***Rainbow Papers (Supra)*** were pertaining to the provisions of Regulation 12 of the CIRP Regulations, 2016 which were applicable upto 03.07.2018. The observations in **Rainbow Papers** (supra) has a reference to pre-amended regulations considering the fact that public announcement in that case was issued prior to the amendment. Further, the Hon'ble Supreme Court in para 25 of **Rainbow Papers** (supra) as reproduced above in Para 20 has stated that *"in this case, there was no obligation for the State to lodge a claim"* which clearly indicates that the said observations are confined to the facts of that case only. In the present case, the Corporate Debtor was admitted into CIRP on 17.01.2020 i.e. post the amendment dated 04.07.2018 and Resolution Plan submitted by Finquest was approved vide order dated 31.03.2023 which are clearly post amendment of 2018. In view thereof, the **Rainbow Papers** (supra) judgment, to the extent above, is distinguishable.

27. Admittedly, in the present case no claim was filed by the Respondent and the demand raised by the Respondent vide letter dated 03.01.2020 was not part of the Resolution Plan.

28. After approval of the Resolution Plan, the Respondent held meeting on 14.06.2023 under the chairman, HSPCB regarding recovery of balance enhanced payment for construction of Ditch Drain. Thereafter, the Respondent issued office order dated 03.07.2023 demanding excess

expanses of Rs. 7,49,04,730 from the Corporate Debtor which was repetition of the earlier demand vide letter dated 03.01.2020.

29. Section 31 of the Code states that once a resolution plan is approved by the Adjudicating Authority thereunder, *"it shall be binding on the corporate debtor and its employees, members, creditors, including* ***the Central Government, any State Government or any local authority*** *to whom a debt in respect of the payment of dues arising under any law for the time being in force, such as authorities to whom statutory dues are owed, guarantors and other stakeholders involved in the resolution plan."*

30. Section 31 of the Code emphasizes on the point that the Successful Resolution Applicant cannot be faced with claims that are not part of the Resolution Plan and therefore, all pre-CIRP claims stand extinguished as on the date of approval of the Resolution Plan by the Adjudicating Authority.

31. We refer to the Judgement of ***Committee of Creditors of Essar Steel Vs. Satish Kumar Gupta and Ors. (2020) 8 SCC 53***, wherein, the Hon'ble Supreme Court has held that-

> *"105. Section 31(1) of the Code makes it clear that once a resolution plan is approved by the Committee of Creditors, it shall be binding on all stakeholders including guarantors. This is for the reason that this provision ensures at the successful resolution applicant starts running the business of the corporate debtor on a fresh slate as it were.*
>
> *107. ….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…"*

32. The Respondent has relied on Hon'ble Supreme Court's judgement in ***Gujarat Urja Vikas Nigam Ltd. Vs. Amit Gupta 2021 (7) SCC 209***. In the present case, the quantum of demand or validity of the demand is not in question. Accordingly, the ratio laid down in ***Gujarat Urja (supra)*** has no applicability to the facts and circumstances of the present case.

33. The Respondent has also relied on ***Municipal Corporation of Greater Mumbai vs. Abhilash Lal & Ors, Civil Appeal No. 6350 of 2019*** to contend that there is no estoppel against express statutory rights, and a government body cannot be stopped from enforcing its own statute even in CIRP. However, the question here is the demand of outstanding dues from the unit of the corporate debtor for a period which is pre-CIRP. In this case the Resolution Plan primarily involved inclusion of properties of MCGM. In that context the Hon'ble Supreme Court held that the written plea by counsel or representative of MCGM accepting the Resolution Plan is inconclusive as there can be no estoppel against the express provisions of law. It was held:

> *"47 ….the authorities under the Code could not have precluded the control that MCGM undoubtedly has, under law, to deal with its properties and the land in question – which undeniably are public properties…..".*

It is nobody's case that the land on which Ditch Drain is constructed is property of the corporate debtor or was part of resolution plan or that Irrigation Department or Pollution Department is precluded from its control. In the aforesaid judgement the Hon'ble Supreme Court did not deal with non-submission of claims or demand raised by Statutory Authority for the pre-CIRP period, after approval of Resolution Plan. Hence observation held in ***MCGM vs. Abhilash Lal (Supra)*** cannot be applied herein.

34. The resolution plan was approved by the Adjudicating Authority on 31.03.2023 and the corporate debtor came under control and management of SRA. It is a settled law that once a resolution plan is approved by the Adjudicating Authority, all demands and claims which were not part of the resolution plan stand extinguished. Even the Government and statutory authorities are bound by the approved resolution plan. Any demand for the period prior to CIRP cannot be saddled upon the corporate debtor under new management, which is antithesis to the scheme of Insolvency resolution of distressed corporate debtors.

35. Therefore, we are not persuaded to accept the submission of the Respondent that the legislature has safeguarded the interest of statutory authorities by term "current dues' i.e., if the Corporate Debtor during the CIRP fails to pay this amount to the authorities then it is recoverable as a right and cannot be extinguished in the grab of CIRP.

36. In view of the above discussions we hold that demand of the Respondent amounting to Rs. 7,49,04,730/- pertains to pre-CIRP period which stood extinguished upon approval of the resolution plan on 31.03.2023.

37. The respondent shall give effect to this order by taking all consequential steps. Thus, all prayers have subsumed in above directions.

38. In result the IA No. 579/2025 is **disposed of**, in above terms.

Sd/-
Hariharan Neelakanta Iyer
Member (Technical)

Sd/-
Lakshmi Gurung
Member (Judicial)