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Case Commentary on Kalyani Transco v. M/s Bhushan Power and Steel Ltd. (2025) and its Impact on the Insolvency Resolution Process under the IBC

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The insolvency resolution of Bhushan Power and Steel Ltd. (BPSL) has been one of the most closely watched cases under the Insolvency and Bankruptcy Code, 2016 (IBC). What began as a straightforward corporate insolvency resolution process (CIRP) turned into a prolonged legal battle that reached the Supreme Court multiple times. The judgment in [1]Kalyani Transco v. M/s Bhushan Power and Steel Ltd. (2025) stands out as a significant ruling that clarifies several critical aspects of the insolvency resolution framework.

Background and Procedural History

BPSL, once a major player in the steel industry, was admitted into CIRP in July 2017 on a petition filed by Punjab National Bank under Section 7 of the IBC. The Committee of Creditors (CoC) approved the resolution plan submitted by JSW Steel Ltd. (JSW) in October 2018. The National Company Law Tribunal (NCLT) approved the plan in September 2019, and the National Company Law Appellate Tribunal (NCLAT) largely upheld it in February 2020, with some modifications.

The plan was implemented in March 2021 after facing delays due to proceedings initiated by the Enforcement Directorate and CBI. JSW infused substantial funds, and the company was successfully revived. However, operational creditors (including Kalyani Transco) and erstwhile promoters challenged the approval and implementation of the plan on grounds of procedural irregularities, alleged delays, and inadequate treatment of operational creditors.

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[1] Kalyani Transco v. M/s Bhushan Power and Steel Ltd., (2025) INSC 1165.

On 2 May 2025, the Supreme Court initially took a strict view. It set aside the approved resolution plan and directed the initiation of liquidation proceedings against BPSL. This order created significant uncertainty in the market, as a successfully implemented resolution plan was being unsettled years after revival. Subsequently, on an application by JSW, the Court directed status quo to be maintained. Finally, on 26 September 2025, the Supreme Court delivered its detailed judgment in the batch of appeals, effectively upholding the JSW resolution plan and dismissing the challenges.

Key Issues and the Court's Reasoning

The Supreme Court addressed several important questions concerning the IBC framework:

1**. Role and Continuity of the Committee of Creditors**

One of the most significant clarifications relates to the status of the [2]CoC after the Adjudicating Authority approves a resolution plan. The Court held that the CoC does not become functus officio merely upon approval by the NCLT. It continues to exist and can take necessary decisions until the plan is fully implemented or an order of liquidation is passed. This is particularly relevant when appeals or other proceedings are pending. The Court observed that denying the CoC any role post-approval could lead to an anomalous situation where creditors are left without any mechanism to protect their interests during the implementation phase.

2. **Finality of Approved Resolution Plans**

The Court strongly reiterated the principle of finality of resolution plans under Section 31 of the IBC. Once a plan is duly approved, the claims stand frozen, and it becomes binding on the corporate debtor, its employees, members, creditors, and other stakeholders. The Court emphasised that allowing post-approval challenges on merits, especially after implementation and revival, would defeat the very object of the IBC — timely resolution and maximisation of asset value.

3. **Rights of Operational Creditors**

The judgment also brings clarity on the treatment of operational creditors. While operational creditors are entitled to receive at least the liquidation value under Section 30(2)(b), the Court held that the CoC has the commercial wisdom to classify claims (for instance, as contingent

[2] K. Shashidhar v. Indian Overseas Bank, (2019) 12 SCC 150.

or crystallised) and determine the manner of distribution, provided the minimum statutory protections are met. The Court was careful to note that ex gratia payments or additional considerations made to keep the corporate debtor as a going concern during CIRP do not necessarily violate the Code.

4. **Locus Standi and Procedural Compliance**

The Court examined the locus standi of erstwhile promoters and operational creditors to challenge the plan. While recognising that they may qualify as "persons aggrieved" in certain circumstances, the Court held that such challenges must be examined within the limited grounds available under Sections 61 and 62 of the IBC. It reinforced that courts should not interfere with the commercial wisdom of the CoC unless there is a clear violation of mandatory provisions of the Code or the regulations.

The Court also took note of the fact that delays in implementation were largely attributable to external factors, such as enforcement proceedings, rather than any inaction or mala fides on the part of the [3]CoC or the successful resolution applicant. It held that such delays, when addressed through proper extensions granted by the CoC, should not automatically vitiate an otherwise compliant resolution plan.

Impact on the Insolvency Resolution Process

This judgment has several important implications for the IBC ecosystem:

First, it provides much-needed certainty and finality to successful resolution applicants. Once a plan is approved, implemented, and the corporate debtor is revived, prolonged litigation that seeks to unravel the process years later is discouraged. This is crucial for maintaining investor confidence in the [4]IBC mechanism.

Second, it clarifies that the CoC retains a meaningful role until the resolution plan attains finality. This ensures that practical decisions required during the implementation phase can still be taken by the stakeholders who have the maximum skin in the game.

Third, the judgment strikes a careful balance between procedural compliance and substantive outcomes. While the Court has consistently emphasised that the process under the [5]IBC must

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[3] Ghanshyam Mishra and Sons (P) Ltd. v. Edelweiss Asset Reconstruction Co. Ltd., (2021) 9 SCC 657

[4] Insolvency and Bankruptcy Code, 2016, S. 30, 31, 61, 62.

[5] IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, Reg. 38

be followed, it has also shown pragmatism where the primary objectives of the Code — revival of viable businesses and maximisation of value — have been achieved.

Fourth, it reinforces the limited scope of judicial review in matters relating to the commercial wisdom of the CoC. This prevents the insolvency process from being converted into a platform for endless litigation by disgruntled stakeholders.

At the same time, the judgment does not dilute the rights of operational creditors. It affirms that they are entitled to their statutory minimum protections and that any classification or distribution must conform to the provisions of the Code and the regulations.

Conclusion

The Kalyani Transco judgment of 2025 represents a mature and balanced approach to insolvency jurisprudence in India. By upholding the JSW resolution plan while laying down clear principles on the finality of approved plans, the continuing role of the CoC, and the rights of operational creditors, the Supreme Court has strengthened the foundational objectives of the IBC.

For practitioners and stakeholders, the takeaway is clear: while strict procedural compliance at the stage of approval remains essential, the Court will be slow to unsettle a resolution that has been implemented in good faith and has resulted in the revival of the corporate debtor. This approach is essential for the long-term credibility and effectiveness of India’s insolvency regime.