

May 2025

## Supreme Court: Arbitral claims extinguished upon approval of resolution plan

The Supreme Court of India (“**Supreme Court**”) in the case of *Electrosteel Steel Limited vs. Ispat Carrier Private Limited*<sup>1</sup>, held that upon approval of an insolvency resolution plan, all claims related to a pending arbitration proceeding covered under the resolution plan stand extinguished. Consequently, any arbitral award passed after approval of the resolution plan is rendered a nullity.

The Supreme Court allowed an appeal against the order of the High Court of Jharkhand at Ranchi<sup>2</sup> (“**Jharkhand HC**”) which had directed Electrosteel Steel Limited (“**ESL**”) to comply with the award of West Bengal Micro, Small and Medium Facilitation Council (“**Facilitation Council**”).

### Brief facts

1. Ispat Carrier Private Limited (“**ICPL**”) had filed claim petitions against Electrosteel Limited (“**ESL**”) before the Facilitation Council under the Micro, Small and Medium Enterprises Development Act, 2006 (“**MSME Act**”). Under the MSME Act, the arbitration proceedings were commenced on account of failed conciliation. During the pendency of the arbitration proceedings, ESL was admitted into the Corporate Insolvency Resolution Process (“**CIRP**”) pursuant to an order passed by the National Company Law Tribunal, Kolkata (“**NCLT**”). Consequently, a moratorium was imposed under the Insolvency and Bankruptcy Code, 2016 (“**IBC**”), leading to the arbitration proceedings before the Facilitation Council being kept in abeyance.
2. ICPL submitted its claim before the resolution professional, which was partially admitted. Vedanta Limited submitted a resolution plan wherein all claims of operational creditors were settled at nil. This resolution plan was duly approved by both the committee of creditors and the NCLT, resulting in the lifting of the moratorium on ESL. The approved resolution plan was challenged by certain operational creditors before the National Company Law Appellate Tribunal and the Supreme Court; however, those challenges were dismissed. Notably, ICPL did not challenge the approved resolution plan.
3. Upon lifting of the moratorium, the Facilitation Council resumed the arbitration proceedings and passed an award upholding the claims of ICPL. ESL did not challenge the award under the Arbitration and Conciliation Act, 1996 (“**Arbitration Act**”). Consequently, ICPL filed an execution petition before the Commercial Court, Bokaro (“**Executing Court**”), which was opposed by ESL on the ground that ICPL’s claim was already settled at nil under the resolution plan and the award was illegal under law. The Executing Court dismissed the application challenging the execution of the award on the ground that the ESL had not challenged the award under Section 34 of the Arbitration Act. Aggrieved by the above order, ESL filed a petition before the Jharkhand HC.

<sup>1</sup> Civil Appeal No. 2896 of 2024

<sup>2</sup> CMP No. 376 of 2003

4. The Jharkhand HC held that a plea of nullity concerning an arbitral award can be raised in an execution proceeding under Section 47 of the Civil Procedure Code, 1908 (“CPC”) but such a challenge would lie within a very narrow compass and consequently rejected ESL’s petition by holding that an objection under Section 47 of the CPC can be taken in an execution proceeding only if the award was duly challenged under the Arbitration Act. The Jharkhand HC further held that the Facilitation Council had the jurisdiction to proceed and pronounce the award even after the resolution plan was approved. Aggrieved by the above order, ESL filed an appeal before the Supreme Court.

## Issues

1. In the absence of a challenge to the arbitral award under Section 34 of the Arbitration Act, can an objection under Section 47 of the CPC be maintained by contending that the arbitral award is rendered a nullity and therefore not capable of execution?
2. Is it permissible in the present case to challenge the arbitral award as being a nullity and consequently non-executable, on the grounds that fall within the legally recognised parameters for raising such a plea?
3. Notwithstanding the question of maintainability of an objection under Section 47 of CPC, did the Facilitation Council, on the facts of the case, cease to have jurisdiction to adjudicate and render the arbitral award, owing to the petitioner’s insolvency resolution plan having been duly approved under Section 31 of the IBC?

## Decision of the Supreme Court

The Supreme Court held that an award being null and void on grounds of jurisdictional infirmity can form part of the subject matter of objection even in an execution proceeding under Section 47 of CPC and such objection is not dependent or contingent upon filing of petition challenging the award under the Arbitration Act.

The Supreme Court further held that the lifting of the moratorium would not revive ICPL’s claim, as the claim stood extinguished under the approved resolution plan. Therefore, the Facilitation Council lacked jurisdiction to arbitrate the claim.

## Conclusion

The Supreme Court has reasserted the well settled position that once a resolution plan is approved under the IBC, all claims outside the plan’s purview are extinguished and no person can pursue any proceedings regarding the claims not included in the resolution plan. The Supreme Court echoed its ruling in *Essar Steel India Limited, Committee of Creditors vs. Satish Kumar Gupta*<sup>3</sup>, wherein it had declared that a successful resolution applicant cannot be confronted with undecided claims after a resolution plan is accepted, as this would lead to uncertainty about the amount payable by the resolution applicant.

---

<sup>3</sup> (2020) 8 SCC 531

## Insolvency and Debt Restructuring Practice

JSA is recognised as one of the market leaders in India in the field of insolvency and debt restructuring. Our practice comprises legal professionals from the banking & finance, corporate and dispute resolution practices serving clients pan India on insolvency and debt restructuring assignments. We advise both lenders and borrowers in restructuring and refinancing their debt including through an out-of-court restructuring as per the guidelines issued by the Reserve Bank of India, asset reconstruction, one-time settlements as well as other modes of restructuring. We also regularly advise creditors, bidders (resolution applicants), resolution professionals as well as promoters in connection with corporate insolvencies and liquidation under the IBC. We have been involved in some of the largest insolvency and debt restructuring assignments in the country. Our scope of work includes formulating a strategy for debt restructuring, evaluating various options available to different stakeholders, preparing and reviewing restructuring agreements and resolution plans, advising on implementation of resolution plans and representing diverse stakeholders before various courts and tribunals. JSA's immense experience in capital markets & securities, M&A, projects & infrastructure and real estate law, combined with the requisite sectoral expertise, enables the firm to provide seamless service and in-depth legal advice and solutions on complex insolvency and restructuring matters.

**This Prism has been prepared by:**



**Divyanshu Pandey**

Partner



**Vinod Kumar**

Partner



**Sai Barath**

Senior Associate



**Ramkrishna Panigrahi**

Associate



18 Practices and  
41 Ranked Lawyers



7 Ranked Practices,  
21 Ranked Lawyers



14 Practices and  
12 Ranked Lawyers



12 Practices and 50 Ranked  
Lawyers



20 Practices and  
22 Ranked Lawyers



8 Practices and  
10 Ranked Lawyers  
Highly Recommended in 5 Cities



Recognised in World's 100 best  
competition practices of 2025



Among Best Overall  
Law Firms in India and  
14 Ranked Practices



Asia M&A Ranking 2024 – Tier 1

Employer of Choice 2024

Energy and Resources Law Firm of the  
Year 2024

Litigation Law Firm  
of the Year 2024

Innovative Technologies Law Firm of  
the Year 2023

Banking & Financial Services  
Law Firm of the Year 2022



Ranked Among Top 5 Law Firms in  
India for ESG Practice



Ranked #1  
Best Law Firms to Work

Top 10 Best Law Firms for  
Women

For more details, please contact [km@jsalaw.com](mailto:km@jsalaw.com)

[www.jsalaw.com](http://www.jsalaw.com)



Ahmedabad | Bengaluru | Chennai | Gurugram | Hyderabad | Mumbai | New Delhi



This Prism is not an advertisement or any form of solicitation and should not be construed as such. This Prism has been prepared for general information purposes only. Nothing in this Prism constitutes professional advice or a legal opinion. You should obtain appropriate professional advice before making any business, legal or other decisions. JSA and the authors of this Prism disclaim all and any liability to any person who takes any decision based on this publication.