



# INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

(Company formed by ICAI under Section 8 of the Companies Act 2013)

## IBC Case Law Capsule

Number 272

(April 20, 2026)

**M/S Nirmal Ujjwal Credit Co-operative Society Ltd. Vs. Ravi Sethia and Ors.**

**Civil Appeal No. 11193 of 2025**

**Date of Supreme Court's Judgement: 09<sup>th</sup> April 2026**

### Facts of the Case: -

The present Civil Appeal arose from the order passed by the National Company Law Appellate Tribunal (“NCLAT”), whereby the appeal filed by M/S Nirmal Ujjwal Credit Co-operative Society Ltd (Appellant), a Multi-State Co-operative Society registered under the Multi-State Cooperative Societies Act, 2002 (“MSCS Act 2002”) – was dismissed on the ground of ineligibility to submit a resolution plan under the Insolvency and Bankruptcy Code, 2016 (“IBC/the Code”).

Pursuant to the amendment to Section 64(d) of the MSCS Act in 2023, the appellant amended its bye-laws through a resolution passed in its Annual General Meeting held on 24.09.2023, incorporating provisions permitting investment in institutions in the same line of business. The amended bye-laws were approved by the Central Registrar on 24.01.2024. Meanwhile, CIRP was initiated against the Corporate Debtor by order dated 09.02.2024, and a Resolution Professional (“RP”) was appointed. In the course of CIRP, the RP issued an invitation for Expression of Interest (“EOI”), pursuant to which the appellant submitted its EOI and was included in the list of Prospective Resolution Applicants (“PRAs”). The appellant submitted its resolution plan, which was subsequently revised upwards during negotiations in meetings of the Committee of Creditors (“CoC”). However, upon scrutiny of its constitutional documents, the RP sought clarifications regarding the Appellant’s eligibility under its bye-laws to acquire the Corporate Debtor.

Thereafter, the RP declared the appellant ineligible under Section 30(2)(e) of the IBC on the ground that the proposed resolution plan was in contravention of its bye-laws. The appellant challenged this decision before the NCLT, which upheld the ineligibility, holding that the appellant was neither a subsidiary of the Corporate Debtor nor engaged in the same line of business. The appeal preferred before the NCLAT was also dismissed, *inter alia*, on the ground that the Appellant’s bye-laws did not permit such investment at the relevant time and that the Corporate Debtor was not in the same line of business. Aggrieved by the dismissal of its appeal and denial of an opportunity to place on record the certificate evidencing amendment of its bye-laws, the appellant preferred the present appeal before the Supreme Court.



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## Supreme Court's Observations:

The Supreme Court examined the scope and interpretation of Section 64(d) of the MSCS Act in the context of Section 30(2)(e) of the IBC, with particular focus on the expression “any other institution in the same line of business”. It observed that Section 64(d) permits an MSCS to invest its funds only in two categories: (i) its subsidiary institution, or (ii) any other institution in the same line of business, and that compliance with this requirement is a pre-condition to the validity of a resolution plan under the IBC.

The Court noted that the expression “same line of business” is not defined under the MSCS Act and must therefore be interpreted considering the legislative intent underlying the 2023 amendment. Relying on the Joint Parliamentary Committee (“JPC”) Report, it observed that the amendment was introduced to curb misuse of the earlier open-ended provision and to ensure financial discipline by restricting investments to areas aligned with the core business of the society. The Court held that the expression requires a substantial or predominant sameness in business activities and must be determined with reference to the objects and functions contained in the bye-laws of the MSCS. Applying this standard, the Court analysed the appellant’s byelaws and observed that it is primarily a financial and member-oriented co-operative society engaged in accepting deposits, advancing loans, and providing welfare services. Its activities were found to be centred around financial intermediation, with only limited engagement in agro-based processing, not extending to industrial manufacturing. In contrast, the Corporate Debtor was engaged in manufacturing man-made fibre/viscose-based textiles involving industrial processes. The Court held that despite a broad overlap within the textile sector, the nature and substance of their activities are fundamentally distinct and thus lack the required substantial sameness.

The Court also declined to permit reliance on the Certificate of Amendment at a belated stage, noting that it had not been placed before the NCLT or NCLAT despite opportunity. Accordingly, it affirmed that the Appellant was ineligible to submit a resolution plan, having failed to satisfy Section 64(d) of the MSCS Act read with Section 30(2)(e) of the IBC.

**Order/Judgement:** Considering that the appellant had requested permission to withdraw the appeal, the Court dismissed the appeal as withdrawn and clarified that the CIRP of the Corporate Debtor shall continue in accordance with the provisions of IBC.

**Case Review:** *Appeal dismissed as withdrawn.*