



INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

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

IBC Case Law Capsule

Number 274

(May 04, 2026)

M/s Manjeet Cotton Pvt. Ltd., (SRA) vs. Phoenix ARC Pvt. Ltd.
Company Appeal (AT) (Ins.) No. 1676 of 2025
Date of NCLAT's Judgement: 27th April 2026

Facts of the Case: -

The present appeal under Section 61 of the IBC had been filed by the Appellant-Successful Resolution Applicant (SRA) of the Corporate Debtor (CD), challenging the Adjudicating Authority's order directing that the surplus of approximately ₹1 crore generated during the CIRP be distributed among financial creditors in accordance with Section 53, and holding that the SRA is not entitled to claim it as it arose prior to approval of the Resolution Plan (Plan). The CD underwent CIRP from February 2019 to March 2022, during which it operated as a going concern under the Resolution Professional and generated surplus cash flows without any contribution from the SRA.

The Appellant contended that under the approved Plan, all assets, including such surplus as "accretions" and cash equivalents, vest in it upon approval, and that any redistribution would amount to impermissible modification under Section 31. In contrast, the Respondent argued that the Plan is silent on CIRP-generated surplus, which forms part of the insolvency estate as it arose under the Resolution Professional's management, and must therefore be distributed under Section 53, particularly in light of the significant haircuts taken by creditors and to avoid unjust enrichment of the SRA.

NCLAT's Observations: After hearing both parties, the NCLAT noted that the appeal raises a limited issue - whether surplus cash flow generated during the CIRP, prior to approval and implementation of the Resolution Plan, belongs to the Successful Resolution Applicant (SRA) or must be distributed among stakeholders in accordance with Section 53 of the Code. Rejecting the Appellant-SRA's reliance on plan clauses, the NCLAT held that the Plan was silent on CIRP-generated surplus, and that general references to "assets," "cash balances," or "accretions" cannot be stretched to include such surplus. Clause 3.9.8 merely permitted use of surplus for foreclosure of dues and did not confer ownership on the SRA.

The Tribunal emphasized that only assets expressly contemplated in the Plan can vest in the SRA, and unaccounted value cannot be claimed by implication. It held that surplus generated during CIRP forms part of the insolvency estate, irrespective of being held as fixed deposits, and must be distributed under Section 53 in the absence of specific plan provisions. The judgments cited by the Appellant were distinguished as inapplicable. On fairness and value maximization, the Tribunal found that allowing the SRA to retain the surplus would lead to unjust enrichment, particularly when creditors had taken haircuts, and accordingly dismissed the appeal.

Order/Judgement: In view of the facts and circumstances highlighted above, the NCLAT decided that the surplus cash flow generated during the CIRP period does not belong to the Appellant and must be treated as part of the insolvency estate. *Accordingly, the appeal was dismissed.*