



# INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

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

## IBC Case Law Capsule

Number 281

(June 22, 2026)

**M/S Ferro Alloys Corporations Ltd. vs. Sub Divisional Magistrate, Champua & Anr.**

**CRLMC No. 5590 of 2025**

**Date of Orrisa High Court's Judgement: 22<sup>nd</sup> May 2026**

### Facts of the Case: -

The dispute arose from criminal proceedings initiated against the petitioner company and its former management for alleged violations of the Environment (Protection) Act, 1986 ("EPA"). The complaint alleged that the company had carried out manganese ore mining operations beyond permissible limits and without obtaining the requisite environmental clearances during the period 2002–2009. Accordingly, the Judicial Magistrate First Class, Barbil, took cognizance of the offences and issued summons to the accused persons. The allegations pertained entirely to acts allegedly committed under the company's erstwhile management.

Subsequently, CIRP was initiated against the petitioner company under Section 7 of the IBC by the NCLT Kolkata. The insolvency proceedings culminated in approval of a Resolution Plan submitted by Sterlite Power Transmission Ltd., which expressly provided that the Successful Resolution Applicant (SRA) and new management would not be liable for past violations or non-compliances attributable to the previous management. Following approval of the plan and dismissal of challenges before the NCLAT and Supreme Court, control of the company passed to the new management. Relying upon the successful resolution and extinguishment of past liabilities, the petitioner approached the High Court seeking quashing of the pending criminal proceedings arising from pre-CIRP environmental violations.

### High Court's Observations:

The High Court reiterated that its inherent jurisdiction under Section 482 CrPC is to be exercised sparingly and only where continuation of criminal proceedings would amount to an abuse of process or where no offence is disclosed on the face of the record. Examining the effect of Section 32A of the IBC, the Court observed that the provision grants a "clean slate" to a CD upon successful completion of CIRP and transfer of control to a new management unconnected with the erstwhile promoters. The Court held that once the statutory conditions under Section 32A are satisfied, the CD becomes immune from prosecution for offences committed prior to commencement of CIRP. Since the alleged environmental violations pertained to the period between 2002-2009 and were attributable to the erstwhile management, continuation of the criminal proceedings against the CD after approval of the resolution plan was held to be contrary to the legislative intent of the IBC.

The Court further noted that Section 15 of the EPA had been substantially decriminalised by the Jan Vishwas (Amendment of Provisions) Act, 2023, replacing criminal sanctions with a civil penalty framework. Accordingly, the criminal proceedings were held to be legally unsustainable and liable to be quashed.

**Order/Judgment:** Given the above facts and circumstances of the case, the High Court held the criminal proceedings to be legally unsustainable and liable to be quashed.