IN THE NATIONAL COMPANY LAW TRIBUNAL
HYDERABAD BENCH – I

IA (IBC) No. 1175 of 2026 &
IA (IBC) No. 1176 of 2026 in
CP (IB) No. 205/7/HDB/2021

In the mater of

STATE BANK OF INDIA, FINANCIAL CREDITOR
vs
INDIA POWER CORPORATION LIMITED, CORPORATE DEBTOR

Between:

Saranyu Power Trading Pvt Ltd,
EN-46, 3rd Floor,
Salt Lake City, Sector-V,
Kolkata – 700 091.

….Applicant

And

Smt M S Mano Ranjani,
Resolution Professional of
India Power Corporation Limited,
MetLaws, Unit 208, Fairmount Fortune,
Near Erragadda Metro Station,
Czech Colony, Sanathnagar,
Hyderabad – 500 018.

Respondent

Date of order : 27.10.2026

CORAM:

Sri Rajeev Bhardwaj, Hon'ble Member (Judicial)

Sri Sanjay Puri, Hon'ble Member (Technical)

Counsel present:

Mr VVSN Raju, Ld Senior Counsel for Ld Counsel Mr P Pavan Kumar Rao and Ms Neha Bhupathiraju & Mr P Somashekar Reddy, Ld Counsels for the Applicant.

Mr Anoop Rawat, Mr Sagar Dhawan, Mr Ahkam Khan, Ms Niranjana Pandian & Mr Madhura Srinivasa, Ld Counsels for the Respondent along with Ms Mano Ranjani, Respondent RP.

IA No. 1175 of 2026

The Application

1. This application has been filed during the CIRP[1] of M/s India Power Corporation Ltd, the Corporate Debtor (**CD**) where the insolvency resolution was ordered on 15.05.2026. The Applicant, Saranyu Power Trading Private Limited (**SPTPL**), one of the creditors of the CD, challenges the Interim Resolution Professional's (**IRP**) communication dated 19.07.2026 insofar as it classifies the Applicant's claim as an operational debt under Section 5(21) of the IBC[2], treats the Applicant as an operational creditor under Section 5(20), admits only Rs 99,32,45,333, rejects the interest component and excludes the Applicant from the Committee of Creditors (**CoC**).

2. The Applicant states that it had advanced amounts to the Corporate Debtor under three Inter-Corporate Loan/Deposit (**ICD**) Agreements dated 01.10.2021, 01.01.2022 and 01.07.2022, for Rs 60 crore, Rs 100 crore and Rs 50 crore respectively. According to the Applicant, each agreement records a defined principal amount, fixed tenure and due date, permits consolidated or part repayment, and contains provisions governing default and recall.

3. The due dates under the agreements were extended by successive addenda. The First ICD Agreement became due on 30.04.2026, whereas the repayment dates under the Second and Third ICD Agreements were extended to 30.04.2029. The Applicant contends that the fact that part of the debt had not matured on the insolvency commencement date does not prevent it from being a "claim" or

[1] Corporate Insolvency Resolution Process
[2] Insolvency and Bankruptcy Code, 2016

"financial debt", since Section 3(6) recognises a right to payment whether fixed, disputed, undisputed, matured or unmatured.

4. The Applicant submitted Form C on 29.05.2026 for Rs 320,01,11,954, comprising of Rs 317,93,55,938 under the ICD Agreements, (including principal of Rs 108,22,76,933, interest of Rs 133,98,70,908 and overdue interest of Rs 75,72,08,097); and Rs 2,07,56,016 towards the refundable security deposit of Rs 1 crore and interest thereon.

5. The Applicant contends that the ICD transactions satisfy Section 5(8), since quantified sums were placed at the disposal of the Corporate Debtor for a defined period and were repayable on stipulated dates. Clause 3.3, under which the amount was determined at 106% or such other mutually agreed premium over the value of the power supplied, allegedly embeds consideration for the time value of money.

6. It is further contended that the transactions have the commercial effect of borrowing under Section 5(8)(f). Their substance is said to be that of loans, namely disbursal of principal, defined tenure, maturity, repayment obligation, agreed premium and default/recall provisions. The Applicant maintains that the claim is for repayment of money advanced and not for the price of electricity or other goods or services.

7. The Applicant further submits that the IRP wrongly conflated the ICD Agreements of 2021 and 2022 with the separate MoU and Member-Client Agreement dated 01.03.2025 governing power trading and banking activities. According to it, the ICD Agreements predate and are independent of the later trading arrangements; consequently, the dispute concerning post-CIRP trading collections cannot alter the character of the pre-existing loans.

8. As regards the stipulation that the loans would not carry interest, the Applicant relies on ***Orator Marketing***[3], to contend that interest is not a sine qua non for a financial debt and that an interest-free term loan may fall within Section 5(8). Reliance is also placed on ***Pioneer Urban***[4], and ***Nikhil Mehta and Sons (HUF)***[5] for the broad and purposive construction of "financial debt" and "commercial effect of borrowing".

9. The Applicant also points out that the IRP's impugned letter itself describes the dealings as "substantial zero-interest financial accommodation". According to the Applicant, the IRP cannot characterise the same transaction as financial accommodation while examining related-party status, but as operational debt while determining the Applicant's membership of the CoC.

10. The Applicant contends that the financial liability stands acknowledged in the Corporate Debtor's books and audited financial statements for FY 2025-26. It also claims that the refundable security deposit of Rs 1 crore independently constitutes a financial debt, relying upon the case of ***Global Credit Capital***[6] decided by Hon'ble Supreme Court.

11. The Applicant alleges delay in verification of its claim. Form C was filed on 29.05.2026, but the decision was communicated only on 19.07.2026, after constitution of the CoC, completion of voting in its first meeting and issuance of notice for the second meeting. It invokes Regulations 13(1), 13(1A) and 14 of the CIRP Regulations and contends that the IRP ought to have verified the claim within the prescribed period or made a best estimate instead of recording a nil admitted amount and nil voting share.

[3] Orator Marketing Private Limited v. Samtex Desinz Private Limited, (2023) 3 SCC 753
[4] Pioneer Urban Land and Infrastructure Ltd. v. Union of India, (2019) 8 SCC 416
[5] Nikhil Mehta and Sons (HUF) v. AMR Infrastructure Ltd: CA(AT) (Ins) No. 07 of 2017
[6] Global Credit Capital Ltd. v. Sach Marketing Pvt. Ltd., (2024) 9 SCC 482

12. It is contended that exclusion of the major financial creditor from the CoC vitiated its constitution and the voting conducted therein. The Applicant consequently seeks revision of the list of creditors, reconstitution of the CoC and assignment of voting share corresponding to its financial debt.

13. The Applicant further disputes admission of only Rs 99,32,45,333 against its stated principal claim of Rs 109,22,76,933[7] and alleges that the deduction has not been adequately explained. It also challenges rejection of interest aggregating Rs 210,78,35,021. Accordingly, the Applicant seeks setting aside of the impugned decision, declaration of its claim as financial debt, admission of the appropriate principal and interest, revision of the list of creditors and its inclusion in the CoC with the corresponding voting share.

IRP's Counter Reply

14. The Respondent's position, as recorded in the impugned communication dated 19.07.2026 and elaborated in her Counter-Reply, is that the claim was examined with reference to the ICD Agreements, their addenda, the MoU, the Applicant's computation, the Corporate Debtor's books and records, and other material available during the CIRP. According to her, the ICD Agreements are intrinsically linked to the supply and trading of electrical energy. The "Loan Amount" was computed by reference to the quantity and value of electricity supplied, with Clause 3.3 applying 106% or a mutually agreed premium to that value. She accordingly submits that the transactions originated from, and remained connected with, the commercial supply and trading of electricity.

15. The Respondent traces the commercial relationship to the MoU dated 14.08.2015 and the subsequent arrangements of 2017 and 2018,

[7] ICD Principal amount of Rs.108,22,76,933 plus refundable security deposit of Rs.1 crore

preceding the ICD Agreements. She submits that the liabilities arose from power procurement, trading and banking under these arrangements. According to her, the ICD Agreements merely sought to crystallise the outstanding power-banking liabilities into fixed-term obligations dischargeable through return of power or cash settlement, without any independent disbursal of loan funds.

16. The Respondent observes that SPTPL is an Inter-State electricity trading licensee and that its commercial relationship with the Corporate Debtor was that of a power trader and supplier. The documents before her do not evidence any independent financial facility distinct from the power-trading arrangements. Each ICD Agreement, according to her, expressly provides that the outstanding amount would carry no interest. The obligations could also be discharged through monetary payment or adjustment by supply of electrical energy. The Respondent therefore concludes that the arrangements do not disclose an independent disbursal against consideration for the time value of money.

17. The Respondent further submits that the entries described as "Loan Given" in Annexure IA to Form C correspond to bills of supply raised by the Applicant for power transactions, while the entries described as "repayments" represent return of power or cash settlement of those liabilities. She relies upon the entry-wise explanation and supporting bills referred to as Annexure E to the Reply. She also relies upon the resolution of the Corporate Debtor's committee of directors dated 17.05.2023, referred to as Annexure D, concerning conversion of power-banking liabilities of Rs 133.22 crore for FY 2021–22 and Rs 47.57 crore for FY 2022–23 at zero interest, and approving conversion of such liabilities up to Rs 200 crore for five years from FY 2023–24 at zero interest.

18. Applying the principle of substance over nomenclature, the Respondent holds that the title "Inter-Corporate Loan Agreement" is not determinative. The computation of the amount by reference to electricity supplied, absence of interest and possible discharge through supply or adjustment of electricity demonstrate that the transactions are operational arrangements rather than independent financing transactions. On that basis, the claim of the Applicant was classified as an operational debt under Section 5(21), and it was treated as an operational creditor under Section 5(20).

19. On quantum, the Respondent explains that the balance of Rs 108,22,76,932.97 as at 31.03.2026 was reduced by adjustments of Rs 4,94,61,600 and Rs 3,73,70,000 towards return of power before the insolvency commencement date. After adding the Applicant's security deposit of Rs 1 crore and deducting Rs 1.22 crore paid by the Corporate Debtor to MSEDCL on the Applicant's behalf, the admissible amount was Rs 99,32,45,332.97, rounded to Rs 99,32,45,333.

20. As regards the security deposit, the Respondent submits that it was an interest-free cash deposit furnished as a safeguard against default under the operational power arrangement and was ancillary to that arrangement. She therefore disputes its classification as financial debt, while confirming that its principal amount of Rs 1 crore has already been included in the admitted claim.

21. As per the Respondent, the claim was not admitted as secured debt because no material evidencing creation of a valid security interest over the Corporate Debtor's assets was produced. Interest at 18% and late-payment surcharge were rejected because Clause 4.2 of the ICD Agreements stipulated that no interest would be payable, and no contractual term supporting interest at 18% or late-payment surcharge was demonstrated.

22. To support her contentions on classification of debt, Respondent relies on the cases of ***Consolidated Construction***[8] and ***Anuj Jain***[9], and cites ***IPK Exports***[10], ***SEPCO Electric Power***[11] *and* ***Jambudwip Exports***[12] against the alleged conversion of operational liabilities into financial debt. She distinguishes ***Orator Marketing***, ***Pioneer Urban*** and ***Nikhil Mehta*** cases contending that those decisions do not dispense with examination of the underlying transaction, disbursal and consideration for the time value of money. On interest, she relies on ***Krishna Enterprises***[13] and ***Steel India***[14] to support her objection that the claimed interest lacks an established contractual or legal basis.

23. Since the claim was classified and admitted as operational debt, the Respondent held that SPTPL was not entitled to membership of the CoC or any voting share. The impugned letter separately records that SPTPL also fell within the related-party framework under Section 5(24); however, that finding was stated to be independent of the classification of the debt as operational debt.

24. The Respondent denies unjustified delay in verification. She states that supporting agreements, transaction records and the basis and computation of interest were sought on 05.06.2026 and again on 11.06.2026, but the necessary documents and a usable computation were furnished only on 10.07.2026. Until verification was completed, the claim remained "under verification", with nil admission reflecting its pending status rather than rejection. She contends that Regulations 13 and 14 did not require admission of an unverified claim as financial

[8] Consolidated Construction Consortium Ltd v. Hitro Energy Solutions Pvt Ltd, 2022 SCCOnLine SC 142
[9] Anuj Jain v. Axis Bank Ltd: (2020) 8 SCC 401
[10] IPK Exports v. HSB Home Solutions: 2025 SCC OnLine NCLT 3971, New Delhi
[11] SEPCO Electric Power Construction Corporation v. Mahender Khandelwal & Ors: IA No. 1128 of 2019 in CP(IB) 492/7/HDB/2019, NCLT Hyderabad
[12] Jambudwip Exports and Imports v. U P Bone Mills: IB-447 (ND)/2021
[13] Krishna Enterprises v. Gammon India Ltd: CA (AT) (Ins) Nos 144 to 148 of 2018
[14] Steel India v. Theme Developers Pvt. Ltd: CA(AT)(Ins) No. 1014 of 2019

debt or assignment of voting rights before its character and admissibility were examined. She further submits that entries in the books and financial statements were relevant but not conclusive of the legal character of the claim.

25. The Respondent accordingly maintained that the verification, classification and admission of the claim were based upon the records then available, while reserving the right to revisit the findings upon emergence of further material and to examine the transactions under Sections 43 to 51 and Section 66 of the Code.

26. The Respondent submits that measures concerning post-CIRP trading collections were independent of claim verification and reserves her remedies concerning their alleged retention. She also points out that connected IAs 1176, 1177 and 1178 of 2026 seek overlapping reliefs, and that the related-party classification is separately under consideration in IA 1177 of 2026. She seeks dismissal of the present Application with costs.

Applicant's Rejoinder

27. In rejoinder, the Applicant submits that the enquiry is directed at "the liability which is due on the insolvency commencement date and the transaction under which the creditor claims it". Relying on ***Global Credit Capital***[15], it contends that the transaction "reflected in the writing" comprises the three ICD Agreements and their addenda. According to the Applicant, the Respondent seeks to disregard what the parties agreed and thereby "re-write the parties' bargain". Relying further on ***Agnew***[16] and ***Vodafone***[17], it submits that the rights and obligations created by the instruments must first be ascertained,

[15] *Global Credit Capital Ltd. v. Sach Marketing Pvt. Ltd: 2024 INSC 340 (CA No. 1143 of 2022, dt. 25.04.2024)*
[16] Agnew v. Commissioner of Inland Revenue: [2001] UKPC 28; [2001] 2 AC 710
[17] Vodafone International Holdings B.V. v. Union of India: (2012) 6 SCC 613

followed by their legal categorisation. It relies on the provisions concerning principal, maturity, repayment, default, recall and assignment, and on Clause 6.1(ii), which supersedes previous agreements and understandings concerning the subject matter of the ICD Agreements. It also cites foreign decisions concerning the indicia of borrowing and recharacterisation, submitting that the Respondent alleges no sham and that the ICD terms are "those of a loan and nothing else".

28. The Applicant specifically denies that the antecedent position was "a trade payable for goods sold which was 'converted'" into a loan. It describes Annexure E as a tabulation prepared after commencement of CIRP and submits that no underlying ledger, journal entry recording conversion, or document to which the Applicant is a party establishes that characterisation. It contends that the bills quantify a "Return liability (KWH)" by adding "Premium (KWH)" to the energy delivered, recording "an accommodation in a commodity", repayable with a premium or in money at the commodity's value. It characterises the arrangement as a "commodity-denominated loan" and the 6% premium as the return for permitting the Corporate Debtor to retain and use the value for the term. In answer to the Respondent's contention that the "Loan Given" entries predate the first ICD Agreement, it relies on that agreement's effective date of 01.04.2021 and submits that a written financial contract is not a precondition for proving financial debt, which may also be established through books and financial statements under Regulation 8(2). It further relies on the confirmed balance of Rs 108,22,76,932.97, payments of Rs 150,92,59,685 recorded as "Repayment through Bank", and the audited financial statements stated to have been approved and signed by the Respondent. It disputes the Respondent's proposition that the original character of a debt cannot be altered by subsequent contractual arrangements and

maintains that its claim is for repayment under the ICD Agreements, not for the price of energy.

29. On quantum, the Applicant submits that the Reply discloses for the first time the deductions of Rs 4,94,61,600 and Rs 3,73,70,000 as "adjustments towards return of power". It denies that any return of power was made to and accepted by it between 01.04.2026 and 15.05.2026 in repayment of the ICD Agreements and calls for energy accounts, SLDC/RLDC statements, credit notes and any reconciliation accepted by it. It submits that "a unilateral accounting entry by the Corporate Debtor is not a repayment". Relying on ***Bharti Airtel***[18], it characterises the Rs 1.22 crore deduction as a set-off of an alleged pre-CIRP counter-claim arising under a transaction distinct from the ICD Agreements and contends that neither permissible exception to the prohibition on set-off has been established. It reiterates that the Rs 1 crore security deposit was paid in cash, is repayable in cash, and "stands on a footing independent of the ICD Agreements", constituting financial debt irrespective of the view taken of the ICD liability.

30. Regarding interest, the Applicant denies that its claim is "illegal" and submits that the 6% premium under Clause 3.3 is a contractual return which the Respondent has not accounted for. It contends that the first ICD fell due on 30.04.2026 and remained unpaid, constituting an event of default under Clause 5.1 before commencement of CIRP. It relies on Clause 5.2(ii), preserving "all the rights, powers and remedies" available under applicable law, which it submits include interest by way of compensation under the Interest Act, 1978. It distinguishes ***Krishna Enterprises*** and ***Steel India*** as concerning the counting of interest towards the threshold for a Section 9 application. It submits that quantification of interest and compensation for abandonment of the

[18] Bharti Airtel Ltd. v. Vijaykumar V. Iyer 2024 SCC OnLine SC 4 (CA Nos. 3088-3089 of 2020, dt 03.01.2024)

banking arrangement remains a matter for determination, while classification of the debt as financial is independent of the quantum of interest ultimately found admissible.

31. The Applicant disputes the Respondent's account of the delay in verification, submitting that the agreements, bills and ledgers were the Corporate Debtor's own records in the Respondent's custody. It relies on the Respondent's email dated 09.06.2026 enclosing the MoU and Member-Client Agreement and the creditors' list dated 06.06.2026 recording it under "Unsecured Financial Creditors". It submits that Regulation 14 required a "best estimate", rather than nil admission and voting share, and alleges that the provision was applied to other creditors but not to it. Relying on ***Swiss Ribbons***[19], it contends that the Respondent's role is administrative, not adjudicatory, and that her classification "carries no presumption of correctness". It denies the allegations concerning post-CIRP collections and submits that they are irrelevant to classification. It further asserts that the connected applications seek distinct reliefs and refers to the NCLAT order dated 25.08.2026 as requiring its status and claim to be heard before receipt of any resolution plan. It reiterates the grounds and Prayers A to E of the Application.

Written Submissions of the Applicant

32. In its written submissions, the Applicant broadly reiterates its contentions made earlier in the Application and the Rejoinder. It further contends that the Respondent initially classified it as an unsecured financial creditor and invited it to the first CoC meeting, which it attended, but withheld notice from the second meeting onwards.

[19] Swiss Ribbons Pvt. Ltd. v. Union of India, (2019) 4 SCC 17

Relying upon ***Punjab National Bank v. Pankaj Mahajan***[20], it submits that the Respondent could not thereafter alter its classification.

33. In support of the contractual indicia of borrowing already relied upon, the Applicant specifically cites *In re AutoStyle Plastics Inc*[21] and *In re Hedged-Investments Associates, Inc*[22]. It also relies upon ***Agarwal Polysacks***[23] to submit that financial debt may be established through books and financial statements without a written financial contract. It emphasises the Respondent's alleged failure to produce the underlying books relied upon during verification. Referring to the balance confirmation, the classification under "Financial Liabilities" in the audited financial statements stated to have been signed by the Respondent, and the bank payments recorded as repayments, it relies upon ***Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal***[24] concerning acknowledgment of liability through balance-sheet entries.

34. On quantum, the Applicant specifically invokes Regulation 13(1A), contending that the impugned communication did not disclose reasons for the deductions and that their subsequent explanation in the Reply does not answer that omission. It reiterates that neither exception permitting set-off under ***Bharti Airtel*** has been established. It further distinguishes its claim to the premium under Clause 3.3 from the stipulation excluding interest under Clause 4.2 and submits that the premium must, in any event, be included in the admitted debt.

Respondent's Written Submissions

35. In her written submissions, besides reiterating averments in the counter the Respondent additionally relies upon the Applicant's email

[20] Punjab National Bank v. Pankaj Mahajan (RP of Arshiya Ltd.), I.A. No. 2913 of2025 in C.P. (IB) No. 3143/MB/2019, NCLT Mumbai Bench-I
[21] 269 F.3d 726 (6th Cir. 2001)
[22] 380 F.3d 1292 (10th Cir. 2004)
[23] Agarwal Polysacks Ltd. v. K.K. Agro Foods & Storage, CA (AT) (Ins.) No. 1126 of 2022
[24] Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal, (2021) 6 SCC 366

dated 17.06.2026, which, according to her, describes the ICD Agreements, bills of supply, MoUs and Member-Client Agreements as "a single integrated commercial framework".[25] She submits that this description corroborates the continuing connection between the claimed liability and the power-trading arrangements.

36. On interest, the Respondent refers to the Applicant's email dated 10.07.2026 and submits that its computation includes commercial and contractual losses without an established basis for treating them as interest. She maintains that the claim remained under verification pending receipt of supporting documents and that the decision was communicated on 19.07.2026, within nine days of their receipt. She also emphasises the execution of the ICD Agreements after the Section 7 application and their subsequent ratification on 17.05.2023 as circumstances warranting scrutiny.

Findings & Decisions

37. We have considered the Application, the Counter-Reply, the rejoinder, the documents placed on record and the submissions of learned counsels. The issues concern classification of the ICD liability and security deposit, admissibility of interest, correctness of the disputed deductions and the consequential reliefs sought. More specifically, we are called upon to decide,

    a. whether the liabilities recorded under the three ICD Agreements dated 01.10.2021, 01.01.2022 and 01.07.2022 constitute financial debt under Section 5(8), including clause (f), or operational debt under Section 5(21);

[25] Pages 137-139 of the Application

b. whether the Rs 1 crore security deposit independently constitutes financial debt.

c. whether interest at 18% per annum and further interest on accumulated overdues are admissible; and

d. whether the RP was justified in admitting the principal amount of debt of only Rs 99,32,45,333, as against Rs 109,22,76,933 claimed by the Applicant as the amount payable to it by the Corporate Debtor?

Classification of the ICD liability

38. Before determining the nature of the debt owed by the Corporate Debtor to the Applicant, it is necessary to examine their underlying commercial relationship under the MoUs dated 27.04.2017 and 01.04.2018.[26] It is also necessary to consider the extent to which the subsequent ICD Agreements[27] sought to alter that relationship by converting the obligations arising from a power supply arrangement into a purported loan liability, so as to ascertain whether the resulting debt possesses the essential attributes of a financial debt within the meaning of Section 5(8) of the Code.

39. A perusal of the MoUs dated 27.04.2017 and 01.04.2018 discloses an established commercial relationship concerning the procurement, sale and management of electricity between the Applicant, described therein as IPCL Power Trading Private Limited ("IPTPL"), and the Corporate Debtor ("IPCL"). Under the 2017 MoU, IPTPL was to facilitate the purchase and sale of power up to 70 MW through the power exchange, undertake bidding and scheduling, and provide associated analytical and advisory services against stipulated trading charges.

[26] Pages 47-60 of the RP's Counter
[27] Pages 41-86 of the Application

40. The MoU dated 01.04.2018 expressly superseded the earlier MoU and enlarged the arrangement to cover power transactions up to 300 MW through bilateral arrangements, power exchanges and swapping, together with management of IPCL's power requirements and surplus.

41. Clauses 7 and 8 of these MoUs provided for trading margin, reimbursement of applicable charges, advance payment by IPCL for power purchases, and payment for sale of power after deduction of trading margin. Further, Clause 5 of the 2018 MoU required IPTPL to furnish security of Rs 5 crore through a letter of credit, corporate performance guarantee or cash security deposit, with the cash deposit carrying interest at 8.5% per annum, as a safeguard against default. The terms of these MoUs clearly stipulated that the parties' underlying dealings comprised power trading and associated services, with reciprocal payment and performance obligations, and provide the commercial context in which the transactions between them were to be carried out.

42. Following the filing of the application under section 7 of IBC, for initiation of CIRP against the Corporate Debtor in August 2021, the parties entered into three Inter-Corporate Loan Agreements ("ICD Agreements") dated 01.10.2021, 01.01.2022 and 01.07.2022, specifying loan amounts of Rs 60 crore, Rs 100 crore and Rs 50 crore, respectively. These agreements sought to place their dealings within a contractual framework of "loan/borrowing", with the Applicant undertaking to provide the stipulated loan amounts.

43. Clause 3.4 of these agreements contemplated the provision of the loan through supply of electrical energy, requiring the Applicant to intimate the Corporate Debtor, through monthly statements or debit notes, of the quantum of electrical energy supplied in relation to the loan amount. As regards repayment, Clause 3.2 provided for payment by

the Corporate Debtor to the Applicant "either in cash or by way of equivalent amount of electrical energy", while Clause 4.4 stipulated a "single consolidated repayment" on the due date or a mutually extended date and permitted part payments before the due date. Clause 4.2 expressly provided that the inter-corporate loan would carry no interest on the outstanding payment.

44. Significantly, Clause 4.1 of both the agreements dated 01.10.2021 and 01.01.2022 expressed them to be binding from 01.04.2021, whereas the agreement dated 01.07.2022 stipulated the same date as its effective date. Thus, the first two agreements, though executed after the filing of the insolvency application, were expressed to operate from a date preceding that filing.

45. The original repayment dates were 30.04.2023 for the first two ICD agreements and 30.04.2024 for the third. Subsequent addenda extended these dates, ultimately to 30.04.2026 for the first agreement and 30.04.2029 for the other two. Clause 6.1(ii) expressly superseded previous agreements and understandings relating to the subject matter of the respective agreement. The parties thereby sought to give the amounts payable a defined tenure and a separate framework for repayment.

46. Read together, and in light of the submissions of learned counsel for the Applicant, these provisions indicate that the ICD agreements sought to recast liabilities linked to power supply as inter-corporate loans, repayable over an agreed period under a defined framework for repayment. At the same time, they retained the connection between the amount payable, the electricity supplied, its agreed valuation and repayment through electricity or cash. Whether this contractual restructuring altered the substantive character of the liability must

therefore be examined with reference to the operative terms of the agreements and the transactions actually undertaken.

47. Learned counsel for the Applicant admitted during arguments that the "regular power supply transactions were converted into loan arrangements". In the written submissions, the Applicant nevertheless disputes the Respondent's characterisation of this process as conversion of antecedent operational liabilities. We therefore examine the agreements and transaction records independently, without treating counsel's description as an admission of the statutory character of the antecedent debt.

48. The inquiry thus turns to whether the subsequent ICD Agreements altered the substantive character of the liabilities arising from the underlying power-supply transactions so as to warrant their classification as financial debt.

49. As regards classification of the ICD liability, accepting the Applicant's proposition would permit parties, merely by a subsequent agreement, to change the statutory character of a debt even where the substance of the underlying transaction remains unaltered. Such an approach would undermine the distinction drawn by the Code between financial and operational debts and the different rights and treatment attached to each. While parties may restructure their contractual rights and obligations, the resulting liability must independently satisfy the statutory requirements of the category in which its admission is sought. Its classification must therefore be determined by the substance of the underlying transactions, rather than merely by the nomenclature adopted by the parties.

50. In ***Vodafone***, relied upon by the Applicant, the Hon'ble Supreme Court also emphasised that a transaction must be examined as a whole in its proper context. Accordingly, the ICD Agreements must be considered

in the context in which they were executed and read in their entirety, giving due effect to the rights and obligations they create and the transactions to which they relate. This requires examination of the origin of the liability, the nature of the consideration, the repayment provisions and the commercial effect of the arrangement. Such examination does not involve disregarding the agreements or adopting a "dissecting approach"; it seeks to determine whether the liability arising under them satisfies the statutory requirements of financial debt or operational debt under the Code.

51. Section 5(8) requires examination of disbursal against consideration for the time value of money and includes, under clause (f), amounts raised through transactions having the commercial effect of borrowing. Section 5(21) concerns claim in respect of the provision of goods or services. Neither the title of an agreement nor an accounting description conclusively determines which provision applies. The operative terms must be read with the transactions creating the liability.

52. Starting from the Applicant's own Form C, the dues stated therein originate from power procurement undertaken for the Corporate Debtor's regulated distribution business.[28] It is expressly mentioned that:

> "**The dues owed to SPTPL originate from power procurement undertaken exclusively for the purposes of IPCL's regulated distribution business and, therefore, constitute obligations of the regulated distribution undertaking itself. Accordingly such dues are to be discharged from the operational revenues, receivables and cash flows generated from such regulated**

[28] Form C, Column 4: Page 106 of the Application

business in terms of the Electricity Act, 2003 and the applicable WBERC Regulations."

This statement is relevant to the factual origin of the dues, and is to be examined against the corresponding supply and settlement records.

53. The supply bills provide direct corroboration of the origin of the initial entries. For example, Bill No. SP/ES/20-21/04 dated 31.10.2020 refers to the MoU dated 01.04.2018 and describes the goods as electrical energy.[29] It bills 2,43,60,000 kWh and additional premium energy of 10,96,200 kWh at Rs 2.97 per kWh, producing Rs 7,56,04,914 before TCS[30]. That amount corresponds exactly to the first 'Loan Given' entry dated 10.12.2020 in Form C.[31] The annexure to the bill identifies the premium as 4.50% and records the resulting return liability in kWh.

54. Similarly, the Supply Bills Nos. SP/ES/20-21/05 and SP/ES/20-21/06 dated 30.11.2020 show electrical energy and premium energy, yielding Rs 11,73,71,155.28 and Rs 9,30,38,106.79 before TCS.[32] Rounded to whole rupees, these correspond to the next two 'Loan Given' entries in Form C.[33] Their annexures identify premium rates of 4.67% and 4.90%, respectively. These are contemporaneous supply documents, not merely subsequent labels assigned by the Respondent.

55. The Respondent RP's statement in **Annexure E**[34], maps 'Loan Given' entries (as identified by the Applicant) to identified power invoices, sometimes after-tax deductions, and distinguishes settlement through bank payments, credit notes, open-access sale proceeds and return of

[29] Page 69 of the RP's Reply
[30] Tax Collected at Source
[31] Page 112 of the Application
[32] Page 71 & 73 of the RP's Counter
[33] Page 112 of the Application
[34] Pages 62 to 68 of the RP's Counter

power. For example, it attributes the Rs 47,56,98,334 entry dated 30.09.2022 stated[35] in Form-C to power invoices[36] of July and August 2022 net of the stated TDS. The statement supplies a transaction-wise explanation consistent with the structure of the agreements.

56. Also relevant is the Resolution[37] of the Corporate Debtor's Committee of Directors dated 17.05.2023, produced as Annexure D to the Counter-Reply, which further records the connection between the power-supply transactions and the inter-corporate loans. This Resolution expressly ratifies the conversion of "Power banking liability" into inter-corporate loans of Rs 133.22 crore for FY 2021–22 and Rs 47.57 crore for FY 2022–23, at zero percent interest and on mutually agreed payment terms. It also authorises an inter-corporate loan agreement for conversion of such liabilities up to Rs 200 crore for five years from FY 2023–24. The resolution thus supports the Respondent RP's contention that the loan balances originated in liabilities towards electricity purchased from the Applicant. While it records the Corporate Debtor's understanding and approval of the arrangement, it does not, by itself, determine the statutory classification of the debt. Its significance lies in corroborating the connection disclosed by the ICD terms, bills and corresponding accounting entries.

57. The Applicant's objection is that no underlying ledger or journal entry recording conversion, or document recording its assent to such conversion, has been produced, and that **Annexure E** cannot establish the nature of the transactions merely because the RP prepared it. Our conclusion, however, does not rest on that tabulation alone. The contemporaneous supply bills identified above correspond to entries in the Applicant's own Form C, while the ICD provisions themselves link

[35] Form C: Page 114 of the Application
[36] Pages 166 and 168 of the RP's Counter
[37] Page 61 of the Counter

the computation and discharge of the liability to electricity supplied. The Committee's resolution corroborates the Corporate Debtor's understanding but is not treated as proof, by itself, of the Applicant's assent. The statutory character of the liability must be determined from these materials collectively, rather than from the presence or absence of a particular accounting entry.

58. Moreover, the operative provisions of the ICD Agreements retain a direct connection with the supply of electricity. Clauses 3.1 to 3.4 of the agreement[38] dated 01.01.2022, reproduced below, illustrate this connection:

> **3. LOAN/BORROWING**
>
> **3.1** SPTPL will provide a loan amounting to Rs.100,00,00,000/- (Rupees Hundred Crore Only).
>
> **3.2** The amount will be paid by IPCL to SPTPL either in cash or by way of equivalent amount of electrical energy measured in million units (MU).
>
> **3.3** The total amount of Inter Corporate Loan under this agreement will be determined as mentioned below w.e.f 01.01.2022 :
>
> > 106% or with a mutually agreed rate of premium of the Quantum of Power Supplied during the period from 01.01.2022 to 31.03.2022 multiplied by Rs.5 or any lower amount as may be agreed between the parties. The said rate may vary as per the market rate of power based on market demand and supply.
>
> **3.4** SPTPL shall intimate IPCL the quantum of electrical energy supplied on a monthly basis in relation to the loan amount mentioned in clause 3 of this agreement by issuing a statement or debit note.

Clause 3.1 specifies a loan amount of Rs. 100 crore. However, Clause 3.3 determines the total liability by reference to the quantity of electricity supplied during the specified period, the applicable premium and the agreed power price, which may vary according to market demand and supply. Clause 3.4 correspondingly requires the Applicant

[38] Inter Corporate Loan or ICD Agreement Dated 1st January 2022: Page 56 - 62 of the Application: p-59

to intimate the quantum of electricity supplied each month through a statement or debit note. Clause 3.2 permits the Corporate Debtor to discharge the amount payable either in cash or through equivalent electrical energy. Read together, these provisions link both the computation and settlement of the liability to the underlying power-supply transactions. The description of the amount as a "loan" in Clause 3.1 must therefore be considered in the context of this operative mechanism.

59. The Applicant relies on the formula in Clause 3.3—106% of the quantum of power supplied, or such other mutually agreed premium, multiplied by the applicable power price—as consideration for the time value of money and characterises the arrangement as a commodity-denominated loan. This characterisation, however, is misplaced in the present case. Clause 3.3, read with the contemporaneous supply bills, indicates that the premium formed part of the original liability arising from the supply of electricity. Its quantum was determined by the quantity and price of electricity supplied, fixed at the time of invoicing. It bore no relation to the period for which payment remained outstanding, as fairly admitted by the Applicant's counsel during the oral arguments.

60. The Applicant has nowhere demonstrated that the 'premium' represented consideration for the Corporate Debtor's temporary use of funds or value, or that the arrangement otherwise had the commercial effect of borrowing. The premium merely enhanced the contractual amount payable for the electricity supplied. Its inclusion, therefore, does not, by itself, bring the transaction within the ambit of Section 5(8)(f) of the Code.

61. The conclusion does not follow merely because the premium was fixed at inception or expressed in units of electricity. The relevant question

is what that premium represented in the particular arrangement. On the materials examined above, the Applicant has not established that it was consideration for financing or deferred repayment under the ICD Agreements, rather than a component of the reciprocal power-supply obligation.

62. The reliance upon ***Orator Marketing***, does not carry the Applicant's case further. The said decision establishes that an interest-free term loan is not excluded from the definition of financial debt, since the expression used in Section 5(8) is "interest, if any". However, that decision proceeded upon an actual advancement of money as a loan for the Corporate Debtor's business requirements. It does not lay down that every operational liability becomes financial debt merely because it is restated in an agreement bearing the nomenclature of a loan.

63. Similarly, the recording of the liability in the Corporate Debtor's books establishes the existence and quantum of the debt but does not, by itself, determine its statutory character. The classification depends upon the transaction from which the liability arose. The expression "financial accommodation", used by the IRP while discussing the separate issue of related-party status, cannot operate as an admission overriding the substantive terms and actual commercial effect of the transaction.

64. The Applicant relies upon the balance confirmation, the audited financial statements stated to have been approved and signed by the Respondent, and the entries recording repayments through bank. These materials are relevant evidence and cannot be disregarded merely because they employ an accounting description. ***Agarwal Polysacks*** recognises that financial debt may be established without a written financial contract, while ***Asset Reconstruction Co. (India) Ltd. v. Bishal Jaiswal*** addresses the circumstances in which balance-

sheet entries constitute acknowledgment of liability. Neither proposition dispenses with examination of the statutory character of the acknowledged debt.

65. Here, the existence of a substantial liability is admitted; the dispute concerns its origin, classification and outstanding amount after adjustments. The description "Financial Liabilities" and the recording of payments as repayments must therefore be considered together with the agreements and the underlying supply records. Our conclusion does not rest on the absence of a written contract or disregard of the accounting evidence, but on the substantive character disclosed by the materials read together.

66. The repayment, maturity, default, recall and assignment provisions relied upon by the Applicant are relevant and have been considered. They establish enforceable rights concerning the quantified liability, but do not independently determine its classification under the Code. Similarly, the entire-agreement clause governs the parties' contractual rights concerning its subject matter; it does not make the contractual description of the liability conclusive of its statutory character.

67. The reliance upon *In re AutoStyle Plastics* and *In re Hedged-Investments Associates* must be considered in their context. Those decisions concern the distinction between debt and equity contributions. The present inquiry concerns whether an acknowledged liability constitutes financial debt or operational debt under the Code. The features emphasised by the Applicant, including fixed maturity, repayment and enforcement rights, are relevant and have been considered. Their presence does not, however, independently establish disbursal against consideration for the time value of money or the commercial effect of borrowing.

68. The continuation of the parties' power-trading relationship is also reflected in the MoU[39] and the Member-Client Agreement[40], both dated 01.03.2025. The 2025 MoU contemplated purchase and sale of power up to 300 MW through bilateral arrangements, swapping and power banking, with the Applicant undertaking procurement, scheduling and associated services for the Corporate Debtor against stipulated trading margins and reimbursement of applicable charges. It also provided for advance payments towards power purchases, remittance of sale proceeds after deduction of trading margin, and maintenance by the Applicant of an interest-free cash security deposit of Rs 1 crore as a safeguard against default.

69. Separately, the 'Member-Client Agreement' expressly designated the Applicant as the Corporate Debtor's agent for buying and selling power through IEX, acting upon the Corporate Debtor's instructions. It further required money deposited by the Corporate Debtor to be maintained in a separate account and used only for the permitted purposes. These documents thus show that, notwithstanding the intervening ICD Agreements, the parties continued to maintain contractual arrangements for power procurement, trading and related operational services. Their bearing on the ICD liability must, however, be assessed by reference to the particular transactions from which that liability arose.

70. The Applicant's contention that the ICD Agreements of 2021 and 2022 predate the MoU and Member-Client Agreement, both dated 01.03.2025, does not, by itself, establish an independent financial transaction. The material question is whether, on their terms and in their commercial context, the ICD Agreements embody a financing arrangement or record obligations arising from the supply of electricity.

[39] Pages 87 to 94 of the Application
[40] Pages 95 to 103 of the Application

The computation stipulated in Clause 3.3 and the alternative mode of discharge indicate that the connection with electricity supply is inherent in the ICD Agreements themselves and does not arise merely from the subsequent agreements of 2025.

71. The Applicant's another contention that the ICD Agreements must be given effect according to their terms, including the repayment obligations and the clause superseding earlier understandings, does not dispense with the examination of the statutory character of the resulting liability. Even accepting their validity and giving due effect to the rights and obligations they create, it remains necessary to determine whether the liability satisfies the requirements of Section 5(8) of the Code. The inquiry thus concerns the classification of the debt, rather than the validity or enforceability of the agreements.

72. Such inquiry does not require a finding that the agreements are sham or unenforceable, as the Applicant's rejoinder seems to suggest. Though, the circumstances in which the ICD Agreements were executed do not inspire much confidence, as these were drawn up after the filing of the Section 7 application in February 2020 against the CD and, as noted above, sought to recast liabilities arising from power supply as inter-corporate loans while retaining their underlying commercial linkage. Their subsequent invocation to claim financial-creditor status and participation in the CoC raises the question whether the restructuring served an independent commercial purpose or was solely intended to secure a role in the decision-making process upon potential admission of the CD into CIRP. The chronology indeed gives rise to a concern that the ICD agreements may have been devised to facilitate such participation. Be that as it may, the present determination rests on the substantive terms and commercial effect of the transactions, without attributing any dishonest intention to the parties.

73. To conclude, on the documents examined, the Applicant has not established that the ICD liability constitutes financial debt under Section 5(8), including clause (f). The agreements, the corresponding sample invoices and the explanation of the running account overwhelmingly establish its connection with the provision and settlement of electrical energy. We accordingly uphold its classification as operational debt under Section 5(21).

Classification of the security deposit of Rs 1 Crore

74. The security deposit requires separate examination in the context of the successive MoUs. The MoU[41] of 2017 had no stipulation for any security deposit. The MoU dated 01.04.2018 however, placed the security requirement of Rs 5 crore within the Applicant's obligations as trader for 'effective safeguard against any default' and permitted a Letter of Credit, corporate performance guarantee or cash security deposit as alternative forms of security, stipulating interest at 8.5% on the cash deposit.[42] The replacement MoU dated 01.04.2023 required the Applicant, under Clause 5(i), to establish and maintain an interest-free cash security deposit of Rs 1 crore as an 'effective safeguard against any default'.[43] The MoU dated 01.03.2025 continued this requirement.[44] Thus, although the amount and interest terms changed, the deposit consistently served as security for performance of the Applicant's obligations under the power-trading arrangement.

75. In ***Global Credit Capital***, relied upon by the Applicant, the Hon'ble Supreme Court found that the security deposit bore no correlation with performance of the contractual obligations and that the interest stipulation, correspondence and financial statements established the

[41] Page 47 to 53 of the RP's Counter
[42] Page 54 to 60 of the RP's Reply: @p-56
[43] Page 1 to 7 of the RP's Memo dated 05.10.2026 @p-3
[44] Pages 87–94 of the Application@p-90

commercial effect of borrowing.[45] In the present case, however, the deposit expressly serves as an "effective safeguard against any default" in the Applicant's performance of its obligations under the electricity-trading arrangements. This direct connection with contractual performance supports its operational character.

76. In our considered view therefore, the Rs 1 crore cash security deposit is ancillary to performance of the power-trading arrangement and is not an independent financing transaction. Its classification as part of the operational claim is therefore sustained. The Respondent has already included its principal in the admitted amount. Whether interest accrued on it under earlier contractual terms is a distinct question addressed below.

Admissibility of Interest

77. Form C claims Rs 133,98,70,908 as interest and Rs 75,72,08,097 as interest on overdues under the ICD head.[46] Under the security-deposit head it claims Rs 78,95,342 as interest and Rs 28,60,674 as interest on overdues. Both computations use 18% per annum, while the separate penal-interest column is nil. Entitlement to these amounts is to be seen independently of classification of the principal.

78. Clause 4.2 of the ICD Agreements expressly provides that the "Inter Corporate Loan" shall carry no interest. Clause 4.4 permits "part payments prior to the due date", while Clause 3.2 permits repayment "by way of equivalent amount of electrical energy". The Corporate Debtor has accordingly made part repayments including through the supply of electrical energy.[47] Such repayments reduce the outstanding

[45] Supra Note 6, paragraphs 18 to 20
[46] Form C, pages 111–116 of the Application
[47] As per Form-C, while most of the part repayments by the CD are by way of bank payments, there are some repayments made through 'Return of Power'. For example, 'Return of Power' entries of 30.06.2024 (@page 114 of Application), correspond to the Invoice raised by the CD on the Applicant of same amounts on the same date (@page 177 of RP's Counter).

principal without altering its interest-free character. Consequently, the balance remaining outstanding after each part repayment continues to carry no-interest under Clause 4.2 of the respective ICDs.

79. The Applicant has identified no provision of the ICD Agreements entitling it to interest at 18% per annum, monthly compounding, overdue interest or late-payment surcharge. It nevertheless invokes the **Interest Act, 1978**, in rejoinder, contending that the first ICD matured on 30.04.2026 and remained unpaid. However, Section 3(3)(a)(ii) of the said Act excludes debts upon which payment of interest is barred by an express agreement, while Section 3(3)(c) does not authorise interest upon interest. In view of the express interest-free stipulation discussed above, and in the absence of any separate contractual entitlement to interest upon default, this reliance is misplaced. Clause 5.2 of ICD agreements preserves remedies available under 'Applicable Law' but does not independently confer a right to interest or prescribe a rate. The Applicant has therefore not established entitlement to the 18% interest and interest on overdue claimed under the ICD head in Form-C.

80. Moreover, the computation in Form C charges interest and further interest on accumulated overdue amounts for periods preceding the contractual repayment dates. The first ICD's maturity was extended to 30.04.2026 and those of the second and third ICDs to 30.04.2029. These historical computations cannot therefore be justified as compensation for failure to pay at maturity. The subsequent maturity of the first ICD does not validate interest charged for earlier periods or establish entitlement to the rate and method of calculation adopted by the Applicant. Accordingly, the claims for Rs. 133,98,70,908 as interest and Rs. 75,72,08,097 as interest on overdues under the ICD head are rejected.

81. The premium forming part of the contractual computation under Clause 3.3 must be distinguished from the separately calculated claims for interest at 18% and interest on overdues. Clause 4.2 does not, by itself, exclude a premium otherwise payable under Clause 3.3. The sample invoices examined above already include premium energy in arriving at the amounts corresponding to the entries in Form C. To that extent, the premium is embedded in the recorded liability and cannot be added a second time. Conversely, rejection of the separately computed interest does not extinguish any contractual premium forming part of the principal liability. Any contention that such premium has been omitted must therefore be examined by reference to the particular computation and corresponding account entry.

82. To the extent that commercial or contractual losses are relied upon to support the interest computation, such losses require an independently established legal basis and supporting quantification. Their inclusion in a calculation described as interest does not establish entitlement to them. No such basis has been demonstrated for admitting the amounts claimed under the interest and overdue-interest heads in Form C.

83. Coming to the interest on the security deposit of Rs 1 crore stated to have been made on 24.12.2021, once again no basis has been demonstrated for admitting the interest amounts computed at 18%, including further interest on overdue interest. The MoU of 2018 stipulated interest at 8.5% per annum on the cash security deposit contemplated thereunder, but it prescribed a security requirement of Rs 5 crore. The material does not clearly establish whether the actual deposit of Rs 1 crore was furnished pursuant to that stipulation or under some other terms. The MoU dated 01.04.2023 which superseded and replaced the MoU dated 01.04.2018 required the Applicant to establish and maintain an interest-free cash security deposit of Rs. 1

crore as a safeguard against default, the requirement that continued in the MoU of 2025.

84. Paragraph 15 of the Application connects the deposit to the MoU of 2025 and describes it as having been "renewed / continued". However, no contract between the parties has been identified as having originally provided for a deposit of Rs 1 crore to be made by the Applicant with the CD in December 2021, which provided for any interest.

85. Since none of the contractual terms placed before us provides for interest at 18% on the Rs 1 crore security deposit, the computations annexed to Form C in this regard, including the further interest on overdue interest, are accordingly rejected.

Computation of the Debt Admitted by the RP

86. We now consider Prayer B concerning the computation of the amount admitted by the Respondent. Her computation proceeds from the principal amount of Rs 108,22,76,932.97 payable to the Applicant as at 31.03.2026. From this amount, she deducts Rs 4,94,61,600 and Rs 3,73,70,000 towards return of power **for supplies during 01.04.2026 to 15.05.2026**, arriving at Rs 99,54,45,332.97. She then adds the security deposit of Rs 1,00,00,000 and deducts Rs 1,22,00,000 stated to have been paid by the Corporate Debtor to MSEDCL on behalf of the Applicant. The resulting amount of Rs 99,32,45,332.97, rounded off to Rs 99,32,45,333, has been admitted as operational debt.

87. The Applicant contends that the two power-return adjustments (of Rs 4,94,61,600 and Rs 3,73,70,000), aggregating Rs 8,68,31,600, were disclosed for the first time in the Counter-Reply and were not explained in the impugned communication. It specifically denies in the rejoinder that electricity was delivered to and accepted by it between 01.04.2026 and 15.05.2026 in repayment of the ICD liability. It submits that a unilateral accounting entry does not constitute repayment under

Clause 3.2 and seeks production of the energy accounts, SLDC/RLDC statements, credit notes and any reconciliation accepted by it.

88. In the rejoinder, the Applicant separately challenges the Rs 1.22 crore MSEDCL deduction as a disputed pre-CIRP counter-claim arising, if at all, under arrangements governed by the MoU dated 01.03.2025, which it describes as distinct from the ICD Agreements. Relying on ***Bharti Airtel***, it contends that no permissible contractual or transactional set-off has been established. It also questions the evidentiary sufficiency of the reconciliation in Annexure E, describing it as a post-CIRP tabulation unsupported by the underlying records sought from the Respondent.

89. During oral arguments, however, learned counsel for the Applicant clarified that the dispute was confined to the permissibility of adjusting these amounts against the Applicant's claim. He did not dispute the quantification of Rs 4,94,61,600 and Rs 3,73,70,000 invoiced towards return of power to the Applicant, or the payment of Rs 1,22,00,000 by the Corporate Debtor to MSEDCL. This clarification narrows the controversy set out above: the question is whether the invoiced power returns validly discharged the ICD liability and whether the MSEDCL payment could lawfully be adjusted against the Applicant's claim.

90. On her part, the Respondent RP has placed on record two Bills of Supply dated 30.04.2026 and 16.05.2026, issued to the Applicant for electrical energy supplied, for Rs 4,94,61,600 and Rs 3,73,70,000, respectively.[48] The bills and their accompanying particulars record the quantities (in MWH) supplied on a daily basis during April 2026 and from 01.05.2026 to 15.05.2026, respectively, together with the applicable rates (in per KWH) and computation of the amounts payable

[48] Pages 8 to 16 of the RP's Memo dated 05.10.2026

to the Corporate Debtor. The supply period thus extends up to 15.05.2026, the date of commencement of CIRP.

91. The Applicant relies upon ***Bharti Airtel*** to challenge the adjustment of the aforesaid amounts against its claim. In that decision, the Hon'ble Supreme Court held that statutory set-off and insolvency set-off under Regulation 29 of the Liquidation Regulations do not apply during CIRP. The Court nevertheless recognised contractual set-off effective before or upon commencement of CIRP and, transactional set-off arising from transactions sufficiently connected to be treated as one.

92. The electricity supplied during the period from 01.04.2026 to 15.05.2026 must be considered in the context of the reciprocal commercial obligations originating under the MoUs dated 27.04.2017 and 01.04.2018 and continued under the subsequent contractual arrangements. Those arrangements contemplated procurement, purchase and sale of electricity, including swapping, together with corresponding payment and settlement obligations. As discussed earlier, the subsequent ICD Agreements did not alter the underlying operational character of these dealings.

93. The particulars and quantification recorded in the Bills of Supply are not challenged. Read with Clause 3.2 of the ICD Agreements, which permits discharge through equivalent electrical energy, these supplies constitute performance towards discharge of the outstanding liability. The deductions of Rs. 4,94,61,600 and Rs. 3,73,70,000 therefore account for liability discharged through return of power, rather than the adjustment of independent counter-claims.

94. Coming to the payment of Rs 1,22,00,000 to MSEDCL, the fact that it was made by the Corporate Debtor on behalf of the Applicant is undisputed. Its adjustment against the amount payable to the Applicant rests on the Applicant's resulting reimbursement obligation

and the direct connection between that obligation and the transactions underlying its claim. On this basis, the deduction represents transactional set-off within the exception recognised in ***Bharti Airtel***, rather than an adjustment founded merely on the existence of mutual monetary demands.

95. The Applicant's reliance upon ***Bharti Airtel*** consequently does not warrant exclusion of these deductions. The power-return deductions recognise discharge of the outstanding liability through contractual performance, while the MSEDCL deduction gives effect to the connected reimbursement obligation. The three deductions are accordingly sustained, and the Applicant's objection under Prayer B is rejected to that extent. The admitted principal amount of Rs. 99,32,45,333 remains undisturbed.

96. The Applicant further contends that its earlier listing as an unsecured financial creditor and participation in the first CoC meeting precluded subsequent reclassification, relying upon ***Punjab National Bank v. Pankaj Mahajan.*** The Respondent maintains that the claim remained under verification. These competing submissions concern the nature and effect of the earlier administrative treatment of the claim. They do not dispense with determination of the statutory character of the liability in the present proceedings.

97. Even accepting the Applicant's submission concerning limitations on the Respondent's authority to alter an earlier classification, the present Application expressly seeks adjudication of the nature and admissibility of its claim. We have examined those questions independently upon the agreements, transaction records and submissions of both parties, without treating the Respondent's decision as conclusive. Earlier treatment as a financial creditor cannot, by itself, establish satisfaction of Section 5(8). Our determination rests

upon the substantive findings recorded above and does not endorse an unrestricted power in the Respondent to reclassify admitted claims.

98. The Applicant's objection concerning the absence of reasons for the deductions in the impugned communication is distinct from the substantive correctness of those deductions. The obligation to communicate reasons is not satisfied merely by disclosing the final admitted figure, it is argued. The Respondent has subsequently explained the computation in her Reply, and the Applicant has contested both its factual and legal basis in rejoinder and during arguments. We have therefore examined each deduction independently on the material placed before us. The conclusions reached in this order do not rest upon a presumption that the original communication adequately explained the computation. Equally, an inadequacy in that explanation does not, by itself, establish that an amount otherwise shown to have been discharged remains payable.

Conclusions

99. Following the discussion as above, we decide as follows:

- The challenge to classification of the ICD liability of Rs 108,22,76,933 and the Rs 1 crore performance-security deposit as operational debt, as in **Prayer-A** of the Application, is rejected.

- **Prayer-B** of the Application, regarding deductions from the Applicant's claimed amount, is also rejected and the amount of Rs 99,32,45,333 already admitted shall remain unchanged.

- Rejection of the ICD interest of Rs 133,98,70,908 and interest on overdues of Rs 75,72,08,097 is sustained. The interest computation of Rs 1,07,56,016 at 18% with interest on overdues on the deposit of Rs 1 crore, is also not admitted. The **Prayer-C** of the Application is thus rejected.

- Consequently, the Applicant is not entitled to recognition as a financial creditor or to a CoC voting share on the strength of these claims. **Prayer D** of the Application, seeking inclusion of the Applicant in the reconstituted Committee of Creditors, is also rejected.

The present Application IA No. 1175 of 2026 is therefore dismissed. The related-party dispute stated to be pending in IA 1177 of 2026 is for determination in that proceeding.

IA No. 1176 of 2026

I.A. No. 1176 of 2026, in which the Applicant seeks a direction restraining the Respondent from taking further steps in the CIRP of the Corporate Debtor pending adjudication of I.A. No. 1175 of 2026, is dismissed in view of the dismissal of I.A. No. 1175 of 2026.

Sd/-

(SANJAY PURI)
MEMBER (TECHNICAL)

Sd/-

(RAJEEV BHARDWAJ)
MEMBER (JUDICIAL)

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