

# IBC DOSSIER

Bulletin on Landmark Judgments under IBC, 2016



## **M/s Reliance Infratel Ltd. & Anr. Vs. State of Meghalaya & Ors.**

### **Brief Facts**

In the present case, the Meghalaya High Court ruled that a State authority cannot compel a successful resolution applicant under the Insolvency and Bankruptcy Code, 2016 to pay previous power dues if the State authority has not filed a claim for its dues under the approved resolution plan.

Reliance Infratel, the petitioner-company, was admitted to insolvency, and the National Company Law Tribunal approved a resolution plan. Reliance Projects and Property Management Solutions Ltd. (RPPMSL) took over the Petitioner-Company on December 22, 2022.

The Respondent-Corporation, Meghalaya Power Distribution Corporation Ltd., tried to recover power dues from the Petitioner-Company and its affiliates via a letter/demand notice. In this letter, the Respondent-Corporation said that it would disconnect the current electricity connections for the mobile towers and refuse to grant new energy connections to the Petitioner-Company and its affiliates until the electricity dues were paid, even if the dues were paid before December 22, 2022.

The petitioners challenged the letter/demand notice issued by the Corporation. The Corporation said that

because of Section 56 of the Electricity Act of 2003, which allows the generating business to cut the supply in the event of nonpayment, electricity dues cannot be waived.

## **Decision**

The Bench observed that the Corporation did not file any claims for the recovery of its dues, notwithstanding the Petitioner-Company's public announcements inviting all creditors to provide proof of claims. The Court ruled that in this case, Section 56 of the Electricity Act is not applicable because Section 238 of the I&B Code states that the provisions of the I&B Code take precedence over other laws, and Section 31(1) of the I&B Code states that an approved resolution plan is binding on all creditors.

The Court determined that the Corporation was required to engage in the resolution process under Section 31 of the I&B Code. Because it did not engage in the resolution process and did not file any claims, the Respondent-Corporation's claims before to 22.12.2022, i.e. before the takeover of the Petitioner-Company, are extinguished. Furthermore, because Section 238 has overriding effect on other laws, it cannot be stated that electricity dues, which are statutory under the Electricity Act, cannot be waived.

"As such, the dues not attributable to the petitioner No. 1 after the effective date, and no claim having been made against the Corporate Debtor, and further Section 238 having an overriding effect on all other laws, the stand of the respondent No. 1 that the petitioners are liable to pay in terms of Section 56 of the Electricity Act is therefore, unsustainable."

Thus, the Respondents have no right to collect the dues from the Petitioner-Company before December 22, 2022.

## **Link of the Order**

<https://ibbi.gov.in/uploads/order/a8bcee8193aa47dd09fc0cde06de5955.pdf>



**INSOLVENCY PROFESSIONAL AGENCY  
OF INSTITUTE OF COST ACCOUNTANTS OF INDIA**