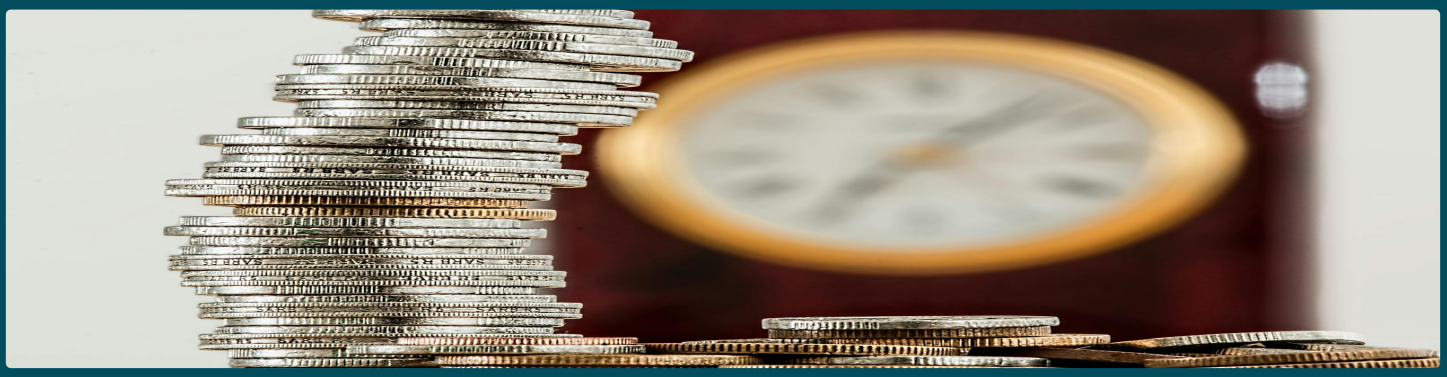
INDIALAW



INSOLVENCY & BANKRUPTCY

Financial Obligations in Corporate Insolvency: A NCLT Verdict on CIRP Costs

AUTHOR Shrishail Kittad, Rahul Sundaram

PUBLISHED 18 December 2025

The National Company Law Tribunal (NCLT) has reaffirmed the legal enforceability of costs approved during the Corporate Insolvency Resolution Process (CIRP), highlighting the binding nature of decisions taken by the Committee of Creditors (CoC). In a landmark ruling delivered on December 16, 2025, the Tribunal addressed the financial responsibilities of creditors under the Insolvency and Bankruptcy Code, 2016 (IBC), emphasizing that participation in CoC deliberations without objection constitutes an implicit obligation to contribute to insolvency-related expenses. This judgment, rendered in *Mr.VIKRAM KUMAR (Resolution Professional of Dr. Jain Video on Wheels Ltd.) v. CFM Asset Reconstruction Pvt. Ltd.* , establishes a critical precedent for accountability and procedural integrity within corporate insolvency proceedings.

Dr. Jain Video on Wheels Ltd. was adjudicated as a corporate debtor following an insolvency application filed by Ingram Micro India Pvt. Ltd. on June 3, 2021. The NCLT appointed Mr. Manoj Kulshrestha as the Interim Resolution Professional (IRP) to oversee the initial phase of the CIRP. Subsequently, at the first meeting of the CoC held on July 6, 2021, the member resolved to appoint Mr. Vikram Kumar as the Resolution Professional (RP). With this appointment, the RP assumed statutory authority to manage the affairs of the corporate debtor, including the approval and oversight of all necessary expenditures incurred during the resolution process.

The dispute arose when CFM Asset Reconstruction Pvt. Ltd., a member of the CoC, failed to discharge its share of the CIRP costs amounting to ?14,85,826.62, despite having participated in multiple CoC meetings where these expenses were discussed and formally approved. The applicant, Mr. Vikram Kumar, submitted that the costs had been duly sanctioned from the third CoC meeting onward, with no formal objections raised by any member, including the respondent. He further contended that the non-payment significantly impeded his ability to perform essential functions under Section 17 of the IBC, such as asset management, stakeholder communication, and preparation of resolution plans.

CFM Asset Reconstruction Pvt. Ltd. contested the claim not on the grounds of cost validity but on procedural technicalities, asserting internal delays in approval processes and disagreements over fee structures. However, the NCLT found these arguments insufficient to justify non-compliance. The Tribunal observed that the absence of any formal challenge during the CoC meetings amounted to tacit acceptance of the approved expenditure. Furthermore, the respondent's failure to raise objections at the time of decision-making precluded it from later invoking procedural irregularities to evade financial responsibility.

In interpreting the legal framework, the NCLT invoked Section 60(5) of the IBC, which empowers the Tribunal to issue directions necessary for the effective administration of the insolvency process. The Court drew upon established precedents, including *Reliance Commercial Finance Ltd. v. Noble Resourcing Business & Solutions Pvt. Ltd.* and *Tathagata Bhattacharya v. World Consulting & Research Corp. Pvt. Ltd.*, to reinforce the principle that CoC resolutions on operational costs are binding on all participating creditors. The Tribunal emphasized that the CoC functions as a collective body, and once a decision is adopted through democratic consensus, individual members cannot selectively disavow their obligations.

The judgment highlighted a fundamental tenet of insolvency law: creditors cannot benefit from the resolution process while evading their financial contributions. The Tribunal stressed that allowing such conduct would undermine the credibility of the CoC and compromise the efficiency of the entire CIRP mechanism. It noted that the timely payment of CIRP costs is not merely a fiscal matter but a prerequisite for the RP to carry out his duties effectively, ensuring transparency, continuity, and fairness in the resolution process.

Consequently, the NCLT allowed the application and directed CFM Asset Reconstruction Pvt. Ltd. to pay the outstanding sum of ?14,85,826.62 within a specified period. The order explicitly affirmed that the costs approved by the CoC are legally enforceable against all members who participated in the decision-making process, regardless of whether they voted in favour or abstained. The Tribunal also cautioned against the use of procedural delays as shields from financial obligations arising from collective decisions.

By affirming the enforceability of CoC-approved costs, the NCLT has strengthened the institutional framework governing the IBC, ensuring that resolution professionals are not hindered by non-cooperative creditors. The decision reinforces the principle of equitable burden-sharing among creditors and promotes good-faith participation in the CIRP.

The case of *Vikram Kumar v. CFM Asset Reconstruction Pvt. Ltd.* is a clarion call for creditors to uphold their financial commitments during insolvency proceedings. It shows the need for collective responsibility and the sanctity of CoC decisions in maintaining the integrity of the resolution process. As the Indian insolvency regime continues to evolve, this judgment provides a strong foundation for ensuring accountability, operational efficiency, and legal certainty in future corporate insolvency cases.

For further details write to contact@indialaw.in

Related Practice Areas

Insolvency & Bankruptcy