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CoC Autonomy Over CIRP Costs: NCLT Bengaluru on Interim Finance and Member Contribution

The conduct of a Corporate Insolvency Resolution Process frequently hinges upon the timely availability of funds to meet administrative and operational expenses, yet the mechanism for securing such resources remains firmly within the autonomous domain of the Committee of Creditors. This principle was reaffirmed by the National Company Law Tribunal, Bengaluru Bench, in Gonugunta Murali, […]

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The conduct of a Corporate Insolvency Resolution Process frequently hinges upon the timely availability of funds to meet administrative and operational expenses, yet the mechanism for securing such resources remains firmly within the autonomous domain of the Committee of Creditors. This principle was reaffirmed by the National Company Law Tribunal, Bengaluru Bench, in Gonugunta Murali, Resolution Professional of Sai Krishna Minerals Private Limited v. Income Tax Department, CIT, Circle-1, Ballari and Others, decided on 15 April 2026, in Interlocutory Application No. 840 of 2025 arising out of Company Petition (IB) No. 136/BB/2023. The adjudication offers a salutary reminder of the limited scope for judicial intervention when the CoC has already exercised its commercial discretion to select a specific funding model, and underscores the difficulties faced by a Resolution Professional when that approved model remains unimplemented.

The factual matrix leading to the present application traces back to the admission of the Company Petition under Section 9 of the Insolvency and Bankruptcy Code, 2016 on 4 September 2024, thereby initiating the CIRP against the Corporate Debtor, Sai Krishna Minerals Private Limited. The Applicant, Shri Gonugunta Murali, was appointed as Interim Resolution Professional on 27 May 2025 and thereafter continued as Resolution Professional. As the insolvency proceedings progressed, the question of financing the CIRP costs assumed critical urgency. During the third meeting of the Committee of Creditors held on 5 August 2025, the Resolution Professional placed three options before the members: contribution by CoC members in proportion to their voting share; contribution towards estimated CIRP expenses for a six-month period; and raising interim finance from operational creditors, banks or financial institutions. The CoC, by a conscious exercise of its collective judgment, rejected the first two contribution-based models and instead approved the third option, resolving by a vote of 67.25 per cent that interim finance be raised to meet the budgeted CIRP expenses estimated at Rs. 34,14,910/- for a six-month period with simple interest.

Despite this resolution, no effective interim finance materialised from the CoC members or external sources. In the fourth CoC meeting held on 26 August 2025, the Resolution Professional once again apprised the members of the dire financial constraints, noting that only Rs. 2,00,000/- received from an operational creditor had been used and was already exhausted towards CIRP-related expenditure, including the fees of the IRP or RP, valuers, forensic auditors, legal costs and other incidental expenses. Compelled to meet these obligations from his own personal resources and finding the conduct of the resolution process seriously impaired, the Resolution Professional filed the present application on 27 October 2025 seeking a direction upon the CoC members to contribute towards the CIRP costs and for such other orders as the Tribunal deemed fit.

The rival contentions before the Tribunal reflected the divergent interests of the stakeholders. The Resolution Professional maintained that since no member had come forward to extend interim finance and the operational creditor's modest contribution had been fully consumed, the CoC members were duty-bound to contribute proportionately to ensure the survival of the insolvency process. He contended that the suggestion by certain operational creditors to adjust CIRP costs from eventual sale proceeds was unacceptable and that the Tribunal ought to compel member contributions in the interim. Respondent No. 4, the proprietor of Guru Rajendra Minerals Trading Company, filed a statement of objections asserting that he had already complied with prior directions by depositing Rs. 2,00,000/- towards initial CIRP costs. He argued that the CoC comprised diverse statutory and operational creditors, including the Income Tax Department, the Deputy Commissioner of Commercial Taxes, a firm of chartered accountants and the Assistant Commissioner of Central Tax, and that CIRP costs ought to be borne collectively by all members rather than selectively against individual respondents. He further submitted that the CoC had validly resolved to raise interim finance, and if any contribution were directed, it must apply to all members in their voting ratio.

Respondent No. 1, the Income Tax Department, CIT, Circle-1, Ballari, resisted the application on fundamentally distinct grounds. It acknowledged the initiation of CIRP and the CoC's deliberations but emphasised that as a Central Government Department, it possessed neither statutory authority nor budgetary provision to advance funds or finance private insolvency proceedings. It pointed out that the CoC had already approved the interim finance model and that the Resolution Professional could approach banks or financial institutions for such funding. Accordingly, it prayed that the application be dismissed insofar as it sought contribution from the Department. The remaining respondents neither filed replies nor appeared before the Tribunal.

The Tribunal framed the central issue as whether it could direct CoC members to contribute towards CIRP expenses when the CoC itself had already resolved, by requisite majority, to raise interim finance, and whether statutory creditors could be compelled to disburse funds absent enabling statutory or budgetary authority. In its analysis, the Tribunal noted that Regulation 16 of the CIRP Regulations, 2016 confers upon a Committee of Creditors comprising only operational creditors the same rights, powers, duties and obligations as a committee of financial creditors. This statutory parity confirmed that the CoC was fully competent to deliberate upon and resolve the methodology for funding the insolvency process. The Tribunal then turned to the resolution itself. The CoC had approved the raising of interim finance by a vote of 67.25 per cent, which exceeded the 66 per

cent threshold mandated under Section 28(3) of the Code for approving interim finance. This was not a casual procedural step but a deliberate commercial decision to avoid direct member contributions and instead secure external funding.

Invoking the landmark pronouncement of the Supreme Court in K. Sashidhar v. Indian Overseas Bank and Others, (2019) 12 SCC 150, the Tribunal reiterated that the commercial wisdom of the CoC is critical and is not amenable to judicial review except on the limited grounds contemplated under Section 60(5) of the Code. Applying this doctrine, the Tribunal held that the manner of raising and meeting CIRP expenses fell squarely within the CoC's domain, and since the CoC had validly exercised its discretion, no interference was warranted. The Tribunal also gave due weight to the Income Tax Department's submission. It recognised that compelling a Central Government Department to contribute towards CIRP costs would amount to imposing a financial obligation beyond its statutory and budgetary capacity. Furthermore, the Tribunal observed that the Resolution Professional had approached the Tribunal without first exhausting the CoC-approved alternative of generating finance from external sources such as banks or financial institutions. This failure to pursue the available and approved funding mechanism significantly undermined the prayer for judicial intervention.

In its final order, the Tribunal dismissed Interlocutory Application No. 840 of 2025. It declined to direct the CoC members, including the statutory authorities, to contribute towards the CIRP expenses, holding that the CoC's resolution to raise interim finance by a vote of 67.25 per cent was valid and binding. The Tribunal directed the Resolution Professional to pursue the generation of interim finance for the estimated budgeted CIRP expenses of Rs. 34,14,910/- for the six-month period with simple interest, from operational creditors, banks or financial institutions, as already approved by the CoC.

The judgment stands as a firm affirmation that judicial forums will not supplant the commercial wisdom of the Committee of Creditors in matters of CIRP funding, particularly when statutory creditors are involved and when the Resolution Professional has not availed himself of the funding mechanism duly authorised by the CoC itself. It reinforces the principle that while the Tribunal retains supervisory jurisdiction under Section 60(5), that power does not extend to overriding the autonomous commercial decisions of the CoC regarding the financial architecture of the resolution process.

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