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INSOLVENCY & BANKRUPTCY

Supreme Court on Withdrawal of CoC-Approved Resolution Plans: Bank of India v. S.M. Kamal Pasha

In Bank of India v. S.M. Kamal Pasha, 2026 INSC 1154, the Supreme Court held that a Committee of Creditors cannot withdraw its approval of a resolution plan once it is placed before the NCLT, even if the corporate debtor's finances have since improved, and that Section 12A does not allow withdrawal at that stage.

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Introduction

In *Bank of India & Ors. v. S.M. Kamal Pasha & Ors.*, 2026 INSC 1154, the Supreme Court of India examined whether the Committee of Creditors (CoC) can withdraw its approval of a resolution plan before the National Company Law Tribunal (NCLT) confirms it, if the corporate debtor's financial position has improved during the intervening period.

Factual Background

The dispute arose from a resolution plan approved by the CoC for a corporate debtor operating a toll-collection business on National Highway 45. The successful resolution applicant (SRA) had proposed a resolution amount of approximately ?172.55 crore when the corporate debtor's opening cash balance was around ?30 crore. However, owing to delays in implementation, including proceedings before the Supreme Court, the corporate debtor's cash balance reportedly increased to approximately ?165 crore while it remained under the resolution professional's management.

The CoC sought withdrawal of its approval, contending that the improved financial position would confer an undue windfall on the SRA, which would need to infuse substantially less fresh capital than originally anticipated. The erstwhile promoter and holding company separately sought to bring the corporate insolvency resolution process (CIRP) to an end through a one-time settlement (OTS) with creditors.

The NCLT permitted withdrawal of the resolution plan following unanimous approval by the CoC. On appeal, the National Company Law Appellate Tribunal (NCLAT) rejected the withdrawal, holding that the CoC could not unilaterally withdraw from an approved resolution plan. The matter reached the Supreme Court.

Findings of the Supreme Court:

A CoC-approved resolution plan is binding

Relying on *Ebix Singapore (P) Ltd. v. Committee of Creditors of Educomp Solutions Ltd.*, (2022) 2 SCC 401, the Supreme Court reiterated that a resolution plan becomes binding between the CoC and the SRA upon approval by the CoC, even before the NCLT grants its approval under Section 31 of the IBC.

The statutory framework does not permit either party to withdraw from or unilaterally modify the plan merely because subsequent circumstances make the arrangement less commercially attractive. The Court emphasised that a resolution plan is not an ordinary contract governed exclusively by general principles of contract law; its binding effect arises from the IBC itself.

Accordingly, an improvement in the corporate debtor's financial position, even if substantial, does not confer upon the CoC an independent right to withdraw its approval. Permitting such withdrawals would undermine certainty in the resolution process and encourage creditors to reconsider approved plans whenever a more favourable outcome appears possible.

Section 12A does not permit withdrawal after approval of the resolution plan by the CoC

The Court examined Section 12A of the IBC, which permits withdrawal of an application admitted under Sections 7, 9 or 10 with the approval of 90% of the CoC's voting share, read with Regulation 30A of the CIRP Regulations.

Referring to *Glas Trust Company LLC v. Byju Raveendran*, 2024 SCC OnLine SC 3032, the Court explained that the statutory framework provides for withdrawal at different stages of the CIRP, subject to the prescribed procedure. However, Section 12A

cannot be read in isolation from Sections 30 and 31, which govern approval of resolution plans.

Reading these provisions together, the Court held that withdrawal of the insolvency application is permissible only until the CoC approves the resolution plan. Once the approved plan is placed before the NCLT for confirmation, neither the insolvency application nor the resolution plan can be withdrawn through Section 12A.

The distinction is significant: the CoC's power to approve or reject a resolution plan does not translate into a continuing power to revoke that approval after the plan has been submitted to the adjudicating authority.

The CoC's continuing role does not permit it to alter the approved plan

The Court considered *Kalyani Transco v. Bhushan Power & Steel Ltd.*, (2026) 6 SCC 431, which recognised that the CoC retains a vital interest in the implementation of a resolution plan and does not necessarily become *functus officio* upon its approval.

However, the Court clarified that the CoC's continued existence and involvement in implementation do not diminish the binding nature of the approved plan. Its authority to address matters during implementation cannot be extended to matters that would alter or undermine the plan already submitted to the NCLT.

The NCLT, in turn, cannot second-guess the commercial wisdom of the CoC or facilitate unilateral renegotiation in the absence of statutory authority. Its function under Section 31 is to determine whether the plan satisfies the requirements of Section 30(2), including the prescribed treatment of insolvency resolution process costs and creditors' entitlements.

Improved financial performance and the NCLT's role

While upholding the binding nature of the resolution plan, the Supreme Court declined to interfere with the NCLAT's direction that the NCLT consider both the resolution plan and the holding company's OTS proposal.

The NCLT was directed to examine the corporate debtor's current financial position, including its cash balance, alongside the terms of the resolution plan and the statutory requirements under Section 30(2). Importantly, the Court clarified that improved profitability alone cannot justify refusing approval of a resolution plan that otherwise satisfies the statutory requirements.

The Court's observations on the merits of the competing proposals were expressly prima facie and were not intended to predetermine the NCLT's final adjudication. The appeal was accordingly disposed of without disturbing the NCLAT's directions.

Conclusion

The judgment in *Bank of India v. S.M. Kamal Pasha* upholds the principle that certainty and finality are fundamental to the insolvency resolution framework. Once the CoC approves a resolution plan and it is submitted to the NCLT, neither the CoC nor the SRA may withdraw from or unilaterally modify it merely because circumstances have changed.

For financial creditors, resolution applicants and insolvency professionals, the decision shows the importance of conducting a thorough commercial assessment before approving a resolution plan. It also delineates the limits of Section 12A and distinguishes the CoC's continuing role in implementation from any power to revoke an approved plan. The judgment further preserves the integrity of the CIRP by ensuring that changes in commercial circumstances alone do not displace the statutory framework for approval of a resolution plan.