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SBI Consortium v. Doha Bank: Supreme Court Upholds Corporate Guarantees as Financial Debt Under IBC

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Introduction

In a landmark ruling delivered on April 28, 2026, the Supreme Court of India in State Bank of India & Ors. v. Doha Bank Q.P.S.C. & Anr. (2026 INSC 423) settled a significant question in Indian insolvency law: corporate guarantees executed by a corporate debtor constitute "financial debt" under Section 5(8) of the Insolvency and Bankruptcy Code, 2016 (IBC), and the guarantor's lenders are entitled to recognition as "financial creditors" in the Corporate Insolvency Resolution Process (CIRP).

The judgment, authored by Hon,ble Justice Alok Aradhe Hon,ble Justice Pamidighantam Sri Narasimha concurring), overturned concurrent orders of the National Company Law Tribunal (NCLT) and the National Company Law Appellate Tribunal (NCLAT), holding both orders to be perverse and legally unsustainable. The decision has far-reaching implications for banks, financial institutions, and insolvency practitioners across India.

Background and Facts

The dispute arose from the lending arrangements made to the Reliance Group. In 2010, Doha Bank (Respondent No. 1) extended a foreign currency loan of USD 250 million to Reliance Infratel Limited (RITL), which was the Corporate Debtor (CD) in the insolvency proceedings. Separately, an SBI-led consortium of six Indian banks – State Bank of India, Bank of India, UCO Bank, Syndicate Bank, Oriental Bank of Commerce, and Indian Overseas Bank – extended rupee loans of Rs 6,015 crores to Reliance Communications Limited (RCOM) and Rs 735 crores to Reliance Telecom Limited (RTL).

By August 2016, the accounts of RCOM, RTL and the CD were all classified as Non-Performing Assets (NPAs). Following this, Reinstatement Agreements were signed to restructure the debt. In consideration of this restructuring, the CD executed corporate guarantees on March 3, 2017, in favour of the consortium lenders to secure the loans advanced to its group companies, RCOM and RTL. In May 2018, CIRP was initiated against RITL before the NCLT Mumbai. The SBI consortium filed a claim of Rs 3,628.67 crores based on the corporate guarantees. Doha Bank, as an ECB lender, challenged these guarantees on multiple grounds, arguing they were preferential, undervalued, fraudulent, insufficiently stamped, and not properly disclosed. NCLT accepted these objections and excluded the consortium from the Committee of Creditors (CoC). NCLAT affirmed this decision, leading to the present appeal before the Supreme Court.

Key Legal Issues Before the Supreme Court

The Court framed three issues for consideration:

- Whether corporate guarantees executed by the Corporate Debtor constitute "financial debt" under Section 5(8) of the IBC.
- Whether the consortium's claims were liable to be rejected for non-submission or improper verification of documents.
- Whether the concurrent findings of NCLT and NCLAT warranted interference by the Supreme Court under Section 62 of the IBC.

The Court's Analysis and Findings

Corporate Guarantee as Financial Debt

The Court reaffirmed the settled legal position that a liability arising from a corporate guarantee squarely falls within the ambit of "financial debt" as defined under Section 5(8) of the IBC. Relying on prior precedents including China Development Bank v. Doha Bank Q.P.S.C. (2025) 7 SCC 729 and Anuj Jain v. Axis Bank (2020) 8 SCC 401, the Court held that any liability in respect of a guarantee for money borrowed against payment of interest is a financial debt. A guarantor's liability is coextensive with that of the principal borrower and is enforceable in law. Accordingly, the SBI consortium qualified as "financial creditors" of the Corporate Debtor.

Timing of Guarantee Execution

The NCLAT had found the timing of the guarantees suspicious since the CD and its holding companies were already classified as NPAs. The Supreme Court rejected this reasoning. It noted that the CD's accounts, though first flagged as NPA on August 26, 2016, were subsequently restructured. The corporate guarantee was executed on March 3, 2017, as part of this restructuring – before the accounts again became NPA on December 20, 2017. The RBI Master Circular dated July 1, 2015, on prudential norms for restructured accounts mandates that NPA classification be reckoned from the date the account first became NPA. The Court held that the consortium correctly declared the NPA effective August 26, 2016, and the guarantees were executed before any re-declaration of default, making the timing objection untenable.

Non-Disclosure in Financial Statements

Doha Bank argued that the corporate guarantees were not reflected in the CD's financial statements for FY 2016-17 and 2017-18. The Court noted that the CD's own counsel, by a communication dated March 19, 2019, admitted the existence of the guarantees and confirmed that adequate disclosures had been made in financial statements and annual reports of the borrower group. More critically, the Court held that even if there was non-disclosure, that would at best constitute a default by the CD – it could not be used to defeat the consortium's legitimate claim as financial creditors. Non-disclosure in financial statements cannot extinguish a legally valid debt.

Verification of Claims

The NCLAT had found no evidence that the guarantees were verified by the IRP/RP. The Supreme Court found this finding perverse. The record showed that the Security Trustee had confirmed in writing that the executed and stamped guarantees were in its custody in New Delhi, and the Resolution Professional had physically visited the Security Trustee's New Delhi office to inspect and verify the guarantees. Regulation 10 of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 permits the IRP/RP to call for evidence and clarification, and this process was duly followed.

Stamping Objection

The NCLAT held that the guarantees were not duly stamped under the Maharashtra Stamp Act, 1958. The Supreme Court overruled this objection on two grounds. First, the guarantees were executed and kept in New Delhi, where applicable stamp duty had already been paid. Their production before the NCLAT (Principal Bench, New Delhi) did not attract the Maharashtra Stamp Act. Second, relying on the Constitution Bench decision in Interplay Between Arbitration Agreements and Stamp Act (2024) 6 SCC 1, the Court held that non-stamping or improper stamping does not render an instrument void or invalid – it is a curable defect. The Stamp Act is a fiscal measure for revenue purposes and is not intended to be weaponized by a litigant to defeat an opponent's legitimate claim.

Documents Produced at Appellate Stage

The Court also rejected the argument that the guarantees could not be relied upon because they were introduced only at the NCLAT stage and not before the NCLT. Applying the settled principle that an appeal is a continuation of the original proceeding, the Court held that relevant documents can be produced at the appellate stage and no adverse inference can be drawn merely because they were not placed before the lower tribunal.

Decision and Significance

The Supreme Court allowed the appeal, quashed the NCLT and NCLAT orders, and directed the Resolution Professional to reconstitute the Committee of Creditors by including the SBI consortium as financial creditors. The Court found the concurrent

findings of both tribunals to be perverse and warranting second appellate interference.

This judgment reinforces several important principles of insolvency law in India: corporate guarantees are valid financial debts under the IBC; guarantee execution as part of a genuine restructuring cannot be invalidated merely because the borrower was in prior default; non-disclosure in financial statements does not extinguish a creditor's rights; inadequate stamping is a curable defect and not a basis to invalidate instruments; and the RP's physical verification of guarantee documents satisfies regulatory requirements under the CIRP regulations. For banks and financial institutions, the ruling provides strong reassurance that corporate guarantees obtained as part of debt restructuring are enforceable and will be recognized in CIRP proceedings. It also limits the ability of rival creditors to use procedural objections – such as stamping irregularities or late document production – to exclude legitimate creditors from the CoC.

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