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Demarcating Jurisdictional Boundaries: The NCLAT on the Interplay Between the IBC and Statutory Town Planning Authorities

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Introduction

The intersection of the Insolvency and Bankruptcy Code, 2016 (IBC) with other specialized statutory frameworks frequently generates complex jurisdictional disputes. A recurring legal quandary is whether the National Company Law Tribunal (NCLT), acting as the Adjudicating Authority, possesses the jurisdiction to review or set aside orders passed by independent statutory authorities in the regular course of their duties. The National Company Law Appellate Tribunal (NCLAT), Principal Bench, New Delhi, recently delivered a crucial judgment in *Sunil Kumar Rastogi v. Lucknow Development Authority & Ors.* (Company Appeal (AT)(Ins) No. 456 of 2026, decided on 6 April 2026), addressing this exact conundrum. The decision firmly establishes that the NCLT cannot entertain collateral challenges against statutory orders passed by development authorities under town planning legislations.

The Factual Matrix

The genesis of the dispute traces back to a corporate debtor operating in the real estate sector, against whom the Corporate Insolvency Resolution Process (CIRP) was initiated on 30 September 2019. Following the statutory process, a Resolution Plan was approved by the NCLT in 2021. The approved plan placed an obligation upon the Successful Resolution Applicant (SRA) to approach the Lucknow Development Authority (LDA) to procure the necessary sanctions for the building map and project plan. Pursuant to this, the LDA granted the requisite sanction on 3 May 2025.

The appellant, Sunil Kumar Rastogi, an allottee in the corporate debtor's real estate project, found himself aggrieved by the LDA's decision. He contended that the sanctioned map of 3 May 2025 was in blatant violation of the approved Resolution Plan as well as the Real Estate (Regulation and Development) Act, 2016 (RERA Act). Prior to knocking on the doors of the NCLT, the appellant had sought recourse through a writ petition before the Lucknow Bench of the Allahabad High Court. Disposing of Writ Petition No. 10939 of 2025 on 21 November 2025, the High Court directed the LDA to expeditiously hear the appellant's grievances under the Uttar Pradesh Planning and Development Act, 1973. Consequently, the LDA passed a fresh administrative order on 3 February 2026.

Proceedings Before the Adjudicating Authority

Unsatisfied with the LDA's subsequent actions, the appellant instituted Interlocutory Application No. 189 of 2026 before the NCLT, New Delhi (Court-III). The application sought complex reliefs, primarily a direction to the LDA to cancel the sanctioned map dated 3 May 2025 in a time-bound manner. Furthermore, the appellant prayed for directions compelling the SRA to seek the consent of two-thirds of the project's allottees before filing any fresh map sanction or RERA registration application, as allegedly mandated by the Resolution Plan. A further direction was sought against the Monitoring Professional to ensure strict adherence to the approved Resolution Plan.

The Adjudicating Authority, vide its order dated 21 January 2026, dismissed the application at the threshold on the ground of maintainability. The NCLT unequivocally held that entertaining a challenge against an order sanctioning a building map an exercise of specialized statutory jurisdiction under the Uttar Pradesh Urban Planning and Development Act, 1973fell entirely outside its adjudicatory purview under the IBC.

Rival Contentions Before the Appellate Tribunal

Aggrieved by the NCLT's dismissal, the appellant preferred an appeal before the NCLAT. The appellant forcefully argued that the application was maintainable, heavily relying on the Supreme Court's precedent in *Gujarat Urja Vikas Nigam Ltd. v. Amit Gupta and Ors.* (Civil Appeal No. 9241 of 2025). The appellant posited that under Section 60(5) and Section 60(6) of the IBC, the NCLT possessed comprehensive jurisdiction to examine the impugned order since the dispute fundamentally arose out of, and related to, the insolvency of the corporate debtor. It was further asserted that Section 31 of the IBC empowered the NCLT to ensure strict compliance with the Resolution Plan, which the LDA had allegedly contravened by not mandating the prior approval of the Resident Welfare Association (RWA) under the RERA Act. Furthermore, the non-obstante clause under Section 238 of the IBC was implicitly relied upon to override other developmental laws.

Conversely, the respondents, comprising the LDA, the SRA, and the Monitoring Professional, mounted a preliminary objection regarding the maintainability of the appeal and the underlying application. They submitted that the LDA's act of sanctioning the map was a purely statutory function discharged under the Uttar Pradesh Urban Planning and Development Act, 1973, independent of the corporate debtor's insolvency. They contended that the proper remedy for challenging such an administrative town-planning order lay strictly within the framework of that specific Act, such as invoking the revisional jurisdiction of the State Government. The respondents further argued that the ratio of *Gujarat Urja* was factually distinguishable and inapplicable to the present circumstances.

Issues for Determination

The dispute compelled the NCLAT to adjudicate upon several interwoven legal issues. The primary question was whether an application challenging a building map sanction by a statutory development authority was maintainable before the NCLT under the IBC framework. Connected to this was the issue of whether the NCLT possessed the jurisdiction to set aside such an independent statutory order on the specific ground that it purportedly violated an approved Resolution Plan. Furthermore, the Tribunal had to determine the applicability of the Supreme Court's ruling in *Gujarat Urja Vikas Nigam* to a scenario involving independent town-planning sanctions rather than contract terminations. Lastly, the Tribunal had to assess whether the existence of an alternative statutory remedy under the Uttar Pradesh Urban Planning and Development Act rendered the NCLT proceedings incompetent.

Legal Analysis and Distinction of Precedent

In its comprehensive analysis, the NCLAT first isolated the true juridical character of the impugned order dated 3 May 2025. The Tribunal observed that the order was passed by a statutory development authority functioning under a distinct legislative mechanism, and not by a commercial counterparty acting under a private contract. The NCLAT ruled that the NCLT's jurisdiction under the IBC is specialized and highly circumscribed, restricted exclusively to matters directly arising out of the insolvency resolution or liquidation processes. Consequently, the NCLT is not empowered to entertain collateral challenges against independent statutory orders issued by development authorities.

Addressing the appellant's reliance on *Gujarat Urja Vikas Nigam Ltd.*, the NCLAT engaged in a precedential distinction. In *Gujarat Urja*, the Supreme Court had intervened because the Power Purchase Agreement was terminated solely on the ground of the corporate debtor's insolvency. The dispute in that precedent was inextricably linked to the IBC proceedings. In stark contrast, the NCLAT observed that the LDA's order was a routine town planning function exercised under the Uttar Pradesh Urban Planning and Development Act, 1973. It was not an order triggered by, or passed as a consequence of, the corporate debtor's insolvency status.

The Tribunal further noted that while the Resolution Plan of 2021 contemplated that the SRA would approach the LDA for a map sanction, this mere contemplation did not confer upon the NCLT the jurisdiction to judicially review the LDA's subsequent statutory decisions. The IBC does not raise the NCLT to a supervisory writ court over independent regulatory bodies executing their statutory mandates.

Alternative Remedies and Jurisdictional Segregation

The NCLAT placed significant emphasis on the availability of specific alternative remedies. It was an undisputed fact that the State Government possesses the power of revision against any order passed by the LDA under the Uttar Pradesh Urban Planning and Development Act, 1973. The Tribunal noted that the appellant had already sought the intervention of the Allahabad High Court under its writ jurisdiction, which had appropriately directed the LDA to consider the matter, leading to the subsequent order of 3 February 2026. The existence of this specific statutory hierarchy reinforced the Tribunal's conclusion that the NCLT was a categorically inappropriate forum for this grievance.

Regarding the allegations of non-compliance with the Resolution Plan and the RERA Act, the NCLAT drew clear jurisdictional boundaries. The Tribunal clarified that any direct non-compliance by the SRA or the Monitoring Professional with the Resolution Plan must be agitated through appropriate proceedings under the IBC, and not by collaterally challenging the LDA's independent map sanction. Similarly, any purported violations of the real estate regulations fell squarely within the exclusive domain of the Real Estate Regulatory Authority under the RERA Act, 2016, placing them beyond the NCLT's adjudicatory reach.

The Final Verdict

Culminating its detailed legal scrutiny, the NCLAT unequivocally dismissed the Company. The Appellate Tribunal upheld the Adjudicating Authority's earlier decision, confirming that no error was committed by the NCLT in dismissing Interlocutory Application No. 189 of 2026 as not maintainable. While declining to impose costs, the NCLAT granted the appellant the liberty to pursue appropriate statutory remedies against the LDA's orders before the competent authorities under the Uttar Pradesh Urban Planning and Development Act, 1973.

Conclusion

The judgment in *Sunil Kumar Rastogi v. Lucknow Development Authority & Ors.* is a precedent defining the jurisdictional perimeter of insolvency tribunals in India. By insulating statutory orders of development authorities from the NCLT's scrutiny, the NCLAT has reinforced the principle of judicial restraint and forum selection. The ruling clarifies the limits of the *Gujarat Urja* doctrine, establishing that the nexus between a dispute and insolvency must be direct and exclusive, rather than merely collateral, to attract the NCLT's intervention. The decision highlights that while a Resolution Plan binds all stakeholders, it does not act as a jurisdictional gateway for the NCLT to usurp the statutory functions of independent town planning and regulatory authorities.

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