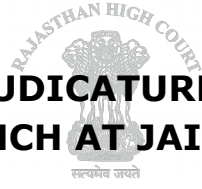




**HIGH COURT OF JUDICATURE FOR RAJASTHAN  
BENCH AT JAIPUR**



D.B. Special Appeal (Writ) No. 64/2026

In

S.B. Civil Writ Petition No.990/2018

Lords Chloro Alkali Ltd., S.P. 460, M.I.A., Alwar (Raj.) Through  
Its AGM (Accounts And Finance) Subsequently Through Mr. Rajiv  
Kumar Authorised Representative.

----Appellant/Petitioner

Versus

1. State Of Rajasthan, Through Secretary Industries  
Department Government Of Rajasthan, Jaipur.
2. Rajasthan State Industrial Development And Investment  
Corporation Ltd., Through MD.

----Respondents

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For Appellant(s) : Mr. Amol Vyas  
Mr. Saurabh Jain  
Ms. Udit Singh  
Mr. Aashu Kansal  
Mr. Bajrang Singh Jaitawat  
Mr. Abhishek Purohit

For Respondent(s) : Mr. Rishabh Khandelwal

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**HON'BLE THE ACTING CHIEF JUSTICE MR. SANJEEV PRAKASH SHARMA  
HON'BLE MRS. JUSTICE SANGEETA SHARMA**

**Judgment**

**Date of conclusion of arguments** : **04/02/2026**  
**Date on which judgment was reserved** : **04/02/2026**  
**Whether the full judgment or only  
the operative part is pronounced** : **Full judgment**  
**Date of pronouncement** : **06/03/2026**

**REPORTABLE**

**(Per Hon'ble the Acting Chief Justice)**

1. By way of this appeal, the writ petitioner assails the  
judgment passed by the learned Single Judge whereby, he  
dismissed the writ petition rejecting the prayer made by the  
petitioner for quashing the notices issued by the respondent No.2-



Rajasthan State Industrial Development and Investment Corporation Ltd. (for short, 'RIICO'), for recovery of the amount of Interest Free Sales Tax Loan (hereinafter referred as 'IFSTL') alleged to be outstanding as against the petitioner-company.

2. The brief facts which have come on record are that the petitioner-company earlier known as Modi Alkalies & Chemicals Limited had availed two loans for the period from 1985-1991 from RIICO as under:

*"i. Interest Free Sales Tax Loan (IFSTL) under the IFSTL Scheme, 1976 of a sum of Rs. 257.53 lakhs.*

*ii. Term Loan (TL) of Rs. Rs.81.68 lakhs from the RIICO."*

3. On 30 June, 2000, the company filed a reference under Sick Industrial Companies (Special Provisions) Act, 1985 (for brevity, 'SICA') before the Board for Industrial and Financial Reconstruction (for short, 'BIFR') and vide order dated 15th January, 2002, the petitioner-company was declared as a sick company within meanings of Section 3(1)(O) of SICA and Industrial Development Bank of India (IDBI) was appointed as the Operating Agency (OA).

4. A Rehabilitation Scheme was circulated by the BIFR on 22 September, 2006 and invited objections from all the creditors in terms of Sections 18 and 19 of the SICA. After receiving objections and considering the same, the BIFR sanctioned the Scheme on 30 November, 2006. RIICO only filed objections with respect to the secured term loan and the same were recorded in the Sanctioned Scheme. As regards IFSTL, neither the State Government nor RIICO filed objections and as per the Sanctioned Scheme relating to Government of Rajasthan, it was noticed as under:





*"10.8 Government of Rajasthan :*

- 1. ....*
- 2. To Accept the repayment of 26.5% (Rs.40.48 Lakhs) of the existing Sales Tax Loan (Rs.152.76 Lakhs) in full and final settlement of the dues and to waive entire interest, penalty and balance of the sales tax loan. The settlement amount shall be paid over a period of 7 years in equal annual installments on interest free basis. The first such installment shall be paid at the end of one year from the date of sanction of scheme by BIFR."*

5. Objections were raised by the IIBI Ltd., UTI and RIICO for reconsideration and modification of the Scheme which were rejected by the High Court vide its order dated 15th March, 2007 in terms of Section 391 of the Companies Act, 1956 (for short, Act of 1956) and the Rehabilitation Scheme was approved. The term loan was paid to the secured creditors and as per the settlement scheme, the State Government was to be paid 26.5% of the outstanding principal amount and the same attained finality. No appeal was preferred to the Appellate Authority for Industrial and Financial Reconstruction (AAIFR) under the SICA. On 30 May, 2007, the RIICO issued the Non-Objection Certificate (NOC) for the term loan. However, it demanded from the petitioner to pay overdues of Rs.1,52,75,480/- towards principal and Rs.2,83,37,193/- towards interest with respect to the IFSTL.

6. The petitioner submitted objections for demand of such loan contending that the Rehabilitation Scheme had been brought into force and therefore, the IFSTL was not required to be paid as a whole, but only 26.5% of the principal amount was to be paid by the petitioner company. The RIICO, however, refused to accept the contention and sent the matter to the State Government for





decision on the ground that it was the State which had disbursed the amount.

7. It is stated by the learned counsel that the company sent several letters to the RIICO to withdraw its claim of the IFSTL amount and to accept the amount as decided under the Scheme and grant its acceptance, however, the RIICO did not respond. In the meanwhile, it is stated that the petitioner cleared all the other creditors in terms of the Sanctioned Scheme within time. Learned counsel has pointed out the letters dated 10 October, 2007, 22 October, 2012, 24 December, 2012 and 09 April, 2013 sent to the RIICO for the said purpose, which remained unanswered.

8. Learned counsel submits that the company, in the meanwhile, was able to come out of the waters and become a successful company giving profits. Vide letter dated 06 July, 2017, RIICO demanded formally, a huge sum of Rs.7,64,21,476/- in respect of the IFSTL.

9. Learned counsel further submits that out of the total loan originally taken, namely 257.53 lakhs, the company had already paid a sum of Rs.104.77 lakhs to various creditors before the Scheme was sanctioned under SICA and only amount of 152.76 lakhs was due, of which only 26.5% was required to be paid to the creditors. The company after having become profitable also deposited Rs.40,48,280/- on 27 July, 2017 towards 26.5% of the principal amount of IFSTL to the RIICO. The amount was in terms of the Sanctioned Scheme dated 30 November, 2006 of BIFR. However, RIICO issued the impugned notice asking the petitioner company to deposit the sum of Rs.7,64,21,476/-.





10. Learned counsel submits that the RIICO was offered the amount way back in the year 2008, but vide their letter dated 01 February, 2008, the RIICO informed the petitioner that the Rehabilitation Scheme sanctioned by the BIFR has already been forwarded to the State Government and the State Government is yet to issue directions and therefore, it advised the petitioner to take up the matter with the State Government.

11. Learned counsel submits that the State Government neither provided any directions nor denied the Scheme. The Scheme was never challenged by the State before the Court. Learned counsel has also invited our attention to the judgment dated 15 March, 2007 whereby, the Company Judge affirmed the Scheme under SICA. It is submitted that the IFSTL does not come within the category of secured loan and the objections raised by the RIICO under Sections 391 and 394 of the Act read with Rules 9, 67 to 87 of the Company Court Rules, 1959 for reconsideration and modification of the Scheme of arrangement.

12. It is submitted that no application was moved for reconsideration or modification of the Scheme of arrangement, nor the State Government ever came out with the objection that the Scheme was not acceptable to them. Learned counsel submits that the State Government is bound by the Scheme once it is approved by the High Court.

13. He, therefore, submits that there was no occasion for the petitioner-company to make payment other than what had been laid down under the Rehabilitation Scheme. The company has already deposited the sum of Rs.40,48,280/- towards its dues in terms of the Scheme.





14. Learned counsel further submits that the order passed by the learned Single Judge holding the petitioner to have not performed its obligation within the timeline and further holding that non-compliance would extinguish any claim arising under the Scheme, was erroneous.

15. The State of Rajasthan raised objection and submitted that the company has approached the Court almost 11 years after sanctioning of the scheme and 4 years from the last date of repayment. It was further submitted that the State Government's consent was necessary. Thus, as per the Section 19 of the SICA consent or deemed consent of the State Government is necessary. Since, no consent was given by the State or its Nodal Agency, the scheme could not be enforced against or be binding upon the State. It has been further stated that as per the Sanctioned Scheme Clause 10.8(2), the petitioner-company was to make repayment of the settled IFSTL over a period of 7 years in equal annual installments. The first such installment was to be paid at the end of one year from the date of sanctioning of the scheme, but no payment was made in 7 years. The petitioner thus did not honour the terms of payment towards settled IFSTL, therefore, he's not entitled to any relief.

16. Learned counsel for the petitioner has relied on the cases of **Modi Rubber Limited Vs. Continental Carbon India Limited: (2023) 17 SCC 263, Union of India Vs. Cimmco Ltd. and Ors.: (2014) SCC Online Del 909, Principal Director General of IT Vs. Indian Plywood MFG Co.P.Ltd.: 2023 SCC Online Delhi 4833, Subodh Kumar Singh Vs. Chief Executive Officer**





**and Ors.: 2024 (15) SCC 461 and Union of India and Ors.  
Vs. Prohlad Guha Etc.: 2024 SCC Online SC 1865.**

17. We have considered the submissions.

18. The issue which arises for adjudication before this Court is whether the Sanctioned Scheme of BIFR dated 30 November, 2006 is binding in nature and whether the delay would defeat the claim of the writ petitioner.

19. On the first question regarding binding nature of the Rehabilitation Scheme, we notice that the erstwhile SICA had come into force with the sole purpose to revitalize, regenerate or rehabilitate a sick company with the purpose to allow the benefit to all credit holders and at the same time, improve the business atmosphere.

20. As per the Scheme of the SICA, all stakeholders are bound by the Rehabilitation Scheme to whom the loans are due. We notice that in terms of Scheme of SICA, the said Rehabilitation Scheme was sanctioned by the BIFR. The State Government has chosen to represent through RIICO before it and also before the High Court where the Scheme was placed for approval. It is the RIICO which raised several objections with regard to acceptance of the Scheme.

21. The Hon'ble Single Judge of this Court took note of the objections of RIICO relating to IFSTL and rejected the same. Thus, we hold that the Scheme was binding on all including the State Government.

22. Once the Scheme was challenged and objections were rejected by the High Court and the order passed by the High Court was not further challenged, the same had attained finality and the





State Government, the petitioner and the RIICO would be bound by such Scheme.

23. As noticed above, the RIICO had already accepted the 26.5% amount of the term loan as per the Scheme, but refused to accept the payment of 26.5% of the principal amount of IFSTL and shifted the burden on the State Government.

24. The State Government admittedly did not raise any issue with regard to the Scheme, nor it has raised any objection before us. The only argument being advanced is regarding the right to object. However, the right fades away after the Scheme has been approved by the High Court, moreso, when such grounds/objections were raised by its nodal agency before the High Court.

25. It would be apposite to quote the observations of the High Court in the order dated 15 March, 2007 as under:

*"17. For these reasons the petition stands allowed and the scheme of arrangement is sanctioned in terms of prayer clauses (a) Costs of Rs.2500/- (two thousand five hundred only) to the Official Liquidator to be paid by the petitioner within two weeks from today. The copy of the order be sent to the Registrar Companies as per Rules. The application filed by RIICO for reconsideration and modification of the scheme shall consequently stand rejected."*

26. As regards the second question regarding delay in approaching the Court by the petitioner, we find that so called delay, alleged by the respondent RIICO and the State, is not actual. We notice that on 10 October, 2007, the company had written letter offering 26.5% towards IFSTL. Consequential letters of RIICO seeking advice regarding BIFR Scheme from the State Government are also on record. Thus, it cannot be said that the





company was not ready to perform in terms of the Rehabilitation Scheme.

27. We notice that the letters have been sent on 10 October, 2007, 06 August, 2008, 05 June, 2012, 13/14 August, 2012, 08 November, 2012, 3/4 June, 2013 and 23 July, 2014 offering the amount and communicating with the RIICO. It would be, thus, apparent that the amount of 26.5% of IFSTL was not deposited on account of the appellant, petitioner-company, but on account of the respondents' not accepting the same.

28. Silence of the State Government also reflects that they were never serious for the non-payment and it would amount to acquiescence and deemed consent in terms of Section 19 of the SICA. The order passed by the Company Judge was also not challenged by the State Government. We can, therefore, hold that the Scheme was binding upon the parties and the payment made by the petitioner-company on 27 July, 2017 would have to be treated as deposited.

29. In the case of **Modi Rubber Limited Vs. Continental Carbon India Limited (Supra)**, the Hon'ble Apex Court held as under:

**48.** *At this stage, it is required to be noted that if a sick company is ordered to be wound up, in that case, the unsecured creditors otherwise may not get anything. However, on the other hand on sanctioning the rehabilitation scheme under Section 18, the unsecured creditors may get part of their dues/debts, which otherwise, they may not get. At this stage, it is required to be noted that as per Section 18(8) SICA, 1985, which has been substituted by Act 12 of 1994, on and from the date of the coming into operation of the sanctioned scheme or any provision thereof, the scheme or such provision shall be binding on the sick industrial company and the transferee company or, as the case may be, the other company and also on the shareholders, creditors*





*and guarantors and even the employees of the said companies.*

**49.** *Thus, the intention of the legislature is very clear. Creditors includes unsecured creditors. The submission on behalf of the unsecured creditors that the word "creditors" is not defined like IBC, 2016 and therefore, the scheme shall not bind the unsecured creditors, cannot be accepted. Looking to the object and purpose of the SICA, 1985 and the provisions of Sections 18 and 19 SICA, 1985, the word "creditors" shall have to be construed in a broad manner and is not required to be construed narrowly, otherwise, the object and purpose of rehabilitation scheme shall be frustrated. If the scheme binds the creditors, including other creditors like financial institutions, etc. who may have a better claim than the unsecured creditors, there is no reason to treat the unsecured creditors separately and not to treat them as creditors. Therefore, even as per Section 18(8), the scheme shall bind all the creditors and guarantors and even the employees of the sick company, for whose revival the scheme is sanctioned.*

30. The very purpose of the BIFR and SICA was to lay down a Rehabilitation Scheme and all the stakeholders were given an opportunity and thereafter, a decision has been taken. The said decision has not been challenged by any person and has attained finality. It binds all the parties for the purpose of repayment and refund. The State Government, therefore, cannot be allowed to wriggle out of the Settlement Scheme. The settlement scheme was confirmed by the High Court in its judgment passed on 15.03.2007 (supra). The order dated 15.03.2007 passed by the High Court was not challenged by the State Government. Thus, it has attained finality. The learned Single Judge, therefore, is found to have erred in rejecting the claim of the writ petitioner. We, therefore, find that the demand raised by the RIICO is clearly illegal, arbitrary and unjustified.

31. In view of our conclusions, as above, we find that the appellant-petitioner cannot be said to have committed any fault at their end. Merely because the petitioner-company has revived and





is now a profitable company, it would not be a ground to claim the original loan along with interest, as demanded by the respondents. However, the amount of Rs.40,48,280/- deposited with the RIICO on 27 July, 2017 would carry interest for the period from the date the Scheme was approved by the High Court i.e. 15 March 2007, up to the date of payment @ 12% per annum in terms of the Interest Act, 1961.

32. Accordingly, the appeal is allowed in part with directions to the appellant to deposit interest on the amount already deposited @ 12% per annum, for the period from 15 March, 2007, to the date of payment made i.e. 27 July, 2017. The amount shall be deposited within a period of one month from passing of this order. The demand letter dated 06 July, 2017 shall, therefore, stand quashed.

33. All pending applications also stand disposed of.

(SANGEETA SHARMA),J

(SANJEEV PRAKASH SHARMA),ACTING CJ

Govind/Gaurav/11