

## MATTER UPDATE

# HSA Advocates Secures Significant Ruling on ‘Related Party’ Status Under IBC

HSA Advocates successfully represented Rare Asset Reconstruction Limited (Rare ARC) before the Hon’ble National Company Law Appellate Tribunal (NCLAT), New Delhi, as well as the Hon’ble Supreme Court of India, in proceedings under the Insolvency and Bankruptcy Code, 2016 (IBC), clarifying an important legal position on the determination of ‘related party’ status in the constitution of the Committee of Creditors (CoC).

Rare ARC, an asset reconstruction company and a financial creditor, acquired the subject debt during the Corporate Insolvency Resolution Process (CIRP) of Satra Property Developers Pvt. Ltd. (SPDPL). The issue arose when the Hon’ble National Company Law Tribunal, Mumbai Bench (NCLT), held that IIFL Finance Limited (IIFL) was a related party of a shareholder of SPDPL and directed the Resolution Professional to accordingly consider its participation in the CoC. During the pendency of the proceedings before the NCLT, IIFL had assigned the underlying debt to Asset Reconstruction Company (India) Limited (ARCIL). However, this development was not considered by the NCLT, following which the Resolution Professional excluded ARCIL from the CoC.

ARCIL challenged the NCLT’s order before the NCLAT and was represented by HSA Advocates. It was argued that IIFL did not fall within the ambit of ‘related party’ under Section 5(24) of the IBC, and in any event, its involvement with the Corporate Debtor was limited to safeguarding its rights under the financing documents. Reliance was placed on the Supreme Court’s judgement in Phoenix ARC Pvt. Ltd. v. Spade Financial Services Ltd. to contend that ‘related party’ status must be determined in presenti. During the pendency of the appeal, ARCIL assigned the debt to Rare ARC, which was subsequently substituted as the Appellant. HSA continued to represent the Appellant.

The NCLAT allowed the appeal, holding that the determination of ‘related party’ status must be made in presenti, and concluded that Rare ARC was not a related party of the Corporate Debtor, thereby restoring its rights of participation, representation, and voting in the CoC.

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The NCLAT's judgement was subsequently challenged before the Hon'ble Supreme Court by the erstwhile director of the Corporate Debtor. The Supreme Court upheld the findings of the NCLAT and declined to interfere with the impugned order, thereby affirming that Rare ARC is not a related party of SPDPL. The ruling provides important clarity on the treatment of assignee ARCs and the determination of 'related party' status under the IBC framework.

HSA Advocates advised on strategy, drafted pleadings, and represented the Financial Creditor throughout the proceedings. The HSA team, comprising Abhirup Dasgupta (Partner), Ishaan Duggal (Associate Partner), and Ruchi Goyal (Senior Associate), appeared for ARCIL before the NCLAT, with arguments heard in November 2025 and the judgement delivered in December 2025. Subsequently, upon assignment of the debt to Rare ARC and its substitution as Appellant, HSA continued to represent the Appellant. The HSA team, comprising Ishaan Duggal (Associate Partner) and Ruchi Goyal (Senior Associate), assisted Mr. Abhijeet Sinha (Senior Advocate) in the proceedings before the Hon'ble Supreme Court of India, with the matter heard and decided in March 2026.