

**IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD**

THE HONOURABLE SMT. JUSTICE RENUKA YARA

W.P.No.27253 of 2025

Date: 16.03.2026

Between:

Sanjiv Kumar Gupta

... Petitioner

AND

The State of Telangana and 3 others

...Respondents

ORDER:

Heard Sri K.K.Waghray, learned counsel for the petitioner, learned Government Pleader for Power Supply and Energy Department appearing for respondent No.1 and Sri N.Sreedhar Reddy, learned Standing Counsel for TGSPDCL appearing for respondent Nos.2 to 4.

2. The Writ Petition is filed seeking following relief:

“to issue orders, writ or direction more particularly one in the nature of writ of mandamus declaring the impugned demand notice issued in Lr. No.SE/OP/MCL/SAO/AAO(HT)/JAO(HT)/D. No.1328, dt.26.07.2025 issued to the petitioner claiming arrears of Rs.2,64,364/- pertaining to the period 2008-2009 in respect of the petitioner’s unit as illegal, arbitrary, unwarranted and contrary to law and the same may be set aside and consequently direct the

*respondents not to disconnect the power supply to the petitioner unit
No.D-4, Phase -IV Extn, IDA Jeedimetla, Hyderabad”*

3. The brief facts of the case are that the petitioner purchased premises bearing No.D-4, Phase-IV Extension, IDA Jeedimetla, Hyderabad from M/s. Victory Transformers and Switchgears Ltd., in an auction conducted on 21.02.2020 by the Insolvency Professional under aegis of NCLAT. In the said auction, the sale certificate was issued in favour of the petitioner on 02.09.2020. On 24.06.2021, the Official Liquidator executed a registered sale deed in favour of the petitioner and the same was registered *vide* document No.17172 of 2021 and conveyed with absolute title, right and interest with respect to the property consisting of industrial plot with constructed structures, shed bearing No.D-4 (ground plus two floors) with a plinth area of 28684 Sq.ft., RCC and 1800 Sq.ft., ACC, in all admeasuring 2917.33 Sq.yds., in IDA, Phase-IV (Extn), IDA Jeedimetla situated at Gajularamaram Village, Qutubullahpur Mandal.

4. The property which was originally owned and possessed by M/s. Victory Transformers and Switchgears Ltd., went into

liquidation *vide* insolvency proceedings dated 29.10.2019 in M.A.No.1139/2019 in CP No.1515/IB/2018 of NCLT. After the petitioner purchased the subject property in the auction, respondent No.3 issued a demand notice dated 26.07.2025 for payment of Rs.2,64,364/- along with applicable surcharges towards FSA charges. The petitioner submitted an explanation on 11.08.2025 stating that the claim of respondent No.3 was set aside by National Company Law Tribunal (NCLT) by holding that it is only after purchase of the property that the authorities can levy tax on the petitioner but not for the period during which M/s. Victoria Transformers was the owner. The claim for power charges made in the impugned demand notice is therefore arbitrary and illegal.

5. Learned counsel for the petitioner referred to the doctrine of clean slate scheme applicable to the property purchased in liquidation proceedings. Instead of accepting the petitioner's explanation, respondent No.4 threatened to disconnect the power supply to petitioner's unit and therefore left with no option, the writ petition has been filed.

6. The respondent Nos.2 to 4 have filed counter stating that as per sale deed, the petitioner has purchased the property in the auction on “as-is-where-is”, as-is-what-is, “whatever-there-is” and without recourse basis and therefore, purchased the property with exclusive and absolute rights, title and interest under the Insolvency and Bankruptcy Board of India (Liquidation process) Regulations, 2016.

7. The indemnity bond signed by the previous owner i.e., M/s. Victory Transformers and Switchgears Ltd., contains points which are accepted by the subsequent purchaser i.e., the indemnifier undertakes to indemnify the TSSPDCL against any damages or loss caused to the TSSPDCL in respect of the service connection in his name, undertakes to make good any sum that may be found to be done payable to the TSSPDCL with regards to all liabilities and claims personally as well as by means of both movable and immovable properties and the indemnifier further undertakes the responsibility for all legal obligations and liabilities. The previous owner had outstanding dues of Rs.2,64,364/- and therefore a demand notice was issued. Further, the

respondents submit that Section 56(2) of 2003 Act, does not bar the recovery of electricity arrears through other avenues for recovery in accordance with law.

8. The respondents claim that they have got every right to disconnect the power supply in case the previous owner's dues are not paid under Clause 4.8.1 of Electricity Supply Code Regulations 7 of 2013. According to the respondents, the auction purchaser has to satisfy themselves in all the circumstances with respect to title, encumbrances and pending statutory dues while ascertaining facilities available including the electricity supply and electricity dues pending.

9. The respondents relied upon judgment of the Hon'ble Supreme Court in **TSSPDCL v. Srigdhaa Beverages**¹ to claim that the subsequent purchaser is liable to pay the dues whenever the purchase is 'as is where is', 'whatever there is' and 'without recourse basis'. Further recovery notice is based on general terms of supply Clause 8.4 which states as follows:-

¹ 2020 6 SCC 404

“The seller of the property should clear all the dues to the company before selling such property, if the seller did not clear the dues as mentioned above, the company may refuse to supply electricity to the premises through the already existing connection or refuse to give a new connection to the premises till all dues to the company are cleared.”

10. The respondents duty to supply electricity under Section 43 of 2003 Act, is not absolute and it is subject to charges and compliances under electric utilities as part of application for supply of electricity. Placing reliance upon the judgment of **Srigdhaa Beverages** (supra) and general rules and regulations, the respondents claim that the demand notice is valid and that the petitioner is not entitled to any relief.

11. Learned counsel for the petitioner submits that the auction sale under IBC by an insolvency official liquidator appointed by NCLAT is a different situation as compared to any other sale of the property. In that regard, reference is made to judgment of Hon’ble High Court of Calcutta, in the case of **Mamta Binani v. Kolkata Municipal Corporation**² wherein, it is held that the supremacy of Insolvency and Bankruptcy Code, 2016, in insolvency and liquidation process is recognized by the Courts and tribunal more

² 2026 Lawsuit(Cal) 214

particularly reference is made to the finding of the Calcutta High Court about all the claims which are not part of the resolution plan under the IBC standing extinguished as per the Section 31(1) of Insolvency and Bankruptcy Code got once resolution plan is approved by the adjudicating authority. It has a binding effect on all stake holders including the Central or State Government and local authorities i.e., even the respondents herein, who are an instruments of State Government are bound by the resolution plan. Further, reliance is placed upon the judgment of the Hon'ble Supreme Court of India and the case of **Ghanashyam Mishra & Sons (P) Ltd., v. Edelweiss**³ wherein it is held as follows:-

“It is held that once a resolution plan is duly approved by the adjudicating authority under sub-section (1) of Section 31, the claims as provided in the resolution plan shall stand frozen and will be binding on the corporate debtor and its employees, members, creditors, including the Central Government, any State Government or any local authority, guarantors and other stakeholders. On the date of approval of resolution plan by the adjudicating authority, all such claims, which are not a part of resolution plan, shall stand extinguished and no person will be entitled to initiate or continue any proceedings in respect to a claim , which is not part of the resolution plan.”

³ 2021 9 SCC 657

12. Lastly, learned counsel for the petitioner submits that the demand notice contains a claim which is time barred. In that context, he relied upon the judgment of this Court in the case of **Sri Sai Baba Cellulose Pvt. Ltd., Hyderabad v. State of Telangana**⁴ wherein it is held as follows:-

“Right of licensee company to disconnect supply of electricity – Is subject to period of limitation of two years provided under S.56(2) – S.56(2) does not, as held by Supreme Court in (2020) 4 SCC 650, preclude licensee company from raising additional or supplementary demand after expiry of limitation period in case of a mistake or bona fide error – However, it does not empower disconnection of electricity supply, for recovery of additional demand.”

13. In response, learned counsel for the respondents relied upon the judgment of Hon’ble Supreme Court reported in **Srigdhaa Beverages** (supra) wherein it is held as follows:-

“Once the purchaser purchases the property on “AS IN WHERE IS, WHATEVER THERE IS AND WITHOUT RECOURSE BASIS”, there can be no doubt that the liability to pay electricity dues exists on the purchaser on the basis of the judgment in **Srigdhaa beverages** (Supra).”

14. Learned counsel for the respondent submits that the petitioner is bound to pay the dues of the previous owner

⁴ 2020 4 SCC 650

irrespective of the fact that the property is purchased in auction proceedings under IBC.

Findings of the Court:

15. When the version of the respective parties is examined, it is seen that the learned counsel for the petitioner relied upon the judgment of the Hon'ble Supreme Court of India in the case of **Ghanashyam Mishra** (supra), wherein it is held as under:

“69. This aspect has been aptly explained by this Court in the case of Committee of Creditors of Essar Steel India Limited through Authorised Signatory (supra).

“107. For the same reason, the impugned NCLAT judgment [Standard Chartered Bank v. Satish Kumar Gupta, 2019 SCC OnLine NCLAT 388] in holding that claims that may exist apart from those decided on merits by the resolution professional and by the Adjudicating Authority/Appellate Tribunal can now be decided by an appropriate forum in terms of Section 60(6) of the Code, also militates against the rationale of Section 31 of the Code. A successful resolution applicant cannot suddenly be faced with “undecided” claims after the resolution plan submitted by him has been accepted as this would amount to a hydra head popping up which would throw into uncertainty amounts payable by a prospective resolution applicant who would successfully take over the business of the corporate debtor. All claims must be submitted to and decided by the resolution professional so that a prospective resolution applicant knows exactly what has to be paid in order that it may then take over and run the business of the corporate debtor. This the

successful resolution applicant does on a fresh slate, as has been pointed out by us hereinabove. For these reasons, NCLAT judgment must also be set aside on this count.”

16. The judgment in the case of **Mamta Binani** (supra) was relied upon wherein it is held that it is conclusively settled principle of law that statutory and Governmental dues including the statutory dues owed to Central or State Governments or local authorities shall stand extinguished if they are not part of approved resolution plan.

17. To the contrary, learned counsel for the respondents relied upon the judgment in **Srigdhaa Beverages** (supra), wherein it is held that electricity dues being statutory in character under the Electricity Act and as per the terms and conditions to supply, cannot be waived and cannot partake the character of dues of purely contractual nature. This finding was given against the auction purchaser, who participated in the auction under the SARFAESI Act, 2002. When the auction is conducted under the SARFAESI Act and purchaser has purchased in the auction and the sale is on ‘as is where is, whatever there is and without recourse basis’, the

liability to pay electricity dues survives on the purchaser i.e., said liabilities do not stand extinguished.

18. To the contrary, the Hon'ble Supreme Court of India in **Ghanashyam Mishra** (supra) has clearly held that once a resolution plan is approved, in case statutory and Governmental dues are not presented before the liquidator, such statutory and Governmental dues claims shall stand extinguished. The language is crystal clear. Unless a claim is made before the resolution professional and claim is part of the resolution plan, the State Government or Central Government or local authority cannot make any claim subsequently.

19. The rights of an auction purchaser under SARFAESI Act are not similar to rights of an auction purchaser under IBC. As already discussed, the statutory dues remain to be liable to be paid i.e., the electricity dues exist, but such is not the case in an auction which is conducted under IBC. The writ petitioner, who is an auction purchase under IBC is not liable to pay statutory dues i.e., electricity dues stood extinguished

once there was approved resolution plan. Therefore, the respondents cannot rely upon the judgment in **Srigdhaa Beverages** (supra) in support of their claim.

20. Furthermore, the respondents did not submit its claim for arrears of Rs.2,64,364/- before the resolution professional to be considered for proportional settlement under approved resolution plan. Such being the case, once the statutory dues have extinguished, the respondents cannot make any claims against the auction purchaser. Hence, the writ petitioner is entitled to relief as prayed for.

21. Coming to the sustainability of the demand notice dated 26.07.2025, it is to be noted that arrears pertain to the period 2008-09, whereas the demand notice was issued in the year 2025, after a lapse of almost 16 years. As per the judgment in **Sri Sai Baba Cellulose Pvt. Ltd.** (supra), the limitation period to claim arrears is two years as per Section 56 (2) of the Electricity Act. The respondents are precluded from making even a supplementary demand on the ground of mistake or *bona fide* error. As such, the respondents under

Section 56 (2) of the Electricity Act, are precluded from making original as well as supplementary demand for recovery of arrears of electricity dues. Thus, on the count of limitation too, the impugned demand notice dated 26.07.2025 is unsustainable.

22. In the result, the writ petition is **allowed** and the impugned demand notice issued in Lr.No.SE/OP/MCL/SAO/AAO(HT)/JAO(HT)/d.No.1328, dated 26.07.2025 issued to the petitioner claiming arrears of Rs.2,64,364/- pertaining to the period 2008-09 in respect of the petitioner's unit is set aside and consequently, the respondents are directed not to disconnect the power supply to the unit of the petitioner pursuant to the said demand notice. There shall be no order as to costs. Miscellaneous Petitions, if any, pending in this petition, shall stand closed.

JUSTICE RENUKA YARA

Date: 16.03.2026
BJ/GVR

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