A shareholder of the corporate debtor cannot assert an independent proprietary right in respect of project assets or leasehold rights outside the corporate entity, and upon insolvency resolution the extinguishment or dilution of shareholder interest, does not amount to unconstitutional deprivation of property under Article 300A requiring compensation

The **Telangana High Court** in the case of **Maha Hotel Projects vs State of Telangana [Writ Appeal No.27 of 2026] dated April 09, 2026**, has held that where a corporate debtor holding project rights through an Special Purpose Vehicle (SPV) undergoes insolvency resolution under the IBC, and the approved resolution plan under Section 31 contemplates transfer of shareholding and control subject to governmental consent, the State's grant of such consent in furtherance of the approved plan is not a fresh award of State largesse, but an act undertaken within and bound by the statutory framework of the IBC; by virtue of Sections 31 and 238 of the IBC, the resolution plan is binding on all stakeholders, including shareholders and the State, and any inconsistent claims founded on prior contractual arrangements or other laws must yield to the Code.

The Court held that a shareholder of the corporate debtor cannot assert an independent proprietary or contractual right in respect of project assets or leasehold rights outside the corporate entity, since such rights vest in the company as a distinct juristic person, and upon insolvency resolution the extinguishment or dilution of shareholder interest is merely a commercial consequence of the statutory resolution process, constituting procedure established by law, and does not amount to unconstitutional deprivation of property under Article 300A requiring compensation.

The Court also held that where differential treatment between the erstwhile controlling shareholder and a minority technical/operator entity is based on their distinct legal and functional positions post-CIRP, no violation of Article 14 arises. Further, a resolution applicant selected through the CIRP process cannot be equated with a recipient of State largesse requiring re-tendering, and issues concerning FDI compliance fall for examination by competent regulatory authorities rather than by the writ court in the absence of manifest illegality.

The High Court treated the overriding effect of the IBC and the binding nature of the approved resolution plan as the fulcrum of the dispute. It held that the appellant's allegation that the State had transferred a public project to respondent No. 4 without public tender ignored the statutory scheme of the IBC. Referring to Section 238, the Court observed that the IBC is a comprehensive special legislation with an overriding non-obstante clause, and noted that the legal position on primacy of the IBC was no longer res integra.

The Court observed that once a resolution plan is approved under Section 31, it becomes binding on the corporate debtor and all stakeholders. Since the plan approved by the NCLT on February 07, 2020 specifically contemplated transfer of entire shareholding and control of GJHPL and made implementation conditional upon State consent, the State's subsequent decision dated September 22, 2025 was held to be an act in furtherance of the approved resolution plan, and not an exercise of fresh power to distribute State largesse.

The Court specifically observed that the project was implemented through GJHPL, which alone entered into the Lease Deed and DMA with the State, and therefore the rights of consortium members, including the appellant, were mediated exclusively through their shareholding in that corporate entity. The Court held that the appellant, being merely a shareholder of the corporate debtor, could not assert any independent or superior right over the project outside the corporate entity.

On the plea under Article 300A, the Court observed that the appellant had no independent or direct right in the leasehold property or the project, and whatever rights it possessed were derivative, flowing solely from its shareholding in GJHPL. The extinguishment or dilution of its interest was held to be a direct consequence of the insolvency of the corporate debtor and implementation of the approved resolution plan, and not a deprivation of property dehors authority of law. The loss suffered by the appellant was characterized as a commercial consequence of insolvency proceedings rather than compulsory acquisition by the State, and therefore compensation under Article 300A was held not to arise.