



# INSOLVENCY & RESTRUCTURING

Monthly update | May 2020

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## STATUTORY UPDATES

Success of the Insolvency & Bankruptcy Code hinges on timely resolution of stressed assets and a conducive ecosystem. Amendments to the IBC are an earnest attempt to address issues coming up during ongoing stressed assets cases, and are aimed at reducing timelines, enhancing transparency and improving realization from the resolution process.

### IBBI (Liquidation Process) (Second Amendment) Regulations, 2020

- On April 20, 2020, the IBBI notified the IBBI (Liquidation Process) (Second Amendment) Regulations, 2020 and consequently amended the IBBI (Liquidation Process) Regulations, 2016.
- By way of the amendment, Regulation 47A has been inserted to the IBBI (Liquidation Process) Regulations, 2016. Subsequently, the period of lockdown has been excluded from the time period for completion of any activity pertaining to the liquidation process, which could not be completed due to the lockdown on account of the COVID-19 outbreak.
- It is relevant to note that in terms of the Notification dated April 20, 2020, the abovementioned amendment shall be deemed to have come in force from April 17, 2020.
- On March 29, 2020, the IBBI notified the IBBI (Insolvency Resolution Process for Corporate Persons) (Third Amendment) Regulations, 2020 and added a similar provision to the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 (**CIRP Regulations**). By way of the amendment, Regulation 40C was inserted to the CIRP Regulations which provides that the period of lockdown would be excluded from the time period for completion of any activity pertaining to a CIRP, which could not be completed due to the lockdown.
- These measures are of utmost significance because the lockdown has resulted in a standstill on commercial activities and functioning of stakeholders. Hence, most CIRPs and liquidation processes have come to a grinding halt. Such measures would bolster ongoing CIRPs and liquidation processes and would ensure that lockdown would not have any adverse impact on them.

### RBI's regulatory package dated March 27, 2020

- On March 27, 2020, the Reserve Bank of India (**RBI**) introduced a Regulatory Package introducing variety of measures to tackle the impact of coronavirus on Indian economy.
- The salient features of the Package are as under:
  - The RBI has allowed all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) to grant a moratorium of 3 months on payment of all instalments in respect of all term loans, falling due between March 01, 2020 and May 31, 2020. Interest, however, will continue to accrue on the outstanding portion of term loans during the moratorium period.
  - With respect to working capital facilities, RBI has allowed the lending entities to defer recovery of interest applied from March 01, 2020 to May 31, 2020.

- Further, the package provides that in respect of working capital facilities sanctioned in form of cash credit/overdraft to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate ‘drawing power’ by reducing margins and/or by reassessing working capital cycle. The Package further provides that this relief would be available in respect of all such changes effected up to May 31, 2020 and would be contingent on lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from Covid-19.
- Regarding asset classification, the Package mentions that asset classification of term loans which would be granted the relief of moratorium would be determined based on revised due dates and the revised repayment schedule. Similarly, working capital facilities where the aforementioned relief of deferment of recovery of interest is provided, the Special Mention Account and the out of order status will be evaluated considering the application of accumulated interest immediately after the completion of the deferment period as well as the revised terms.
- In addition to the above, the package provides that the lending institutions would frame Board approved policies for providing the abovementioned reliefs to all eligible borrowers.
- The Package further provides that in cases where the exposure of a lending institution to a borrower is INR 5 crore or above as on March 01, 2020, the bank would develop an MIS on the reliefs provided to its borrowers which shall inter alia include borrower wise and credit facility wise information regarding the nature and amount of relief granted.
- This Regulatory Package has come as much-needed comfort for borrowers who may face liquidity issues in the wake of the ongoing lockdown. The Package demonstrates the efforts undertaken to mitigate burden of debt servicing and to ensure continuity of viable businesses by providing reliefs to borrowers.

### **RBI’s follow up clarificatory Regulatory Package dated April 17, 2020**

- On April 17, 2020, RBI introduced another Regulatory Package primarily pertaining to asset classification and provisioning.
- The salient features of the Regulatory Package are as under:
  - It provides that in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period (if granted), would be excluded by lending institutions from the number of days past due for purpose of asset classification.
  - In respect of working capital facilities sanctioned in form of cash credit/overdraft, the Package dated March 27, 2020 permitted the recovery of interest applied during the period from March 01, 2020 up to May 31, 2020 to be deferred. The Regulatory Package dated April 17, 2020 provides that such deferment period, wherever granted in respect of all facilities classified as standard, including SMA, as on February 29, 2020, would be excluded for determination of out of order status.
  - Regarding NBFCs, the Package provides that NBFCs which are required to comply with Indian Accounting Standards will, as hitherto, continue to be guided by guidelines duly approved by their boards and as per ICAI Advisories for recognition of impairments.
  - Regarding provisioning, the Package provides that in respect of accounts in default but standard where provisions of the abovementioned paragraphs are applicable, and asset classification benefit is extended, lending institutions would have to make general provisions of not less than 10% of total outstanding of such accounts, to be phased over two quarters as under:
    - Quarter ended March 31, 2020 – not less than 5%
    - Quarter ending June 30, 2020 – not less than 5%
  - The Package further provides that such provisions may be adjusted against actual provisioning requirements for slippages from accounts reckoned for such provisions. Residual provisions at the end of financial year can be written back or adjusted against provisions required for all other accounts.
  - The Package also clarifies that all other provisions required to be maintained by lending institutions, including provisions for accounts already classified as NPA as on February 29, 2020 as well as subsequent ageing in these accounts, would continue to be made in the usual manner.
- This Package has clarified various aspects of account classifications and provisioning, which were not sufficiently explained in the earlier package announced on March 27, 2020. This would assist lending institutions in implementing the measures introduced by RBI so as to effectively deal with the present situation. However, we believe that these reliefs may prove inadequate insofar as they do not provide any specific sector wise relief.

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## Covid-19 Regulatory Package dated April 17, 2020 – Review of Resolution Timelines under the Prudential Framework on Resolution of Stressed Assets

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- Additionally, on April 17, 2020, RBI introduced certain instructions relating to extension of resolution timelines under Prudential Framework on Resolution of Stressed Assets dated June 07, 2019 (**RBI Directions**). RBI Directions provide for a framework for resolution of stressed assets outside the ambit of the IBC.
- The primary instructions issued on April 17, 2020 pertaining to RBI Directions are as under:
  - The lenders are required to implement a resolution plan in respect of entities in default within 180 days from end of Review Period of 30 days. By way of present instructions, it has been provided that in respect of accounts which were within Review Period as on March 01, 2020, period from March 1, 2020 to May 31, 2020 would be excluded from calculation of 30 day timeline for Review Period. The instructions further state that in respect of all such accounts, residual Review Period would resume from June 01, 2020, upon expiry of which the lenders would have the usual 180 days for resolution.
  - Regarding the accounts where the Review Period was over but 180 day resolution period had not expired as on March 01, 2020, the instructions provide that timeline for resolution would get extended by 90 days from date on which 180 day period was originally set to expire.
  - The requirement of making additional provisions specified in paragraph 17 of the RBI Directions would be triggered as and when the extended resolution period, as stated above, expires.
- By way of these instructions, RBI extended timelines for resolution of Corporate Debtors under RBI Directions. Such extension would ensure that resolution processes are not severely impacted due to inaction of stakeholders due to the ongoing lockdown. In addition, these instructions would help promote resolution under RBI Directions as it has potential to become preferred route for lenders in ongoing scenario since it does not involve any judicial forum and is time bound and cost effective.

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## Cancellation of license of CKP Co-operative Bank Limited

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- RBI cancelled license of CKP Co-operative Bank to carry on banking business w.e.f. close of business on April 30, 2020.
- Some of the reasons cited by RBI for cancelling the license are:
  - Financial position of bank is highly adverse and unsustainable. There is no concrete revival plan or proposal for merger with another bank. Affairs of bank were and are being conducted in a manner detrimental to public interest and interest of depositors.
  - Credible commitment towards revival from management is not visible and the general character of management of bank is prejudicial to interest of depositors as also public interest.
  - Bank is not satisfying requirement of minimum capital and reserves and capital adequacy and earning prospects and also stipulated minimum regulatory capital requirement of 9%.
  - Bank is not in a position to pay its present and future depositors and the efforts for revival have been far from adequate though bank has been given ample time and opportunity and dispensations.
- In addition to the above, Registrar of Co-operative Societies, Pune has been requested to issue an order for winding up and appoint a liquidator for the bank. On liquidation, every depositor is entitled to repayment of his/her deposits up to a monetary ceiling of INR 5,00,000/- from the Deposit Insurance and Credit Guarantee Corporation.



## RECENT JUDGEMENTS

By interpreting, clarifying and sometimes even modifying the Insolvency & Bankruptcy Code, judgements and orders by courts and other fora have played an important role in the evolution of the Insolvency & Bankruptcy framework in India.

### Rural Fairprice Wholesale Ltd & Anr v. IDBI Trusteeship Services Ltd & Ors

INTERIM APPLICATION NO.1 OF 2020 IN COMMERCIAL SUIT (L) 307 OF 2020

- Rural Fairprice Wholesale Ltd (**Rural Fairprice**), the borrower, approached High Court of Bombay (**High Court**) seeking injunction against IDBI Trusteeship Services Ltd (**IDBI**) from acting with respect to equity shares pledged with them by Rural Fairprice by way of a Debenture Trust Deed.
- IDBI contended that they had to recover an amount in excess of INR 610 crore from Plaintiffs and as per current market value, the value of shares pledged by Rural Fairprice was not more than INR 350 crore.
- High Court took note of the fact that due to the ongoing pandemic, value of shares had diminished and in such a situation, Rural Fairprice required ad interim protection.
- Consequently, vide order dated March 30, 2020, High Court considered prevailing market situation and impact of outbreak and granted ad interim relief to Rural Fairprice and a permanent injunction against IDBI from acting (including selling) with respect to equity shares pledged with them by Rural Fairprice by way of a Debenture Trust Deed.
- The aforesaid order was challenged before the Supreme Court of India vide Special Leave Petition, *UBS AG London Branch vs Rural Enterprise Wholesale Ltd & Ors*. However, by way of order dated April 17, 2020, SC refused to interfere with impugned order and dismissed the Petition.

**Our viewpoint:** It is apparent that even the Supreme Court has taken cognizance of the financial difficulties of stakeholders de hors the relief packages announced by the RBI.

### Anant Raj Ltd v. Yes Bank Ltd

W.P.(C) URGENT 5/2020, NEW DELHI HIGH COURT

- In this matter, Petitioner approached the Delhi High Court (**HC**) seeking directions against Yes Bank to refrain from taking coercive/adverse steps against the Petitioner including but not limited to declaring the account of the Petitioner as a Non-Performing Asset (**NPA**).
- The Petitioner relied upon the Statement on Development and Regulatory Policies issued by Reserve Bank of India (**RBI**) on March 27, 2020 and the RBI Regulatory policy dated March 27, 2020 and contended that one of the objects of the said policy is to ease financial stress caused by Covid-19 disruptions by relaxing



repayment pressures and improving access to working capital and further improving the functioning of markets in view of the high volatility experienced with the onset and spread of the pandemic.

- Petitioner further contended that it could not service debt because of adverse economic conditions brought about by the effects of pandemic.
- HC observed that a reading of the Statement on Development and Regulatory Policies issued by the RBI on March 27, 2020 along with Regulatory Package issued on March 27, 2020 prima facie shows that the intention of the RBI is to maintain status quo as on March 01, 2020 with regard to all instalment payments which had to be made post March 01, 2020 till May 31, 2020.
- It was held that the classification of the account of the Petitioner as an NPA on March 31, 2020 could not have been done by Yes Bank Ltd. Accordingly, status quo ante was restored qua classification of account of Anant Raj Ltd and the classification as it stood on March 31, 2020 was restored.

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### **Indiabulls Commercial Credit Ltd vs. SIDBI & Anr.**

W.P.(C) 2955/2020, HIGH COURT OF NEW DELHI

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- Indiabulls Commercial Credit Ltd (**Indiabulls**), a borrower of SIDBI, filed this Writ Petition before the Delhi High Court seeking inter alia directions to SIDBI to comply with Regulatory Package issued by the RBI on March 27, 2020, and a direction restraining SIDBI from recovering any amounts during the moratorium imposed by the RBI.
- Indiabulls submitted before Court that all instalments including the installment for month of March, 2020 had been paid by them. They contended that RBI had issued the Regulatory Package dated March 27, 2020 to give temporary relief to borrowers, subject to the borrowers making the said request. Consequently, Indiabulls sought such relief from SIDBI.
- Respondent, SIDBI submitted before the Court that SIDBI was awaiting clarifications from RBI as to whether the Regulatory Package will be applicable to NBFCs like Indiabulls.
- It is relevant to note that in the interregnum, Indiabulls made the payment to SIDBI due for April, 2020.
- After hearing the parties, Court held that since payment had been made by Indiabulls, the petition became infructuous. However, High Court clarified that SIDBI would not raise any further demand on Indiabulls towards due installments till it obtains a clarification from RBI.

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### **Transcon Skycity Pvt Ltd & Ors v. ICICI Bank & Ors and Transcon Ironica Pvt Ltd & Ors v. ICICI Bank & Ors**

WRIT PETITION LD-VC NO. 28 OF 2020

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- High Court of Bombay vide its order dated April 11, 2020 relied upon the abovementioned order passed by the Delhi High Court in the matter of *Anant Raj Ltd v. Yes Bank Ltd* and held that the period of the moratorium during which there is a lockdown will not be reckoned by ICICI Bank for the purposes of computation of the 90 day NPA declaration period.
- Hence, the High Court observed that in the said matter, period from March 01, 2020 up to May 31, 2020 during which there is a lockdown, will stand excluded from 90-day NPA declaration computation until lockdown is lifted.
- The Court further held that irrespective of the continuance of the moratorium until May 31, 2020, if lockdown is lifted at an earlier date than May 31, 2020, then the protection available to petitioners will cease on date of lifting of the lockdown and computing and reckoning of remainder of the 90 day period will start from the lockdown ending date.

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### **Shakuntala Educational and Welfare Society v. Punjab and Sind Bank**

W.P.(C)2959/2020

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- In this matter, Shakuntala Educational and Welfare Society (**Petitioner**) approached Delhi High Court seeking inter alia directions against Punjab and Sind Bank to not declare its loan accounts as NPA.
- The High Court relied on the order passed in the matter of *Anant Raj Ltd v. Yes Bank Ltd* and observed that any classification of Petitioner's accounts as NPA would certainly amount to altering the position as existing on March 01, 2020. Therefore, grave and irreparable loss would be caused to Shakuntala

Educational and Welfare Society in case its accounts are declared as NPA only on account of its failure to pay the instalments, which were admittedly payable on or before March 31, 2020.

- In view of the same, the High Court restrained Punjab and Sind Bank from classifying the accounts of the Shakuntala Educational and Welfare Society as NPA till the next date of hearing.

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## Eastman Auto and Power Ltd v. Reserve Bank of India & Ors

W.P.(C) 2997/2020

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- Eastman Auto and Power Ltd (**Petitioner**) had availed electronic bill discounting facility known as Reverse Factoring Facility through the Trade Receivable Discounting Systems (**TReDS**) from the respondent. For facility so availed, petitioner has made full payment till March 31, 2020. However, due to the restrictions declared because of Covid-19 pandemic, petitioner was not able to make payment for servicing of such facility for period beyond March 31, 2020. Petitioner has represented to the respondent seeking extension of such facility on conditions as may be stipulated by respondents. In fact, one of the respondents has agreed to extend the facility by a period of 90 days subject to conditions mentioned in letter.
- The petitioner relied upon the RBI Regulatory Packages and Circulars issued on March 27, 2020 and April 17, 2020 and further relied upon the orders passed in the abovementioned Anant Raj matter and the Shakuntala Educational & Welfare Society matter.
- RBI sought one week's time to clarify if the facilities availed by the petitioner would be covered by the abovementioned Packages and Circulars dated March 27, 2020 and April 17, 2020.
- After hearing the parties, the Court observed that the object of issuing Notifications/Circulars dated March 27, 2020 and April 17, 2020 was to provide financial relief to the parties who have availed the term loans and working capital facilities. The Court further observed that as noted in the Anant Raj matter, the prima facie intention of the RBI appears to be to maintain status quo as on March 01, 2020 with regard to the financial facilities that have been granted to various parties and have fallen due.
- Delhi High Court directed that till the next date of hearing respondents would be restrained from taking any coercive action against petitioner for default committed by petitioner in Reverse Factoring Facility.

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## Indiabulls Housing Finance Ltd v. HDFC Bank Ltd & Anr

W.P. (C) 3033/2020, CM No.10558/2020

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- Indiabulls sought a direction against HDFC Bank to comply with the RBI's Regulatory Package dated March 27, 2020 and hence, restrain from recovering any amounts from Indiabulls during moratorium imposed by RBI.
- Indiabulls had availed a term loan of INR 540 crore from HDFC Bank and had never defaulted in making repayment as per agreed schedule. Indiabulls submitted that despite RBI's Circular dated March 27, 2020, HDFC raised a demand of INR 90 crore even though it was not open for HDFC to raise any demand during this period of 90 days.
- HDFC submitted that it has already rejected Indiabulls' request for moratorium. Further, they submitted that Indiabulls is not facing any liquidity crunch. In addition to the same, HDFC submitted that as requested earlier by Indiabulls, HDFC would instead of demanding aforesaid amount from Indiabulls till next date, deduct same from FDR available with it.
- RBI presented before the Court that the Circular dated March 27, 2020 is discretionary in nature and enables the lender to take a decision as to whether moratorium ought to be granted to a particular borrower or not, though said decision has to be taken in an objective manner. They sought further time to clarify as to whether the said Circular is not applicable to NBFCs like Indiabulls.
- Delhi High Court was of the opinion that in view of time taken by RBI to get clarification on whether the Circular would be applicable on NBFCs and in order to give time to HDFC to get all relevant documents on record till next date, HDFC would be free to deduct due amount from aforesaid existing FDR of Indiabulls and further, HDFC would not insist on replenishment of said amount till next date.

**Our viewpoint:** This judgment brings clarity on the scope and application of the amended Section 31 of the IBC. Moreover, it would help in providing a 'clean slate' to the successful Resolution Applicants once they have taken charge of the Corporate Debtor.

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## Ultra Tech Nathdwara Cement Ltd v. Union of India & Ors

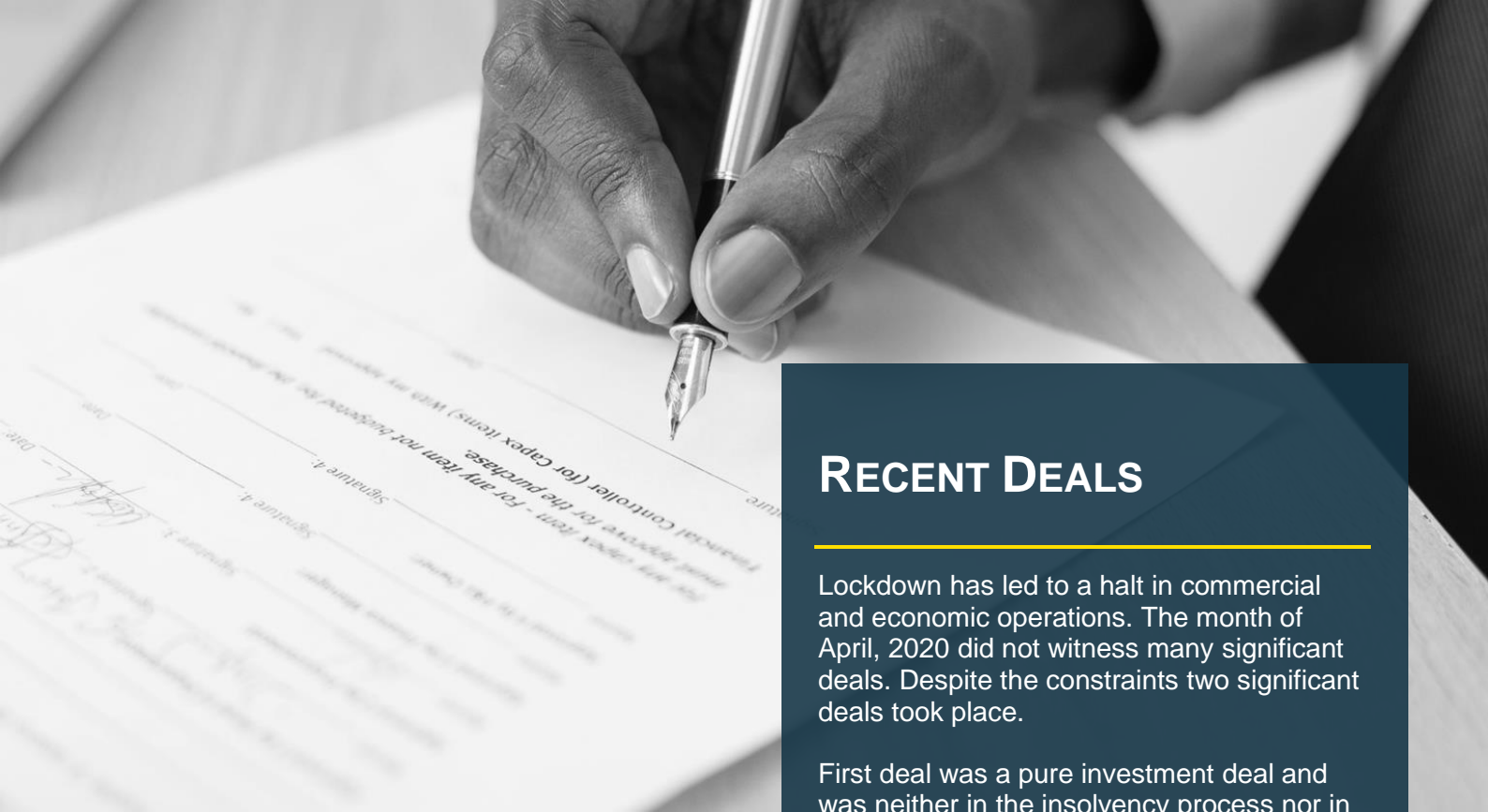
D.B. Civil Writ Petition No. 9480/2019

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- Binani Cements Ltd had undergone insolvency proceedings under the IBC and was acquired by Ultra Tech Cement Ltd.
- The Goods and Services Tax Department issued notices against Ultra Tech claiming prior dues of Binani Cements Ltd. Aggrieved by the same, Ultra Tech approached the Rajasthan High Court.
- After hearing the parties, High Court observed that Resolution Plan submitted by Ultra Tech for acquiring Binani Cements Ltd had already addressed GST dues of Binani Cements. Further, Court observed that in terms of Section 31 of the IBC, approved Resolution Plan is binding even on government authorities.
- The High Court also observed that the amount assessed by Resolution Professional in favor of the GST Department has already been deposited by Ultra Tech and, therefore, quashed the notices issued by the GST Department against Ultra Tech Cement.

**Our viewpoint:** The Courts have attempted to balance equities in most cases, and in all cases interim orders have been passed protecting the defaulters, notwithstanding the discretionary nature of the RBI guidelines.





## RECENT DEALS

Lockdown has led to a halt in commercial and economic operations. The month of April, 2020 did not witness many significant deals. Despite the constraints two significant deals took place.

First deal was a pure investment deal and was neither in the insolvency process nor in stressed assets space, the second one was an approval of resolution plan which was critical to Covid-19 relief efforts.

### Facebooks investment in Reliance Jio

- On April 21, 2020, Facebook announced an investment of INR 43,574 crore (USD 5.7 billion) in Jio Platforms Ltd (**Jio**), part of Reliance Industries Ltd. With the investment, Facebook acquired 9.99% stake in Jio and became its largest minority shareholder.
- This deal values Jio at approximately USD 66 Billion.
- In August 2019, Mr. Mukesh Ambani said at the AGM of the company that group had prepared a roadmap for becoming a zero net-debt company within 18 months. This deal is in furtherance of same and would help reduce the company's debt burden.
- Further, as per the statement released by Facebook after this investment, it's offerings such as WhatsApp coupled with Jio's small business initiative, Jiomart, would enable people to connect with businesses, shop and ultimately purchase products in a seamless experience. In terms of the statement released by Mr. Mukesh Ambani, Jiomart and WhatsApp would empower nearly three crore small Indian kirana shops to digitally transact with every customer in their neighborhood.
- This deal would fuel Reliance's ecommerce venture Jiomart and would help it to compete with players such as Amazon and Flipkart.
- In addition to its significance for the companies as well as the consumers involved, this deal is important for the economy at the large. This is because it shows the faith which foreign companies are willing to show in the Indian economy, especially during these difficult times. It is deals like these which would bolster the economy and strengthen it in the long run.

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## Kendriya Bhandar's urgent request for approval of Resolution Plan for converting a hotel and commercial complex into a temporary shelter for Covid-19 relief efforts

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- As on date, due to the ongoing pandemic and the consequent lockdown, the NCLT is only taking up urgent matters and that too through video conferencing.
- With able assistance of all stakeholders, one such deal has been cracked which is beneficial not only for stakeholders but generally to everyone who is involved in mammoth task of tackling Covid-19 crisis.
- This deal has been crystallised by virtue of an order dated April 01, 2020 passed by Principal Bench, Camp at Chennai in the matter of *Phoenix ARC Private Ltd v. Ashish Gupta, RP (Anush Finlease and Construction Pvt Ltd)*.
- In this matter, the RP of the Corporate Debtor, Anush Finlease and Construction Pvt Ltd and the Resolution Applicant (M/s Kendriya Bhandar, Delhi) filed urgent applications seeking approval of Resolution Plan submitted by M/s Kendriya Bhandar, Delhi in the CIRP of Anush Finlease and Construction Pvt Ltd. This Plan was approved by the CoC with 77.54% voting share on March 14, 2020.
- The primary reason for filing the urgent applications was that the Resolution Applicant was proposing to convert the hotel and commercial complex in construction into a temporary shelter which could accommodate 2500-3000 persons during the ongoing pandemic.
- Resolution Applicant was also willing to bear the entire cost of the abovementioned project and submitted that it shall be collaborating with an NGO to carry out the said project. Further, Resolution Applicant submitted that the project would be executed as soon as the Resolution Plan is approved by NCLT.
- In view of the above, NCLT observed that there was an urgency in the matter and, hence, approved the Resolution Plan submitted. This order shows that the judicial fora are sensitive to the current situation and are willing to help the litigants who want to assist the government to deal with the ongoing pandemic.



## SECTOR FOCUS: TEXTILES AND APPARELTS

India's textile industry is one of the largest in the world and is one of the largest source of generation of employment in the country with over 45 million people employed directly and another 6 Crore people in allied sectors, including a large number of women and rural population.

- The IBC regime has had significant ramifications for the textiles sector. A lot of companies in this sector have failed to service their debt obligations and have ended up as NPAs.
- Some of the recent developments which have taken place in this sector are:

- **Resolution of F.M. Hammerle Textiles Ltd**

- Vide Order dated March 13, 2020, the NCLT, Chandigarh Bench has approved the resolution plan submitted by M/s New Ram Traders in the CIRP of F.M. Hammerle Textiles Ltd. It is relevant to note that F.M. Hammerle Textiles Ltd is a company involved in spinning, weaving and finishing of textiles and had filed Company Petition under Section 10 of IBC for voluntary initiation of CIRP proceedings. Resolution plan by M/s New Ram Traders provides for payment of a resolution amount of approximately INR 64.33 crore and was approved by 100% of the CoC.

- **Initiation of liquidation proceedings of J.L. Knit (India) Ltd**

- Vide Order dated February 25, 2020, NCLT, New Delhi Bench ordered for commencement of liquidation proceedings of J.L. Knit (India) Ltd. The CIRP of the Corporate Debtor commenced on account of admission of a Section 7 IBC Application filed by Stressed Assets Stabilization Fund. However, no resolution plans were received for the Corporate Debtor. In view of the same, the National Company Law Tribunal ordered for liquidation of the Corporate Debtor.

- Textile and apparels industry has been facing severe headwinds due to inaction by the government and severe competition from other Asian countries. The lockdown has significantly amplified the sectoral stress and affected domestic sales as well as exports. As per World Trade Organization, world merchandise trade is set to plummet by between 13% and 32% in 2020 due to the Covid-19 pandemic.<sup>1</sup>
- Moreover, the supply chain has been adversely impacted on account of the restraint on commercial activities. In view of the same, International Apparel Federation (IAF) has called on apparel supply chain and its stakeholders to enact sufficient supply chain solidarity. IAF has called on buyers to collaboratively search for ways to reduce damage to suppliers, which is not only an urgent need, but also feasible.<sup>2</sup>
- It is pertinent to mentioned that the Clothing Manufacturers' Association of India (CMAI) predicts that recovery will take at least 10 months to a year. Without government support, industry cannot survive this unprecedented crisis.<sup>3</sup> In view of the same, the CMAI has asked the government to consider postponing income tax, advance tax, and GST, give a minimum 180-day moratorium on repayment of all bank loans, and provide a disbursement of 25% additional working capital loans on zero interest to tide over the current liquidity shortfall.<sup>4</sup>
- The abovementioned adversities, in our opinion, would increase the chances of default in the repayment obligations of the companies in this sector. Considering the sheer importance of this sector, it is imperative that the government intervenes and provides some comfort to the companies involved. Difficult times call for unprecedented measures and it is these measures only which would ensure that the companies in this sector remain afloat and the workers retain their jobs.

<sup>1</sup> [https://www.wto.org/english/news\\_e/pres20\\_e/pr855\\_e.htm](https://www.wto.org/english/news_e/pres20_e/pr855_e.htm)

<sup>2</sup> <https://www.iafnet.com/2020/04/23/iaf-urges-solidarity-in-apparel-supply-chain/>

<sup>3</sup> Supra

<sup>4</sup> Ibid

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