

[2021] 123 taxmann.com 170 (NCLT - Ahd.)[27-05-2020]

**IBC : Where resolution applicant sought for certain revision/modification/relaxation in Resolution Plan in respect of time frame for payment to financial creditors/operational creditors and/or other stakeholders, due to financial difficulties arising out of current pandemic situation of Covid-19 virus and consequent to going lockdown, claim of resolution applicant was genuine and bona fide and resolution applicant was allowed relaxation and concession sought for**

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[2021] 123 taxmann.com 170 (NCLT - Ahd.)

**NATIONAL COMPANY LAW TRIBUNAL, AHMEDABAD BENCH**

**Sunil Kumar Agarwal**

**v.**

**Suspended Board of Directors of Digjam Ltd.**

MS. MANORAMA KUMARI, JUDICIAL MEMBER

IA NO. 144 OF 2020

CP (IB) NO. 594/NCLT/AHM OF 2018

MAY 27, 2020

**Section 30, read with section 31, of the Insolvency and Bankruptcy Code, 2016 - Corporate insolvency resolution process - Resolution plan - Approval of - Application filed by operational creditor, seeking initiation of corporate insolvency resolution process against corporate debtor was admitted by NCLT and IRP was appointed - In meeting of committee of creditors (CoC), Resolution Plan filed by respondent no. 3 was approved by CoC with majority voting share of 100 per cent - Resolution Professional filed instant application under section 30(6) seeking approval in terms of section 31(1) - On perusal of record, it was found that Resolution Plan was in conformity with section 30(2) - However, resolution applicant, filed an affidavit whereby it sought for certain revision/modification/relaxation in Resolution Plan in respect of time frame for payment to financial creditors/operational creditors and/or other stakeholders, due to financial difficulties arising out of current pandemic situation of Covid-19 virus and consequent to going lockdown - It was found that there was no material change in Resolution Plan save and except modification/concession/relaxation in respect of time line of payment to creditors and/or stakeholders - Whether concession/modification/relaxation, so sought for by resolution applicant appeared to be genuine and bona fide in view of pandemic Covid-19 virus and consequent lockdown which had global effect on economy - Held, yes - Whether in view of relaxation granted by RBI as Developmental and Regulatory Policies, claim of resolution applicant in respect of concession/relaxation in time line for payment to its financial creditors/operational creditors/other stakeholders, if any, was genuine and bona fide and, therefore, resolution applicant deserved relaxation/concession - Held, yes [Paras 18, 20 and 24]**

**CASES REFERRED TO**

*K. Sashidhar v. Indian Overseas Bank* [\[2019\] 102 taxmann.com 139/152 SCL 312 \(SC\)](#), (para 22).

*N.K. Pahwa, Sr. Adv., Pratik Thakkar, Adv., Ms. Nitu Chaturvedi and Ajay Agarwal for the Appearing Parties.*

## ORDER

**Ms. Manorama Kumari, Judicial Member.** - The instant application is filed under section 30(6) of the Insolvency Bankruptcy, Code 2016 by the RP for approval of Resolution Plan in respect of M/s. Digjam Ltd. (hereinafter referred as "Corporate Debtor"), being numbered as IA 144/2020.

2. The brief fact of the case is/are hereunder:—

**2.1** The CP(IB) 594/2018 was filed by M/s Oman Inc. (HUF) under section 9 of the IBC, as Operational Creditor, seeking initiation of Corporate Insolvency Resolution Process against Digjam Ltd. (hereinafter referred as "Corporate Debtor" which said application was admitted on 26-04-2019 by this Adjudicating Authority and accordingly IRP was appointed.

**2.2** That IRP, so appointed made a public announcement in the newspapers inviting the claims from different creditors/stakeholders of the company on 7-05-2019. The IRP received claims from the creditors/stakeholders of the Corporate Debtor and in pursuant to section 21 of the Code, Committee of Creditors (hereinafter referred as "COC") was constituted, the report of the said constitution of the CoC submitted before the Adjudicating Authority on 18-11-2019. On constitution of the CoC IRP has received claim from different creditors/stakeholders amounting to Rs. 2,64,03,04,295.53 but had admitted the claims for an amount of Rs. 1,41,76,23,683.06 only, which said list of the claimants/creditors are annexed along with the application as Annexure "C".

**2.3** As on 12-02-2020 the member of the COC are UCO Bank as well as SBI, the detail of the Financial Creditor and their voting share is given hereunder:

Sl. No.	Financial Creditors	Voting shares
1.	UCO Bank, Zonal office Ashram Road, Ahmedabad-380009	83.31%
2.	SBI Stressed Asset Management branch, Ashram Road, Ahmedabad	16.69%

**2.4** It is further stated that the first meeting of the Committee of Creditors was held on 24-5-2019 and it was approved by the CoC for appointment of Resolution Professional namely Mr. S.K. Agarwal in place of the IRP Mr. Parag Seth by 100% voting. *Vide* order dated 1-1-2020 the Hon'ble Adjudicating Authority appointed Shri S.K. Agarwal as RP for the Corporate Debtor.

**2.5** The liquidation value of the Corporate Debtor is Rs. 93.79 Crores. The same has been stated under Form-H as Annexure-X at page No.-380(B) Volume (iii) of the application which is part of record.

**2.6** That in seventh meeting of CoC held on 27-12-2019 two proposed resolution applicants namely (i) M/s Finquest Financial Solutions Pvt. Ltd, (Respondent No. 3 herein) and (ii) Donear Industries Ltd., had submitted their resolution plans, which were opened and were read out during the meeting. It was resolved to call representative of Respondent No. 3 only for further discussion/clarification/negotiation on their submitted Resolution Plan. That other resolution applicant was not called as the plan submitted was too low and there was no point to even negotiate.

**2.7** That in the 12th CoC meeting held on 11-2-2020, the Resolution Plan dated 10-2-2020, with Addendum dated 11-2-2020 filed by the respondent no. 3 was approved by the CoC with majority voting share of 100%. The last and final version of Resolution Plan was updated on 12-2-2020 (updating Resolution Plan dated 10-2-2020 with addendum dated 11-2-2020 and further improvements agreed) is annexed as Annexure-W at Page No-331 Volume (iii) of the application.

**3.** Pursuant to the approval of the plan by the CoC under section 30(4) of the Code as successful Resolution Plan, the Resolution Professional filed an instant application under section 30(6) of the Code seeking approval in terms of section 31(1) of the Code and regulation 39(4) of the IBBI Regulation, 2016 with the following prayer:

- i. To approve the Resolution Plan submitted by the respondent No. 3 (M/s. Finquest Financial Solution Pvt. Ltd.) under section 30(6) of the IBC, 2016.
- ii. And pass any further necessary order as deem fit in the interest of justice.

4. Heard the respective lawyers of CoC, Resolution Professional and resolution applicant (through its representative) in persons at length, gone through and examined the Resolution Plan along with documents and annexures. On perusal, it is found that the Resolution Plan is in compliance of the statutory requirements, as per IBC Code, for the sake of brevity the same is produced hereinbelow:—

<i>Sl. No.</i>	<i>Section of the Code/Regulation No.</i>	<i>Requirement with respect to Resolution Plan</i>	<i>Clause of Resolution Plan</i>	<i>Compliance (yes/no)</i>
1.	Section 25(2)h	Whether the resolution applicant meets the criteria approved by the CoC having regard to the complexity and scale of operations of the business of the CD?	Clause 3	Yes
2.	Section 29A	Whether the resolution applicant is eligible to submit resolution plan as per final list of Resolution Professional or order, if any, of the Adjudicating Authority?	Yes	Yes
3.	Section 30(1)	Whether the resolution applicant has submitted an affidavit stating that is eligible?	Yes	Yes
4.	Section 30(2)	Whether the Resolution Plan:		
		(a) Provides for the payment of insolvency resolution process costs?	4.3	Yes
		(b) Provides for the payment to the operational creditors?	4.4 & 4.6	Yes
		(c) Provides for the payment to the financial creditors who did not vote in favour of the resolution plan?	4.5	Yes
		(d) provides for the management of the affairs of the corporate debtor?	6.2.1	Yes
		(e) provides for the implementation and supervision of the resolution plan?	7	Yes
		(f) Contravenes any of the provisions of the law for the time being in force?	2.1e	No
5.	Section 30(4)	Whether the Resolution Plan		
		(a) is feasible and viable according to the CoC?	Yes Meeting Dated 3-2-2020	Yes
		(b) has been approved by the COC with 66% voting share?	Yes	Yes
6.	Section 31(l)	Whether the Resolution Plan has provisions for its effective implementation plan, according to the CoC?	7	Yes
7.	Regulation 35A	Where the resolution professional made determination if the corporate debtor has been subjected to any transaction of the nature covered under section 43, 45, 50 or 66, before the one hundred and fifteenth day of the insolvency commencement date, under intimation to the Board?	CD was not subject to any transaction mentioned under regulation 35A	Yes
8.	Regulation 38(1)	Whether the amount due to the operational creditors under the resolution plan has been given priority in payment over financial creditors?	No (Except related party FC)	Yes
9.	Regulation	Whether the resolution included a statement as to how	4.18	Yes

	38(1A)	it has dealt with the interests of all stakeholders?		
10.	Regulation 38(1B)	(i) Whether the resolution applicant or any of its related parties has failed to implement or contributed to the failure of implementation of any resolution plan approved under the Code.	Undertaking received	Yes
		(ii) If so, whether the resolution applicant has submitted the statement giving details of such non-implementation ?		
		(i) Whether the resolution applicant or any of its related parties has failed to implement or contributed to the failure of implementation of any resolution plan approved under the Code.		
		(ii) If so, whether the resolution applicant has submitted the statement giving details of such non-implementation?		
11.	Regulation 38(2)	Whether the Resolution Plan provides:		
		(a) The term of the plan and its implementation schedule?	5	Yes
		(b) For the management and control of the business of the corporate debtor during its term?	5	Yes
		(c) Adequate means for supervising its implementation?	7	Yes
12.	Regulation 38(3)	Whether the resolution plan demonstrates that —		
		(a) It addresses the cause of default?	4.2.1	Yes
		(b) It is feasible and viable?	Yes	
		(c) It has provisions for its effective implementation?	Yes	
		(d) It has provisions for approval required and the timeline for the same?	Yes	
		(e) The resolution applicant has the capability to resolution plan?	Yes	
13.	Regulation 39(2)	Whether the RP has filed applications in respect of transactions observed, found or determined by him?	No	Yes
14.	Regulation 39(4)	Provide details of performance security received, as referred to in sub-regulation (4A) of regulation 36B.	BG OF Rs. 6.25 Crores	Yes

5. On perusal of the record it is also seen that resolution applicant has provided an affidavit stating that he is eligible under section 29A of the Code. The copy of the said affidavit dated 17-12-2019 is annexed at Annexure –Z1.

6. Further on perusal of the record it is found that the Resolution Plan is in conformity of section 30(2) of the IBC and regulation 38 of the CIRP Regulations. The Resolution Plan also includes the mandatory contents of the Code.

The mandatory contents as per section 30(2) of the IBC and regulation 38 of the CIRP regulation (as reflected in clause 2 at page Nos. 338-340 of (Vol-iii) of the Resolution Plan filed in the Court) are reflected hereunder for sake of convenience:

*Section 30(2) of the IBC (as amended up to this date):*

- (a) provides for the payment of insolvency resolution process costs in a manner specified by the Board in priority to the payment of other debts of the corporate debtor as set out in para 4.2.3 of Plan;

- (b) provides for the payment of debts of operational creditors in such manner as may be specified by the Board which shall not be less than:
- i. the amount to be paid to such creditors in the event of a liquidation of the corporate debtor under section 53; or
  - ii. the amount that would have been paid to such creditors, if the amount to be distributed under the resolution plan had been distributed in accordance with the order of priority in sub-section (1) of section 53,
- whichever is higher as set out in Para 4.2.3 of the Plan;
- provides for the payment of debts of financial creditors who do not vote in favour of the resolution plan, in such manner as may be specified by the Board, which shall not be less than the amount to be paid to such creditors in accordance with sub-section (1) of section 53 in the event of a liquidation of the corporate debtor as set out in Para 4.2.3 of Plan;
- (c) "Provides for the management of the affairs of the Corporate debtor after approval of the resolution plan." as set out in para 7; of the Plan;
- (d) "Provides for the implementation and supervision of the resolution plan" as set out in para 7 of the Plan;
- (e) Does not contravene any of the provisions of the law for the time being in force. It is clarified that, if any approval of shareholders is required under the Companies Act, 2013 (18 of 2013) or any other law for the time being in force for the implementation of actions under the resolution plan, such approval shall be deemed to have been given and it shall not be a contravention of that Act or law;
- (f) Confirms to such other requirements as may be specified by the Board.

*Regulation 38 of CIRP Regulations:*

(1) The amount payable under the resolution plan—

- (a) to the operational creditors shall be paid in priority over the financial creditors as set out in para 4.2.3 of Plan;
- (b) to the financial creditors, who have a right to vote under sub-section (2) of section 21 and did not vote in favour of the resolution plan, shall be paid in priority over financial creditors who voted in favour of the plan as set out in para 4.2.3 of Plan;

1(a). The resolution plan includes a statement as to how it has dealt with the interest of all stakeholders, including financial creditors and operational creditors, of the corporate debtor as set out in para 4.18 of Plan.

(2) The plan provides for:

- (a) the term of the plan and its implementation schedule as set out in para 5 of the Plan;
- (b) management and control of the business of the corporate debtor during its term as set out in para 7 of the Plan; and
- (c) adequate means for supervising its implementation as set out in para 7 of Plan.

(3) The plan demonstrates that:

- (a) the cause of default has been addressed;
- (b) it is feasible and viable;
- (c) it has provisions for its effective implementation;
- (d) it has provisions for approvals required and the timeline for the same;

(e) the resolution applicant has the capability to implement the resolution plan.

7. On perusal of the record/Plan it is also found that the Total Financial Out Lay, Source of Fund and Distribution, narrated in paras 4.2 to 4.2.3 of the Resolution Plan, which is the part of the record, hence, not reiterated herein again.

8. It is also matter of record that, initially Resolution Professional received performance guarantee by way of bank guarantee of an amount of Rs. 6.25 Cr. from respondent No. 3 as per regulation 39(4) of the IBBI (Insolvency Resolution Process for Corporate Person) regulations 2016, the said bank guarantee now being replaced with bank deposit of Rs. 10 Cr. as performance deposit with UCO Bank after filing of present application.

9. With regard to clause No. 4.16 page no 357 of (Vol-iii) of the Resolution Plan (filed in the Court) under the head, "Extinguishment and Waiver of Claims and Liabilities", this Adjudicating Authority is of the opinion that these issues are already dealt with by the RP and CoC and thereafter the Resolution Plan is approved, hence, it requires no further adjudication as the Plan is based on commercial wisdom of the CoC. Moreover all the Financial Creditors who are the member of the CoC considered the Resolution Plan taking into account, the charges, bank guarantees, all obligations, liabilities, claims or proceeding in relation to any corporate guarantees, indemnities and all other forms of credit support, whether or not invoked or being capable of being invoked provided by the Corporate Debtor prior to the closing date. It is to be mentioned that these are the issues which are required to be dealt with by the CoC at the time of the approval of the plan. Since CoC has already approved the Plan with all stipulation contained therein, it requires no further consideration/adjudication.

10. With regard to clause 11 page No. 372(Vol-iii) of the Plan of court record heading "Reliefs Sought", in this regard it directed that the resolution applicant have liberty to approach the relevant/Concerned/Appropriate Competent/Statutory Authority(s) or Local bodies as the case may be for any concession and relief, as sought for in clause 11, 11.1, (a) to (p) at page Nos. 372 to 376 of the Plan.

11. It is needless to mention that approval of the Resolution Plan does not mean automatic waiver or abetment of legal proceedings, if any, which are pending by or against the Company/Corporate Debtor, as those are the subject matter of the concerned Competent Authorities having their proper/own jurisdiction to pass any appropriate order as the case may be. The resolution applicant on approval of the Plan may approach those Competent Authorities/Court/Legal Forums/Offices-Govt., or Semi-Govt./State or Central Govt., and Local Authority(s)/Body(s) for appropriate relief(s) sought in clauses 11, 11.1, (a) to (p) (page Nos. 372 to 376) (Vol-iii) of the Plan.

12. Thus, not allowing the above said "Extinguishment, Waiver of Claims, Liabilities and Reliefs Sought" as claimed by Resolution Applicant in Resolution Plan, is not going to make any hindrance for proper implementation of the Resolution Plan as those are the subject matter of the concerned/appropriate Competent Authorities. The Resolution Applicant(s) has/have liberty to approach Competent Authorities for any concession, relief or dispensation as the case may be as when required for proper and effective implementation of the Plan.

13. During the pendency of the instant application, Three 3 persons viz;

(i) Central India Agencies Ltd, (ii) Ipro Capital and (iii) Ganga Properties Pvt. Ltd., sought to intervene and/or to file objections. However, on 29-04-2020, Mr. Pratik Thakkar Advocate on behalf of the RP filed a pursis along with "No Objection", of above named interveners addressed to RP of M/s. Digjam Ltd., all dated 28-4-2020, showing their "No Objection", in view of the prevailing and emerging circumstance of Covid-19 and in the interest of the company and the stakeholders, they further decided not to proceed with their objections and/or to file any objections.

14. Meanwhile, the resolution applicant, files an affidavit dated 29-4-2020, where by sought for certain revision/modification/relaxation in Resolution Plan in respect of time frame for payment to Financial Creditors/Operational Creditors and/or other stakeholders, due to the financial difficulties arising out of current pandemic situation of Covid-19 Virus and consequent on going lockdown.

15. On 5-5-2020, the matter was taken up for hearing in which date resolution applicant was present in person and the Learned Lawyer for Resolution Professional and CoC was also present. On hearing all the parties and their respective Learned Lawyers, this Adjudicating Authority, directed that Resolution Applicant will

approach the CoC with revised/concession/relaxation, in time lime for payment, if any, for the approval of CoC, with a liberty to CoC to file their terms, if any, on or before 14-5-2020.

16. Accordingly, the matter was taken up for hearing on 14-5-2020 on which date the Learned Lawyer of the CoC namely Ms. Nitu Chaturvedi, fairly submitted that the UCO Bank approved the revised Plan in respect of time line for payment, without any condition and observation. On perusal of the record it is found that the UCO Bank has informed the resolution applicant *vide* its letter No. ZOAHM/LAW/07/2020-21, dated 12-5-2020, the copy of the said letter is filed along with pursis of CoC, which is a part of record, duly signed by Zonal Head, forwarded to Resolution Professional. However, the other member of the CoC *i.e.* SBI reiterated its stance which was communicated by SBI to Resolution Professional *vide* its e-mail dated 4-5-2020 (which is part of record), wherein, it is categorically stated as;

"Although their resolution applicant justification for seeking 180 days extension in part payment of the First Tranche amount were not so convincing, we were prepared to accept the same. However, the reasons furnished by them for seeking extension of time by 365 days in part payment of 2nd Tranche amount were not convincing at all" (*sic*).

Thus it is found that SBI has partially agreed for concession in time frame of payment, so sought for by the resolution applicant, however has reservation for grant of any concession/relaxation in timeline for payment towards 2nd tranche.

17. For the sake of convenience, "The revised/modification in the timeline for the payment", on account of pandemic of Covid-19 Virus as under:

- i. The resolution applicant *vide* in affidavit dated 29-04-2020 had sought certain modification in the timeline for the payment on account of pandemic of Covid-19 virus which is under:—

<i>Sl. No.</i>	<i>Event</i>	<i>Estimated timeline</i>														
1	Resolution Plan approval by NCLT.	-														
2	Infusion of Rs. 95 Crores by the resolution applicant for payment towards CIRP costs and settlement of financial and operational creditors claim as envisaged in the resolution plan.	<p>Rs. 27.14 Crores within 90 days of Resolution plan approval date or 15 days after end of lockdown whichever is later, as under.</p> <table> <tr> <td>CIRP</td> <td>11.43</td> </tr> <tr> <td>Workmen</td> <td>1.85</td> </tr> <tr> <td>Employees</td> <td>3.89</td> </tr> <tr> <td>Operational Crs.</td> <td>3.97</td> </tr> <tr> <td>Statutory Dues</td> <td>3.00</td> </tr> <tr> <td>Financial Cr.</td> <td>3.00</td> </tr> <tr> <td><b>Total</b></td> <td><b>27.14</b></td> </tr> </table> <p>Balance Rs. 67.86 Crores to the Financial Creditors as under. This sum shall be interest free.</p> <p>(A) Rs. 20 Crores at the end of 180 days after initial payment.</p>	CIRP	11.43	Workmen	1.85	Employees	3.89	Operational Crs.	3.97	Statutory Dues	3.00	Financial Cr.	3.00	<b>Total</b>	<b>27.14</b>
CIRP	11.43															
Workmen	1.85															
Employees	3.89															
Operational Crs.	3.97															
Statutory Dues	3.00															
Financial Cr.	3.00															
<b>Total</b>	<b>27.14</b>															

		(B) Rs 23.93 Crores at the end of 410 days after initial payment. (c) Rs. 23.93 Crores at the end of 775 days after initial payment date.
3.	(i) Cancellation/write down of equity shares 20,00,000 equity shares of Rs. 10/share amounting to Rs. 2 Crores to be issued to the existing public shareholders. (ii) Conversion of share capital subscription amounts by resolution Applicant into equity capital and Preference Capital.	Within 30 days from the date of existing equity shares payment of Rs. 47.14 Crores.
4.	Reclassification of existing Promoters as 'non-promoters'/public shareholder in the Corporate Debtor.	Within 6 months from the date of NCLT order.

"Note: The secured financial creditors shall continue to hold existing security on the assets of the Corporate Debtor till their claim is fully paid as provided in the resolution plan.

Any cost overrun in CIRP cost shall be recovered from outlay provided for the Financial Creditors/Operational Creditors."

The summary of the proposed changes in the terms of the payments:

Original Schedule		Revised Schedule	
Initial payment of Rs.47.14 Crores.	Within 90 days from the approval date.	Initial payment of Rs. 47.14 Crores.	Only Rs. 20 Crores rescheduled/extended by 180 days.
Final payment of Rs. 47.86 Crores.	Within 410 days from the initial payment date.	Final payment of Rs. 47.86 Crores	Only Rs. 23.93 Crores Rescheduled by 365 days.

**18.** On perusal of the affidavit dated 29-4-2020, so filed by the Resolution Applicant, seeking modification/concession/relaxation in the timeline for the payment to the Financial Creditors/Operational Creditors and/or other stakeholders, if any, due to pandemic of Covid-19 Virus, it is found that there is no material change in the Resolution Plan save and except modification/concession/relaxation in respect of time line of payment to the creditors and/or stakeholders. Those concession/modification/relaxation, so sought for by the Resolution Applicant appears to be genuine and *bona fide* in view of pandemic Covid-19 virus and consequent lockdown which has global effect on the economy.

**19.** In the vogue of the current pandemic COVID-19 Virus, the RBI announced "Developmental and Regulatory Policy" in the public interest The Reserve Bank of India (RBI) announced an extension of the moratorium on loan EMIs by three months, i.e. August 31, 2020 *vide* statement on Developmental and Regulatory Policies which sets out various developmental and regulatory policy measures to improve the functioning of markets and market participants; measures to support exports and imports; efforts to further ease financial stress caused by Covid-19 disruptions by providing relief on debt servicing and improving access to working capital; and steps to ease financial constraints faced by State Governments.

- ◆ As per the Statement on Developmental and Regulatory Policy of the Central Bank, "On March 27, 2020, the RBI permitted 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 and microfinance institutions) (referred to hereafter as "lending institutions") to allow a moratorium of three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020. In view of the extension of the lockdown and continuing disruptions on account of COVID-19, it has been decided to permit lending institutions to extend the moratorium on term loan instalments by another three months, i.e., from June 1, 2020



to August 31, 2020. Accordingly, the repayment schedule and all subsequent due dates, as also the tenor for such loans, may be shifted across the board by another three months."

- ◆ The RBI has further clarified that such treatment will not lead to changes in the terms and conditions of the loan agreements which is same as announced in the previous moratorium period.
- ◆ As per the policy statement, "As the moratorium/deferment is being provided specifically to enable borrowers to tide over COVID-19 disruptions, the same will not be treated as changes in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade. As earlier, the rescheduling of payments on account of the moratorium/deferment will not qualify as a default for the purposes of supervisory reporting and reporting to Credit Information Companies (CICs) by the lending institutions. CICs shall ensure that the actions taken by lending institutions in pursuance of the announcements made today do not adversely impact the credit history of the borrowers. In respect of all accounts for which lending institutions decide to grant moratorium/deferment, and which were standard as on March 1, 2020, the 90-day NPA norm shall also exclude the extended moratorium/deferment period. Consequently, there would be an asset classification standstill for all such accounts during the 5 moratorium/deferment period from March 1, 2020 to August 31, 2020. Thereafter, the normal ageing norms shall apply. NBFCs, which are required to comply with Indian Accounting Standards (IndAS), may follow the guidelines duly approved by their Boards and advisories of the Institute of Chartered Accountants of India (ICAI) in recognition of impairments. Thus, NBFCs have flexibility under the prescribed accounting standards to consider such relief to their borrowers."

**20.** In view of the relaxation so granted by R.B.I as "Developmental and Regulatory Policies", stated above, the claim of resolution applicant in respect of the concession/relaxation in the timeline for payment to its Financial Creditors/Operational Creditors/Other stakeholders, if any, is genuine and *bona fide*, therefore, resolution applicant deserves relaxation/concession. Such relaxation in the time frame or timeline for payments is/are not going to change the nature and character of the Plan, moreover such concession/modification is approved by UCO Bank having 83.31% stake, while SBI is having 16.69% stake, but UCO Bank has approved the relaxation, so sought for by the resolution applicant in timeline for the payment. However, SBI though approved its first tranche of payment but have reservation in 2nd tranche of payment.

**21.** It is pertinent to mention herein that earlier in 12th CoC meeting held on 11-2-2020, CoC had unanimously approved the Resolution Plan with 100% voting share.

**22.** It is needless to mention herein that, the very object of the IBC is, "Resolution is the rule and Liquidation is an exception", liquidation brings the life of a Corporate to an end. It destroys organizational capital and renders resources idle till reallocation to alternate uses. Further, it is inequitable as it considers the claims of a set of stakeholders only, if there is any surplus after satisfying the claims of a prior set of stakeholders fully. The IB Code' therefore does not allow liquidation of a corporate debtor directly. It allows liquidation only on failure of 'Corporate Insolvency Resolution Process'. It rather facilitates and encourages resolution in several ways.

- ◆ The said objective of the Resolution Plan is affirmed in the decision in the matter of *K. Sashidhar v. Indian Overseas Bank* [\[2019\] 102 taxmann.com 139/152 SCL 312 \(SC\)](#). The Supreme Court has observed that National Company Law Tribunal has no jurisdiction and authority to analyse or evaluate the commercial decision of the Committee of Creditors (CoC) to enquire into the justness of the rejection of the Resolution Plan by the dissenting Financial Creditors.
  - Keeping in view such object behind the enactment of the Code, intention of the Legislature, that the priority is to be given to the "Resolution than Liquidation" in the larger interests of the public, workmen, stakeholders and the other employees of the corporate debtors in the interest of justice and in order to achieve the object of the Code and liquidation of a company can only be as a last resort, wherein, all efforts for bringing Resolution Plan were failed or it cannot be found workable in the larger public interest. Hence, now the approval of Resolution Plan by this Adjudicating Authority is rule as per the Apex Court's decision in the matter of *K. Sashidhar (supra)* as discussed above.

**23.** Under the facts and the circumstances as narrated and discussed in sequel hereinabove, the Resolution Plan with modified time frame in respect of mode of payment to Financial Creditors/Operational

Creditors/Other stakeholders if any, or as the case may be is/are allowed and accordingly the modification/concession/relaxation, so sought for, by the resolution applicant is/are also part of the Resolution Plan dated 12-12-2020 and also the part of the record order.

- ◆ Apart from the above observation and direction, it is further directed/observed that;
  - (i) The approved Resolution Plan shall come into force with immediate effect.
  - (ii) The Resolution Plan shall be subject to the various existing laws in force and shall also confirm to such other requirements specified by the Board and other Statutory/Competent Authorities, as the case may be.
  - (iii) The resolution applicant(s) shall pursuant to the Resolution Plan approved under section 31(1) of the Code, obtain the necessary approvals required under any laws for the time being in force within a period of one year from the date of approval of the Resolution Plan by the Adjudicating Authority under section 31(1) or within such period as provided for in such law, whichever is later or as the case may be.
  - (iv) The Resolution Professional shall forward all records relating to the conduct of the corporate insolvency resolution process and Resolution Plan to the Insolvency and Bankruptcy Board of India to be recorded on its database.

**24.** In view of the Above, this Adjudicating Authority, is of the considered opinion and also being satisfied that the Resolution Plan as approved by the Committee of Creditors (CoC) meets the requirements as provided under section 30(2) of the Code, along with revised/concession/relaxation, so sought for, by resolution applicant on the timeline of payment to Financial Creditors/Operational Creditors and/or other stakeholders, as the case may be, which also became part and parcel of Resolution Plan dated 12-2-2020.

**25.** Accordingly, IA 144/19 is allowed with modifications in the timeline for payment to the Financial Creditors/Operational Creditors and/or other stakeholders, if any.

**26.** Other IA's if any pending stand infructuous and stand disposed off.