

Moratorium under Section 14 IBC covers section 138 Negotiable Instrument Act proceedings against Corporate Debtor.

CASE TITLE	In the matter of P. Mohanraj & Ors. Vs. Shah Brothers Ispat Pvt. Ltd. 1
CASE CITATION	CIVIL APPEAL NO.10355 OF 2018
DATE OF ORDER	01.03.2021
COURT/TRIBUNAL	Supreme Court
CASES REFERRED	Aneeta Hada v. Godfather Travels & Tours (P) Ltd BSI Ltd. v. Gift Holdings (P) Ltd S.V. Kandeakar v. V.M. Deshpande Sudarshan Chits (I) Ltd. v. O. Sukumaran Pillai Indorama Synthetics (I) Ltd. v. State of Maharashtra Power Grid Corporation of India Ltd. v. Jyoti Structures Ltd Tayal Cotton Pvt. Ltd. v. State of Maharashtra M/s MBL Infrastructure Ltd. v. Manik Chand Somani
SECTION/REGULATION REFERRED	Section 14 of IBC, 2016

Brief of the case:

The important question that arises in this appeal is whether the institution or continuation of a proceeding under Section 138/141 of the Negotiable Instruments Act can be said to be covered by the moratorium provision, namely, Section 14 of the IBC.

Decision:

Hon'ble Supreme Court held:

“78. In conclusion, disagreeing with the Bombay High Court and the Calcutta High Court judgments in Tayal Cotton Pvt. Ltd. v. State of Maharashtra, 2018 SCC OnLine Bom 2069 : (2019) 1 Mah LJ 312 and M/s MBL Infrastructure Ltd. v. Manik Chand Somani, CRR 3456/2018 (Calcutta High Court; decided on 16.04.2019), respectively, we hold that a Section 138/141 proceeding against a corporate debtor is covered by Section 14(1)(a) of the IBC...All these writ petitions have been filed under Article 32 of the Constitution of India by erstwhile Directors/persons in charge of and responsible for the conduct of the business of the corporate debtor. They are all premised upon the fact that Section 138 proceedings are covered by Section 14 of the IBC and hence, cannot continue against the corporate debtor and consequently, against the petitioners.”

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