



**IN THE NATIONAL COMPANY LAW TRIBUNAL MUMBAI - BENCH-VI**

**CP (IB) No. 1065/MB/2023**

*[Under Section 7 of the Insolvency and Bankruptcy Code, 2016 r/w Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016]*

IN THE MATTER OF:

**AXIS BANK LIMITED**

[CIN: 65110GJ1993PLC020769]

**Registered Office:** Trishul, 3<sup>rd</sup> Floor

Opposite Samartheshwar Temple

Law Garden Ellisbridge

Ahmedabad-380006, Gujarat.

**Corporate Office:** Axis House C-2, Wadia International Centre,

Pandurang Budhkar Marg, Worli

Mumbai - 400025, Maharashtra.

**...Financial Creditor**

V/s

**DIGITAL VENTURES PRIVATE LIMITED**

[CIN: U72900MH2006PTC165215]

**Registered Office:** 135, Continental Building

Dr. Annie Besant Road, Worli

Mumbai - 400018, Maharashtra.

**...Corporate Debtor**

Pronounced: 19.11.2024

**CORAM:**

**HON'BLE SHRI K. R. SAJI KUMAR, MEMBER (JUDICIAL)**

**HON'BLE SHRI SANJIV DUTT, MEMBER (TECHNICAL)**

***Hearing: Hybrid***



**Appearances:**

Financial Creditor: Sr. Adv. Ashish Kamat a/w Adv. Sairam Subramanian,  
Adv. Saloni Shah, Bhavika Deora, Adv. Jewel Bhateja and  
Adv. Ananya Nair i/b. Saraf and Partners

Corporate Debtor: Adv. Rohit Gupta a/w Adv. Abha Patel and Rubina Khan  
i/b. Fortis India Law

**ORDER**

***[PER: K. R. SAJI KUMAR, MEMBER (JUDICIAL)]***

**1. BACKGROUND**

1.1 This Company Petition, C.P. (IB) No. 1065/MB/2023 (Application) was filed on 16.10.2023 under Section 7 of the Insolvency and Bankruptcy Code, 2016 (IBC) read with Rule 4 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 (AA Rules) by Axis Bank Limited, the Financial Creditor (FC), for initiating Corporate Insolvency Resolution Process (CIRP) in respect of Digital Ventures Private Limited, the Corporate Debtor (CD).

1.2 The total amount of default alleged is Rs.106,35,42,647.20/- (One Hundred and Six Crore Thirty-Five Lakh Forty-Two Thousand Six Hundred Forty-Seven Rupees and Twenty Paise) as on 04.09.2023 consisting of principal amount of Rs.82,21,47,329.78/- with interest of Rs.23,53,47,981.12/- from 01.07.2021 to 04.09.2023, calculated at the rate of 12.9% per annum and penal interest of Rs. 60,47,336.30/- for the said period calculated at the rate of 1% on the overdue interest/instalment. It is based on default in repayment of a loan for Rs.125,00,00,000/- sanctioned by the FC to the CD.



1.3 The date of default as mentioned in Part IV of the Application is 31.03.2021 i.e., the date on which the CD defaulted in repayment of credit facilities and its loan account was classified as Non-Performing Asset (NPA) by the FC on 30.06.2021. Since the CD defaulted in payment of its outstanding dues, the FC prays that CIRP may be initiated in respect of the CD under Section 7 of the IBC.

## **2. CONTENTIONS OF FC**

2.1 It is submitted that the FC is a Banking Financial Company registered under the Companies Act, 1956, while the CD is a private company, engaged in the business of owning and maintaining school infrastructure assets in Mumbai, Karnal, etc. For the purpose of repaying the existing lenders and funding the capital expenditure of construction of a school at Bandra-Kurla Complex in Mumbai, the CD obtained rupee term loan facility of Rs. 125,00,00,000/- (Facility) from the FC *vide* Sanction Letter dated 08.09.2014 and Common Loan Agreement dated 25.09.2014 (CLA). Further, a Corporate Guarantee dated 25.08.2014 was also executed by Zee Learn Limited (100% holding company of the CD, the Corporate Guarantor) for creation of security as per the terms of the CLA.

2.2 To secure loan from the FC, the CD produced several documents such as:

- a) Deed of Hypothecation dated 25.09.2014 by the CD with the Security Trustee;
- b) Deed of Hypothecation by the CD dated 25.09.2014 with Transnational Alternate Learning for Emancipation and Empowerment



through Multimedia Research Foundation (TALEEM), a Gujarat based charitable trust;

- c) Undertaking by TALEEM dated 25.09.2014;
- d) Promoter's Undertaking dated 25.09.2014; and
- e) Certificates dated 14.09.2023 under Section 2(A)(a) of the Banker's Books of Evidence Act, 1891.

2.3 Under the CLA, the principal instalments under the Facility fell due quarterly and the interest instalments fell due monthly.

2.4 The FC *vide* Deed of Assignment dated 30.03.2015, assigned part of the Facility aggregating Rs.25,00,00,000/- to Tamilnad Mercantile Bank Limited (TMBL). Accordingly, the CLA was amended by the First Amendment Agreement to the CLA dated 30.03.2015.

2.5 The Reserve Bank of India (RBI) issued the COVID-19 Regulatory Package *vide* Circulars dated 27.03.2020; 17.04.2020; and 23.05.2020 (COVID-19 Regulatory Package) under which the financial institutions were permitted to grant moratorium on payment of instalments falling between 01.03.2020 and 31.08.2020 (moratorium period). As per the same, the classification of the assets of the accounts to which the moratorium was granted was to be done in terms of the revised payment schedule.

2.6 The CD, *vide* its emails dated 31.05.2020 and 30.06.2020 addressed to the FC, not only sought deferment of payment of its dues under the Facility but also requested for conversion of outstanding interest relating to the moratorium period into Funded Interest Term Loan (FITL) and extension of the Facility for a period of six months from the original date of maturity.



2.7 Subsequently, the FC, by email dated 03.07.2020, accepted the CD's request for moratorium and extension of tenure of the Facility. The CD then sent the FC an unsigned letter dated 31.08.2020 seeking conversion of its interest dues into FITL. Pursuant to this, the FC confirmed the conversion of outstanding interest to the extent of Rs. 5,58,67,719.18/- into a FITL account, *vide* email dated 29.09.2020. According to the said email, the outstanding interest was to be repaid in 27 instalments, commencing from 30.09.2020.

2.8 The FC, however, appropriated funds from the Debt Service Reserve Account (DSRA) of the CD on 19.12.2020 in accordance with Clause 7.2 of the CLA, which cured the default and event of default of the CD on 30.09.2020. However, the CD defaulted in making payment of its dues under the Facility on 31.12.2020. Later, the FC appropriated funds from the CD's current account on 30.03.2021 due to insufficiency of funds in the CD's DSRA, which again cured the CD's default that occurred on 31.12.2020. However, the CD continued to default in payment of its dues under the Facility on and after 31.03.2021, and pursuant to this, its loan account was classified as NPA and the default occurred on 30.09.2021 and 31.12.2021. Against the CD's outstanding dues of Rs.91.62 Crore with interest as on 30.06.2021, the FC issued Loan Recall Notice on 05.01.2022, which was not replied by the CD. Following the non-response of the CD to the Loan Recall Notice, the FC issued Demand Notice on 07.02.2022 for the outstanding Rs.91.62 Crore.

2.9 The CD acknowledged existence of debt and default under the Facility in its Annual Returns for the Financial Years (FYs) 2021-2022 and 2022-2023 and it was also acknowledged by its Corporate Guarantor in its Annual Report for



the FY 2022-2023. The FC has produced evidence of CD's default by way of the records of the Information Utility (IU) as on 30.06.2023, and Credit Information Bureau India Limited (CIBIL) Report as on 18.09.2023. Both the Reports record 30.06.2021, i.e., the date of NPA, as the date of default.

2.10 Emails of the FC for the period from June, 2023 to December 2023 have also been placed on record, *vide* which the FC, despite declaring the accounts of the CD as NPA, approved the payment of operational costs of the CD in excess of One Crore Rupees to assist the CD in its smooth functioning and to help it in discharging its obligations under the Facility.

2.11 In view of the above debt and default by the CD, the FC prays that CIRP may be initiated against it.

### **3. CONTENTIONS OF CD**

3.1 According to the CD, the present Application is barred by Section 10A of the IBC. Claim of the FC that 31.03.2021 is date of default is misplaced since the terms of Facility were governed by CLA dated 25.09.2014. The CD actually failed to make payment of principal and/or interest for the period between March, 2020 to March, 2021, with the first default happening on 31.03.2020, as it failed to pay interest for the month of March, 2020. Since the first default happened on 31.03.2020, and not 31.03.2021, as claimed, the default is within the CIRP suspension period under Section 10A of IBC. Therefore, the Application is hit by Section 10A of IBC.

3.2 The FC failed to produce any document as evidence other than an account statement regarding sanctioning of FITL to the CD. The principal amount was



due to be paid on 01.09.2020, i.e., the period after the expiry of moratorium granted by the FC, as per COVID-19 Regulatory Package. Since the principal amount was not paid on 01.09.2020, that date should be considered as default while the said FITL would cover merely the interest overdues not paid from 31.03.2020 to 30.08.2020. According to the CD, the principal amount cannot be converted into FITL.

3.3 There was no extension of moratorium period after 31.08.2020. It is also clear that after September, 2020, there was no extension or even conversion of the loans. It is admitted position by the FC itself that the default occurred in September, 2020, and, therefore, they exercised rights on DSRA account. The FC cannot, on one hand, contend that they exercised the right on DSRA account because of the default clause, and at the same time contend that by exercising that right, default got cured.

3.4 Non-replenishment of DSRA account by the CD itself amounts to default and it is admitted position that on 31.12.2020, there was no money left in the DSRA account for repayment of principal and interest, and therefore, in that event also there was a default within the CIRP prohibition period, making the Application unmaintainable under Section 10A of the IBC.

3.5 The nature of transaction between the FC and the CD had been changed from a simpliciter loan transaction to that of debt restructuring, in which the CD gave a settlement proposal for cut-back mechanism, to the extent of 2%, from the operating cash flows of CD's school from 30.06.2021 onwards. This was accepted by the FC as well as TMBL as evident from the minutes of the Joint Lenders Meeting (JLM) dated 28.02.2022. It was later agreed to revise



the use of operating cash flows to 5% from 2%, from June, 2021 to March, 2022, and 10% from April, 2022. Thus, the percentage of cut-back mechanism was to be reviewed every three months till the implementation of viable resolution plan. This subsequent arrangement amounted to novation of contract between the parties, and, hence, the instant Application, based on the previous contract is not maintainable.

3.6 This AA has to apply the discretion to either dismiss the Application or keep it in abeyance, considering the adverse circumstances faced by the CD due to COVID-19 pandemic and other issues, including non-performance of obligations by the FC towards the CD, in the light of the Hon'ble Supreme Court's decision in *Vidarbha Industries Power Limited Vs. Axis Bank Limited*, [Civil Appeal No. 4633 of 2021].

3.7 The FC has approached this Tribunal with malafide intention to harass the CD for recovery purposes which is contrary to the objectives of the IBC. Hence, the present Application is not maintainable, according to the CD.

#### **4. REJOINDER OF FC**

4.1 In the Rejoinder, the FC submitted that it has not suppressed any material fact and that the CD was granted moratorium on payment of instalments due under the Facility while complying with the COVID-19 Regulatory package. According to the FC, moratorium was granted on the request of the CD itself, which it had falsely denied in its Reply.

4.2 The CD, *vide* emails dated 29.03.2020; 03.04.2020; 31.05.2020; and 30.06.2020, sought deferment of payment of its dues under the Facility. All





the emails containing the requests were marked to their directors, Mr. Vikash Kar and Mr Rakesh Agarwal. These two individuals were directors of the CD at the relevant time, as evident from the Annual Return of the CD for the FY 2020-2021. Hence, there is clear evidence of admission of debt by the CD.

4.3 Contrary to the CD's contention, the claim of the FC is not barred by Section 10A of the IBC as the first default happened on 31.09.2020, due to non-payment of principal amounts, but this was later regularised by appropriating funds from DSRA of the CD. However, since the CD failed to make payment of the quarterly instalment for March, 2021, i.e., 31.03.2021, this date is considered as the event of default in terms of Clause 7.1 of the CLA. Further, the FC notified the CD of this fact of default, when its loan account was declared as NPA on 30.06.2021, as per the COVID-19 Regulatory Package. Since 31.03.2021 and 30.06.2021 are outside the prohibition period of Section 10A, the claim is not barred under Section 10A. The Annual Return of the CD for the FY 2020-2021 indicates that it had acknowledged its debt due to the FC.

4.4 The Application does not suffer from any defect as the date of default is correctly mentioned in Part-IV of the Application. Further, the CD has not been discharged of its liability merely on ground of temporary arrangement in the form of moratorium or cut-back mechanism, which the CD cannot claim as novation of the original contract.



## **5. ANALYSIS AND FINDINGS**

5.1 We have perused all the documents and pleadings and heard both the Ld. Counsel for the FC and the CD.

5.2 The issues to be determined in the case are (i) Whether the Application is hit by Section 10A of IBC; (ii) Whether there was novation of contract; and (iii) Whether the law laid down by the Hon'ble Supreme Court *Vidarbha* (supra) is applicable in the matter. Now, let us examine the issues.

5.3 As far as applicability of Section 10A of IBC is concerned, on perusal of available documents, we find that the FC mentioned 30.06.2021, i.e., the date of declaring CD's loan account as NPA, as the date of default in Part-IV of the Application. The Ld. Counsel for the CD, however, opposed this date as the default date on the ground that the actual date of default should be 31.03.2020, i.e., when the CD first failed to make payment of interest for the month of March, 2020. According to him, since the default occurred between March, 2020 to March, 2021, the default is within the CIRP suspension period under Section 10A of the IBC. However, on perusal of records, it is noticed that the FC granted the CD moratorium in payment of interest as well as conversion of outstanding interest into FITL, on the CD's repeated requests, and in compliance with the COVID-19 Regulatory Package of RBI. In other words, as requested by the CD, the outstanding interest due and payable by the CD was converted into FITL, which was to be repaid in 27 instalments beginning from 30.09.2020. The law is settled that a financial creditor is not under obligation to initiate CIRP at the very first instance of default committed by a corporate debtor. In the circumstances, we feel that 31.03.2021 ought



to be taken as the date of default for the purposes of Section 7 of the IBC when the CD failed to make payment of the quarterly instalment of the principal debt. Since the earlier defaults made by the CD were regularised by the FC from the funds of DSRA of the CD, no default actually existed as on 31.03.2020. That means, only after default in payment of principal instalment fell due later on 31.03.2021, the CD's loan account was classified as NPA on 30.06.2021. Also, the available documents do not show that any dispute was ever raised by the CD over the alleged debt and default. In fact, the CD's Annual Returns for the FYs 2021-2022 and 2022-2023 clearly show acknowledgement of debt to the FC beyond the threshold under Section 4 of the IBC. Law is settled that acknowledgement of debt in the books of a corporate debtor is a valid proof of debt and default as reflected in the decision of the Hon'ble NCLAT, New Delhi, in *Gouri Shankar Chatterjee Vs. State Bank of India and Ors.*, [2023 SCC OnLine NCLAT 911]. Moreover, the default continued even after 31.03.2021. In any event, even after declaration of the CD's account as NPA on 30.06.2021, the default continued. Thus, the bar under Section 10A of the IBC has no application to the facts of the present Application, and therefore, this issue is decided against the CD.

5.4 As regards the issue of novation of contract, we find that there was a temporary cut-back arrangement between the parties, in which the CD had agreed to make certain percentages of payments to the FC from the operational funds generated by it. Upon perusal of the Minutes of the JLM dated 28.02.2022, and email dated 21.02.2022, we observe that the CD sought 40 days' time from the lenders including the FC and TMBL for



submitting a resolution plan under the RBI Circular dated 07.06.2019. Further, the CD was informed by the FC, of the dishonour of cheques issued by it. In this background, there is nothing to suggest that the default of the CD was waived off by the lenders, including the FC. In fact, the CD failed to submit any resolution plan despite extension of time-limit in the JLM dated 12.05.2022. The Minutes of the JLM dated 28.02.2022 and 12.05.2022, reveal the cut-back mechanism which was of a temporary nature. In the absence of any resolution plan by the CD, the cut-back mechanism cannot be treated as a novation of contract, especially in the absence of any clear-cut agreement between the parties for substitution of the original contract by the cut-back mechanism. Therefore, we hold that a temporary method of certain percentages of repayment of a financial debt by way of cut-back mechanism cannot change the original binding contract between the FC and the CD, and would not take the character of novation of the original contract. The present Application is filed by the FC on the basis of outstanding financial debt, which the CD itself has acknowledged in its Annual Returns. The FC had even allowed the CD to operate the accounts of TALEEM as well as released various amounts between June, 2023 to December, 2023, for ensuring continued business operations of the CD, to avoid any adverse effect on its operations, considering the nature of its business. Hence, we hold that such a stop-gap arrangement of certain payment of original debt by the CD cannot waive its financial obligation to the FC, and change the character of debt and default. It is to be borne in mind that such an arrangement was chosen by the CD due to its inability to service the debt.



This method of payment of debt would not absolve the CD's financial liability, which otherwise has already become a "financial debt" within the meaning of Section 5(8) of the IBC. Thus, this issue is also decided against the CD.

5.5 The CD, in its reply, raised various defences but it has nowhere challenged the disbursement of the Facility. On the other hand, the CD has accepted that COVID-19 pandemic has severely impacted their operations affecting cash inflow. All of the above facts are sufficient to prove that the CD's business was badly hit by the pandemic and hence it was unable to pay its debt.

5.6 Now let us deal with the issue as to the applicability of the law propounded by the Hon'ble Supreme Court in *Vidarbha Industries* (Supra) in the present matter. The plea raised by the CD is that it is running schools and other educational institutions, and since it is a victim of circumstances, the Application deserves to be kept in abeyance by applying the principle enunciated in *Vidarbha*. It may be true, as argued by the Ld. Counsel for the CD, that the CD is in the red today due to pandemic and other reasons beyond control of the CD. However, we feel that when debt and default are proved, reliance of the CD on *Vidarbha* is misplaced, especially when the Hon'ble Supreme Court has already clarified the legal position in *M. Suresh Kumar Reddy Vs. Canara Bank & Ors.* [Civil Appeal No. 7121/2022], by holding that once the NCLT is satisfied that the default has occurred, there is hardly any discretion left with it to refuse admission of an application under Section 7 of the IBC. The Hon'ble Supreme Court further clarified that '*Vidarbha principle*' was applicable to the factual scenario of *Vidarbha* specifically. Moreover, the Hon'ble NCLAT, New Delhi, in *Sunil Prakash Sahu*



*Vs. Kotak Mahindra Bank Limited and Ors.* [(2023) SCC OnLine NCLAT 226] held that the findings of *Vidarbha* were rendered in the particular facts of that case alone. Further, after *Vidarbha* matter was remanded to this Bench by the Hon'ble Supreme Court, we finally disposed of the same *vide* our Common Order dated 30.09.2024 in CP (IB) No. 264/MB/2020 & C.P.(IB) No. 1234/MB/2022. We feel that owing to the admission of 'Vidarbha Industries' into CIRP by us, the case specific attribute of '*Vidarbha* principle' has ultimately been put to rest. Hence, we are of the considered view that corporate debtors' incessant raising of the plea pertaining to the applicability of the '*Vidarbha principle*' to cases is nothing but a futile exercise. Advancing any such argument is totally misconceived and cannot be accepted. The facts of the present Application clearly prove the existence of debt and default by the CD, and it never refuted disbursal of the Facility but only challenged the maintainability of the Application on grounds of Section 10A of IBC; novation of contract; and applicability of *Vidarbha*. In light of the factual and legal considerations, and as discussed above, we decide this issue also against the CD.

5.7 The other contentions raised by the CD including the Hon'ble Supreme Court's landmark judgment in *Swiss Ribbons Pvt. Ltd. & Ors. Vs. UoI & Ors.* [WP(Civil) No. 99 of 2018] do not require consideration by us once financial debt and default are proved. We do not find any reason that justifies rejection of this Application. The application made by the FC is complete in all respects and as required by law. It clearly shows that the CD is in default of a debt due and payable, and the default is in excess of minimum amount stipulated



under section 4(1) of the IBC. In view of this, we find that this Application is fit to be admitted.

5.8 The FC has proposed the name of Mr. Pravin R. Navandar, a registered Insolvency Professional having Registration Number- IBBI/IPA-001/IP-P00008/2016-17/10027 as the Interim Resolution Professional (IRP), to carry out the functions as mentioned under the IBC. The proposed IRP has provided his written consent in Form 2 as required under Rule 9(1) of the AA Rules along with a copy of his Certificate of Registration and valid Authorisation for Assignment (AFA) which are placed on record.

### **ORDER**

This Application bearing C.P. (IB) No. 1065/MB/2023 under Section 7 of the IBC, filed by Axis Bank Limited, the FC, for initiating CIRP in respect of Digital Ventures Private Limited, the CD is **admitted**.

We further declare moratorium u/s 14 of the IBC, with consequential directions as follows:

I. We prohibit-

- a) the institution of suits or continuation of pending suits or proceedings against the CD including execution of any judgment, decree or order in any court of law, tribunal, arbitration panel or other authority;
- b) transferring, encumbering, alienating or disposing of by the CD any of its assets or any legal right or beneficial interest therein;
- c) any action to foreclose, recover or enforce any security interest created by the CD in respect of its property including any action under the



Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (54 of 2002);

d) the recovery of any property by an owner or lessor where such property is occupied by or in possession of the CD.

- II. That the supply of essential goods or services to the CD, if continuing, shall not be terminated or suspended or interrupted during the moratorium period.
- III. That the order of moratorium shall have effect from the date of this order till the completion of the CIRP or until this Bench approves the resolution plan under section 31(1) of the IBC or passes an order for the liquidation of the CD under section 33 thereof, as the case may be.
- IV. That the public announcement of the CIRP shall be made in accordance with the provisions of the IBC, the Rules and Regulations made thereunder.
- V. That this Bench hereby appoints **Mr. Pravin R. Navandar**, a registered Insolvency Professional having Registration Number- IBBI/IPA-001/IP-P00008/2016-17/10027 and **e-mail- pravin@prnco.in**, having valid Authorisation for Assignment up to 23.12.2024 as the Interim Resolution Professional (IRP) to carry out the functions under the IBC. The fee payable to IRP/RP shall be in accordance with the Regulations/Circulars issued by the IBBI.
- VI. During the CIRP Period, the management of the CD shall vest in the IRP or, as the case may be, the RP in terms of Section 17 or Section 25, as the case may be, of the IBC. The officers and managers of the CD shall provide all documents in their possession and furnish every information in their





knowledge to the IRP within a period of one week from the date of receipt of this Order, in default of which coercive steps will follow.

- VII. In exercise of the powers under Rule 11 of the NCLT Rules, we order the FC to deposit a sum of Rs.5,00,000/- (Five Lakh Rupees) with the IRP to meet the initial CIRP cost, if demanded by the IRP to fund initial expenses on issuing public notice and inviting claims, etc. The amount so deposited shall be interim finance and paid back to the FC on priority upon the funds available with IRP/RP. The expenses, incurred by IRP out of this fund, are subject to approval by the Committee of Creditors (CoC).
- VIII. A copy of this Order be sent to the Registrar of Companies, Mumbai Maharashtra, for updating the Master Data of the CD.
- IX. Registry is directed to immediately communicate this Order to the FC, the CD and the IRP by way of e-mail and WhatsApp, not later than two days from the date of this Order.
- X. The Registry is directed to communicate this order to the Insolvency and Bankruptcy Board of India forthwith for information and record.

**Compliance report of the order by Designated Registrar is to be submitted today.**

**Sd/-  
SANJIV DUTT  
MEMBER (TECHNICAL)**

**Sd/-  
K. R. SAJI KUMAR  
MEMBER (JUDICIAL)**

//Tanmay Jain//