

NCLT admits VHM Industries for insolvency

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Synopsis

The decision of the Mumbai bench of the National Company Law Tribunal (NCLT) came on a petition filed by the State Bank of India. The lender had approached the bankruptcy court in 2019 after the company defaulted on dues of more than ₹221 crore.



The bankruptcy court has admitted [VHM Industries](#) to undergo the corporate insolvency resolution process ([CIRP](#)) and appointed Sunil Kumar Agarwal as the interim resolution professional for the Mumbai-based textile manufacturer.

The decision of the Mumbai bench of the [National Company Law Tribunal \(NCLT\)](#) came on a petition filed by [State Bank of India](#). The lender had approached the bankruptcy court in 2019 after the company defaulted on dues of more than Rs 221 crore.

The supply of essential goods and services to the company should not be terminated, suspended or interrupted during the moratorium period under the CIRP, the NCLT bench of members HV Subba Rao and Anuradha Sanjay Bhatia said in an order dated December 16.

VHM Industries has two manufacturing facilities, one each in Gujarat and Maharashtra, and has an installed production capacity of 18 million metres of textiles per annum.

Prior to the tribunal's ruling, the company through its counsel argued that it had made several attempts to arrive at an amicable resolution with its consortium of lenders, where it had first offered Rs 61 crore as a one-time settlement and increased that to Rs 76.28 crore when the lenders rejected it.

The lender argued through its counsel that no bank could be compelled to accept a lesser amount under the one-time-settlement scheme when the bank could recover the entire loan amount.

“When the loan is disbursed by the bank and the outstanding amount is due and payable to the bank, it will always take a conscious decision in the interest of the bank and in its commercial wisdom,” argued the lender. “Therefore, the decision taken by the bank to reject the OTS proposal is done in its commercial wisdom,” the counsel said.

Kunal K Nanavati, managing partner of law firm Nanavati Associates, said manufacturing firms, especially in sectors such as textiles, auto and power,

have seen active interest from the bidders, mainly for companies that have a steady business and clientele but were facing challenges due to high levels of debt.

The company's workers had filed an application challenging SBI's plea. According to them, if the bank's petition was admitted, the company's employees numbering about 2,000 could lose their jobs.

This is the second large textile manufacturing firm to be admitted under the CIRP in the past two months. Last month, the tribunal admitted S Kumars Ltd for insolvency resolution after it defaulted on more than Rs 414 crore.

Since the inception of the Insolvency & Bankruptcy Code, several textile and clothing brands — including S Kumar Ltd, Digjam, Alok Industries, Reid & Taylor India, S Kumars Nationwide, Mandhana Industries and Provogue — have been referred for debt resolution.

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