

IN THE HIGH COURT FOR THE STATE OF TELANGANA
AT HYDERABAD

FRIDAY, THE FIRST DAY OF MAY
TWO THOUSAND AND TWENTY

: PRESENT:

THE HON'BLE SRI JUSTICE K.LAKSHMAN

IA No. 3 OF 2020

IN

WP NO: 6573 OF 2020

Between:

1. M/s. Pennar Industries Limited, rep. by its Chief Financial Officer, Mr. J. S. Krishna Prasad, 3rd Floor, West Wing, DHFLVC Silicon Towers, Kondapur, Hyderabad-500 084.
2. J. S. Krishna Prasad, S/o. J Purnaiah Sastry

...Petitioners

(Petitioners in WP 6573 OF 2020
on the file of High Court)

AND

1. The Reserve Bank of India, 6-1-56, Secretariat Road, Saifabad, Hyderabad - 500 004
2. Yes Bank, Corporate Head Quarters, Yes Bank Tower, IFC - 2, 15th Floor, Senapati Bapat Marg, Elphinstone (W), Mumbai 400 013.
Also at Yes Bank, Ground Floor, Mayank Towers, Sy No. 31 and 31/2, Raj Bhavan Road, Somajiguda, Hyderabad - 500 082.

...Respondents

(Respondents in-do-)

Counsel for the Petitioners:

SRI K SIDDHARTH RAO

Counsel for the Respondents:

Petition under Section 151 CPC praying that in the circumstances stated in the affidavit filed in support of the writ petition, the High Court may be pleased to direct the 2nd respondent not to debit the amounts due under Letter of Credit numbers 005LM02200370001, 005LM0220038005, 005LM02200420001, 594LM02192630005, 005LM02200490006, 594LM02193500001, 594LM02200480004, 005LM02200550005, 005LM02200590002, 005LM02193600001, 594LM02200350008 and 594LM02200280001 from the account of the 1st petitioner by granting a moratorium of 90 days and not taking any coercive action including charging any penal/ ancillary interest upon development of the above Letters of Credit, pending disposal of WP No. 6573 of 2020, on the file of the High Court.

The court while directing issue of notice to the Respondents herein to show cause as to why this application should not be complied with, made the following order.(The receipt of this order will be deemed to be the receipt of notice in the case).

ORDER:

“The Writ Petition is filed aggrieved by the action of respondent No.1 in not granting appropriate reliefs including moratorium of payment of due letters of credit to various business entities availing working capital facilities from banks and accord same benefits as provided to term loans in lieu of global pandemic lockdown caused by COVID-19.

Sri K.Siddharth Rao, learned counsel for the petitioners, would submit that petitioner No.1 is a financially viable establishment and has remained profitable for the last 10 years. They have been repaying the loans to its financial institutions including respondent No.2. Absolutely there are no dues/arrears of loans of whatsoever by the petitioners. The petitioners have availed letter of credits (LCs) as non-refund based working capital from respondent No.2 Bank. Respondent No.1 vide circular dated 27.03.2020, granted certain reliefs to the borrowers of term loans and working capital facilities. Respondent No.1 also issued another circular dated 17.04.2020 informing all the commercial banks and others that in terms of the circular dated 27.03.2020 (Regulatory Package),

the lending institutions were permitted to grant a moratorium of three months on payment of all term loan instalments falling due between March 1, 2020 and May 31, 2020 (moratorium period). As such, in line with the clarification provided by the Basel Committee on Banking Supervision, in respect of all accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the IRAC norms. It is also stated in the said circular that in respect of working capital facilities sanctioned in the form of cash credit/overdraft (CC/OD), the Regulatory Package permitted the recovery of interest applied during the period from March 1, 2020 upto May 31, 2020 to be deferred (deferment period). Such deferment period, wherever granted in respect of all facilities classified as standard, including SMA, as on February 29, 2020, shall be excluded for the determination of out of order status.

Learned counsel for the petitioners would further contend that the World Health Organization has declared COVID-19 as Pandemic on 13.03.2020 and subsequently, lockdown was imposed from 25.03.2020 to 14.04.2020 and the same was extended till 03.05.2020 by the Union of India. The said lockdown has caused wide spread destruction of the business of the petitioners, more specifically, a complete halt in the supply and delivery chain. It is a force majeure.

Learned counsel for the petitioners would further submit that petitioner No.1 has availed various Letter of Credits from various bankers and pays all its vendors/contractors through Letter of Credits and there is no default. An amount of Rs.199.79 crores is the outstanding payable as per the said Letter of Credits from 01.03.2020 to 31.05.2020. Petitioner No.1 has requested its vendors and has postponed/extended the encashing of Letter of Credits to a tune of Rs.51.06 crores. The outstanding amounts of Rs.68.07 crores payable in the month of May, 2020 are being negotiated with vendors of petitioner No.1 for grant of extension of encashment.

Learned counsel for the petitioners would further submit that petitioner No.1 has availed Letter of Credits from respondent NO.2 bank vide sanction letter dated 21.01.2020 and is operating from its account with Somajiguda Branch of respondent No.2 bank. He would further submit that the respondents are not extending the benefits/reliefs to the petitioners pursuant to the above said circulars dated 27.03.2020 and 17.04.2020 issued by respondent No.1 as were granted in respect of working capitals and cash credit limits/overdrafts. The respondents are also not granting deferment of loans, penalties and on the other hand, they have been resorting to various coercive methods including imposition of ancillary interest on the ground of non-payment of dues/arrears.