

Moratorium under the IBC

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By Ashwarya Sharma, Advocate | Co-Founder & Legal Head, RB LawCorp

1. Introduction

THE Insolvency and Bankruptcy Code, 2016 ("IBC") was enacted with the objective of ensuring revival and continuation of distressed corporate entities as going concerns while balancing the interests of all stakeholders. One of the most crucial mechanisms employed by the Code to achieve this objective is the declaration of moratorium under Section 14, which creates a statutory calm period insulating the corporate debtor from coercive proceedings and depletion of assets during the Corporate Insolvency Resolution Process ("CIRP").

The decision of the Hon'ble Gujarat High Court in *Gujarat Industrial Development Corporation Versus Gujarat Hydrocarbons and Power SEZ Limited and Others- [2026-TIOLCORP-14-HC-AHM-IBC](#)* reiterates this foundational principle of insolvency jurisprudence. The judgment assumes considerable significance as it examines the interplay between Section 14 of the IBC, Government grants and leases, eviction proceedings under the Public Premises Act, and the enforceability of ipso facto clauses during the moratorium period. The ruling is particularly important in the contemporary insolvency landscape where statutory authorities and government bodies frequently attempt to terminate leases, licences, concessions and development rights during CIRP on grounds ostensibly independent of insolvency. The Court has emphatically held that such actions cannot be permitted if they undermine the status of the corporate debtor as a going concern or result in depletion of its assets during the moratorium period.

2. Factual Background

The dispute arose in relation to land leased by Gujarat Industrial Development Corporation ("GIDC") to Gujarat Hydrocarbons and Power SEZ Limited for a period of 99 years for the purpose of operation, maintenance, management and administration of a Special Economic Zone in the State of Gujarat.

According to GIDC, the corporate debtor had persistently breached the conditions of the lease deed and failed to undertake the requisite development activities despite repeated opportunities. It was also alleged that substantial amounts towards rent, instalments and revenue charges amounting to approximately Rs. 18 crores remained unpaid. Consequently, GIDC proceeded to terminate the lease deed by invoking the "*Breach of Covenant*" clause and thereafter initiated eviction proceedings under the Gujarat Public Premises (Eviction of Unauthorized Occupants) Act, 1972.

However, by this stage, CIRP had already been initiated against the corporate debtor and moratorium under Section 14 of the IBC was in operation. Challenging both the termination order and the eviction proceedings, the corporate debtor approached the High Court contending that the actions of GIDC were ex facie barred during the subsistence of moratorium.

3. Submissions on Behalf of GIDC

On behalf of GIDC, it was argued that the lease deed itself contained a contractual right of termination and the termination order had been passed strictly in accordance with the "*Breach of Covenant*" clause. It was submitted that Section 14(1)(d) of the IBC would prohibit termination only where the Explanation attached thereto was attracted, namely where termination occurred solely on account of insolvency.

The appellant contended that the Explanation appended to Section 14(1) restricted the operation of the main provision and clarified that only insolvency-triggered termination stood prohibited. Since the lease had been terminated for independent contractual breaches and non-development of the SEZ project, the action was argued to be legally sustainable.

GIDC additionally argued that proceedings under the Public Premises Act were summary and quasi-judicial in nature and could not be equated with "*civil proceedings*" contemplated under Section 14(1) (a). According to the appellant, the expression "*proceedings*" occurring in Section 14 ought to be interpreted ejusdem generis with suits, decrees and execution proceedings and therefore could not include proceedings before an Estate Officer exercising statutory powers under the Public Premises Act.

The appellant also questioned the jurisdiction of NCLT and NCLAT over disputes concerning validity of eviction proceedings under the Public Premises Act and contended that such disputes fell outside the framework of insolvency proceedings altogether.

4. Submissions on Behalf of the Corporate Debtor

The corporate debtor, on the other hand, asserted that both the termination order and eviction proceedings were directly hit by Section 14(1)(d), which expressly prohibits recovery of property by an owner or lessor where such property is in possession of the corporate debtor during the moratorium period.

It was pointed out that GIDC had actively participated in the CIRP and had already filed its claims before the Resolution Professional. The respondent further relied upon the approved resolution plan to demonstrate that the Successful Resolution Applicant had undertaken substantial commitments for development of the SEZ project and revival of the corporate debtor.

The respondent emphasized that the leased premises constituted the sole and most valuable asset of the corporate debtor and any attempt to terminate the lease or evict the company during CIRP would completely frustrate the insolvency resolution process and destroy the value of the corporate debtor as a going concern.

5. Findings of the High Court

5.1 Proceedings before the Learned Single Judge

The learned Single Judge allowed the writ petitions and quashed both the termination order and the eviction proceedings initiated by GIDC. The Court held that the leased land constituted "*property*" within the meaning of Section 3(27) of the IBC and since the same remained in possession of the corporate debtor pursuant to a subsisting lease, recovery thereof by the lessor during moratorium was expressly prohibited under Section 14(1)(d).

The Single Judge further held that the Explanation to Section 14(1) could not be interpreted in a manner that would dilute or nullify the protection afforded under the main provision.

5.2 Interpretation of Section 14 by the Division Bench

Affirming the judgment of the Single Judge, the Division Bench undertook an extensive examination of Section 14 and the legislative object underlying moratorium.

The Court observed that a plain reading of clauses (a) to (d) of Section 14 clearly manifests the legislative intent that once CIRP commences, there shall be a complete prohibition against recovery of property or initiation of proceedings that may deplete the assets of the corporate debtor.

The Court categorically rejected the argument that the term "*proceedings*" under Section 14(1)(a) was confined only to civil proceedings. Interpreting the language employed in the provision, the Court held that the expression "*institution of suits*" constituted one category, while the disjunctive "or" preceding the term "*proceedings*" created an independent and wider category. The Court noted that the use of expressions such as "*any court of law, Tribunal, arbitration panel or other authority*" unmistakably indicated the wide ambit of the provision. Consequently, proceedings before statutory or quasi-judicial authorities, including proceedings under the Public Premises Act, would also stand prohibited during the moratorium period.

Significantly, the Court rejected the invocation of interpretative principles such as **ejusdem generis and noscitur a sociis** for narrowing the meaning of the word "*proceedings*". The Division Bench held that the legislative language was intentionally broad and could not be artificially restricted by interpretative tools where the statutory intent was otherwise explicit.

5.3 Applicability of Ipso Facto Clauses

A substantial portion of the judgment dealt with the issue of ipso facto clauses and termination of Government grants during CIRP.

The Court observed that licences, permits, quotas, concessions and similar grants often form the very substratum of the business of the corporate debtor. Their termination during CIRP would destroy the value of the enterprise and render resolution impossible. Referring to the Insolvency Law Committee Report dated 20.02.2020, the Court noted that the Explanation inserted to Section 14(1) with effect from 28.12.2019 was clarificatory in nature and introduced merely by way of abundant caution to remove any ambiguity regarding termination of Government grants during CIRP.

The Division Bench relied heavily upon the observations of the Supreme Court in *Gujarat Urja Vikas Nigam Ltd. v. Amit Gupta ((2021) 7 SCC 209) = [2021-TIOLCORP-13-SC-IBC](#)* and held that the legislative intent behind Section 14 always prohibited suspension or termination of Government grants which are essential for maintaining the corporate debtor as a going concern.

The Court further emphasized that the Explanation could not be construed as an enabling provision permitting actions otherwise barred under the main provision. According to the Court, the Explanation merely clarified the already existing legal position and could not override the broader protection contained in Section 14 itself.

5.4 Moratorium as a Protective Shield

In one of the most important observations in the judgment, the Court reiterated that Section 14 operates as a statutory shield intended to protect the corporate debtor during CIRP. Relying upon various decisions of the Hon'ble Supreme Court, the Court observed that the moratorium grants the corporate debtor a "*breathing space*" to continue as a going concern and any crack in this shield would defeat the very object of the IBC.

Applying these principles, the Court ultimately held that neither termination of the lease agreement under the "*Breach of Covenant*" clause nor eviction proceedings under the Gujarat Public Premises Act could be permitted during the moratorium period. The orders passed by GIDC were therefore rightly quashed by the learned Single Judge.

6. Analysis of the Judgment

The judgment of the Gujarat High Court is a significant reaffirmation of the primacy of the insolvency framework over individual recovery mechanisms employed by creditors and statutory authorities.

First, the ruling reinforces the settled principle that the object of the IBC is not mere recovery but preservation and resolution of the corporate debtor as a going concern. Any action which results in depletion of assets or destruction of the substratum of the business during CIRP directly undermines the legislative purpose of the Code.

Second, the judgment provides important clarity on the scope of Section 14(1)(a) and decisively rejects the narrow interpretation sought to be advanced by statutory authorities. The Court correctly recognized that the expression "*proceedings*" under Section 14 must receive the widest possible interpretation in order to effectively preserve the assets and operational continuity of the corporate debtor.

Third, the Court's discussion on Government grants and ipso facto clauses assumes considerable practical significance. In many insolvency matters, governmental and statutory authorities attempt to terminate leases, mining rights, telecom licences, development rights and other concessions during CIRP, often on grounds camouflaged as contractual breaches. The present judgment makes it abundantly clear that such actions cannot be permitted where they jeopardize the insolvency resolution process.

Finally, the Court's refusal to dilute Section 14 through interpretative doctrines such as *eiusdem generis* and *noscitur a sociis* is jurisprudentially sound. Interpretative principles cannot be deployed to defeat the object of a beneficial and transformative legislation such as the IBC, especially where the statutory language itself is clear and expansive.

7. Conclusion

The decision in **GIDC** is a powerful reaffirmation of the sanctity of the moratorium mechanism under the IBC. The judgment correctly recognizes that the success of insolvency resolution depends upon preservation of the corporate debtor's assets, business operations and commercial viability during CIRP.

By holding that lease termination and eviction proceedings cannot be pursued during moratorium merely by disguising them as contractual or statutory actions, the Court has strengthened the protective architecture of Section 14 and ensured that the insolvency process is not rendered illusory through indirect recovery measures.

The ruling also sends an important message to governmental and statutory authorities that participation in the insolvency process must occur within the framework of the IBC and not through parallel coercive mechanisms. In doing so, the Court has once again underscored that the moratorium is not a procedural formality but the very foundation upon which the insolvency resolution framework rests.

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