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NLIU - VKC LAW OFFICES NATIONAL CORPORATE LAW MOOT, 2025

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MOOT PROPOSITION

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1. The young nation of Kurukshetra has become a battlefield. The shining star of this nation is Hastinapur Group of Enterprises, the largest commercial enterprise by market capitalisation, founded by matriarch Satyawati and now controlled and run by her great grandkids, step brothers Duryodhan and Yudhishthir; with uncle Shakuni as the Group's general counsel. In its ₹ 2 trillion, a sprawling steel-to-salt multinational conglomerate, Hastinapur Group has an airline business 'AirHastinapur', running with a fleet of 129 aircraft, comprising of:
   (a) segment *one*, their homegrown AirHastinapur;
   (b) segment *two*, their collaboration with AirMesopotamia, named 'Air Vistara';
   (c) segment *three*, their recent takeover of AirKurukshetra, the erstwhile national airline of the state of Kurukshetra.

2. Over 100 aircraft in their total fleet are leased from various internationally based aircraft lessor companies, including companies registered in Ireland and Germany.

3. When the businesses of the Hastinapur empire were to be divided amongst Duryodhan and Yudhishthir, Uncle Shakuni recalled the prophetic words of Richard Branson, the airline baron from the Greek region, highlighting the great mind's *anubhav* when he stated, "the quickest way to become a millionaire in the airline business is to start out as a billionaire".

4. Playing upon the innocence of Yudhisthir, Shakuni advocates for the airline business to be handed over to the former, while the media and entertainment sector business was given to Duryodhan. Other businesses, including green energy, coal energy, steel and power plants, automobile sectors, and IT sectors, are divided evenly between both sides.

5. Soon, the words came true, and the airline business of Hastinapur Group experienced the brute reality for themselves. The Great Plague, in its latest avtar 'covid', has wreaked havoc, consequently causing the airline business to plunge and stare into a deeper abyss.

6. Yudhisthir and his trusted partner (also his real brother) Arjun are now grappling to keep the airline business afloat. However, they are finding it nearly impossible to sustain the airline and are concerned that the damage may spill over onto their other business ventures, especially the green energy sector. While the green energy sector is a promising venture, but the same is a hugely capital-intensive and time-sensitive enterprise. A short delay in receipt of payments

from the consumers for the green energy supplied by Yudhisthir's enterprise threatens to erode all the profit margins.

7. That is the major reason why Yudhisthir and Arjun have raised huge capital from the market investors and also issued bonds to investors so as to cushion the green energy business. The object is to sustain in the short term while growing their green energy portfolio and making deeper penetration into the consumer market in the long term. In time, with a reduction in technological costs as well as the ability to be a major (almost a monopoly) in this area, Yudhisthir and Arjun have envisioned to usher a new era for their legacy.

8. The present roiling disorder in the airline business now threatens to render everything to a nugatory. Not only is the looming threat of insolvency of the airline business a major blow as it is, but the issue is compounded by the fact if the debts of the airline business are not restructured or bailed out, the jittery investors of the green energy businesses may not renew the bonds given to them as the market confidence will get severely inimical and thereby snowball into a crisis.

9. Enters Krishan. The Chairperson who headed the committee was responsible for drafting the Constitution of Kurukshetra as well as the Insolvency and Bankruptcy Code. Krishan has been the singular force that has navigated many corporate battles and always comes on top with God-like supremacy.

10. Well aware of the bonafides of Yudhisthir and Arjun as well as looking at the bigger picture on why the young nation of Kurukshetra needs the new dawn built upon the strong edifice of renewable energy; Krishan guides Arjun.

11. Of the total liability of ₹ 5,000/- crores, 50% of the exposure belongs to Yudhisthir's real estate corporate entity Indraprastha Pvt Ltd., and about 24% of dues are owed towards Union Bank of Kurukshetra. The remaining liabilities are divided between aircraft lessors (25% of the total dues) and the State Bank of Kurukshetra (about 0.9% of the total dues) and ancillary operational dues. The Pilots' Workmen Union, with pilots relying on the status of being workmen under the Industrial Disputes Act 1947, also staking a joint claim of over ₹ 2 crores against AirHastinapur.

12. Krishan advises Yudhisthir and Arjun to assign the debt of Indraprastha Pvt. Ltd. to an Asset Reconstruction Company 'ARC' named 'Bhikshuk Resurgence Asset Reconstruction Private Limited' helmed by one Indr, the erstwhile CFO of the energy enterprise of Hastinapur (Both Green and coal segments included) at the time when the business was joint. Indr has always been close to Yudhisthir, and it was heavily believed by people in the stock markets and seasoned investors that had Indr not opened his own ARC company, he would have joined Yudhisthir's enterprise when the business was divided between Duryodhan and Yudhisthir.

13. In the meantime, to completely decimate Yudhisthir and takeover the entire empire that Yudhisthir had received in the family settlement, Duryodhan nudges Aswathhama, who is a high-ranking General Manager of State Bank of Kurukshetra to initiate an application under section 7 of the IB Code against AirHastinapur (with the name of one Sh. Purochana being proposed as the Interim Resolution Professional) on the back of the circular dated 12.2.2018 to be issued by the Reserve Bank of Kurukshetra, which directed the Banks to file insolvency application, singly or jointly, under the Insolvency and Bankruptcy Code 2016 (IBC) within 15 days from the expiry of the timeline mentioned under paragraph 8 of the aforesaid circular.

14. During this time, the Apex Court of Kurukshetra, in its judgment in *Dharani Sugars and Chemicals Ltd. v. Union of India (UOI) and Ors.*, Decided On: 02.04.2019, (2019) 5 SCC 480, struck down the aforesaid circular dated 12.2.2018, and ordered that all the consequent proceedings initiated by the banks under the aegis of this circular also stood non-est/quashed. When Aswathhama shared the concern that the application under section 7 of the IB Code against AirHastinapur may also be adversely affected on account of this circular, as they had also filed the application under section 7 of the IB Code on account of this circular. Duryodhan assuringly asked Aswathhama to base their case on footnote 8 of the aforesaid circular.

15. Finding itself getting entangled into a mass seething hostility and with no perceptible escape route, Union Bank of Kurukshetra, led by its MD-CEO Vidura, vowed to prevent heavy financial fatality on account of any admission of the insolvency proceedings against AirHastinapur. Vidura firmly refused to be dragged into any admission process against AirHastinapur, as it would mean that being a financial creditor, the Union Bank of

Kurukshetra would be made a member of the CoC and forced to bear the Corporate Insolvency Resolution Process (CIRP) costs of an ailing corporate enterprise, which has no scope of rehabilitation, as majority of the aircraft of AirHastinapur were on lease from registered aircraft lessors located outside Kurukshetra, who would not renew the lessees. The management of Union Bank of Kurukshetra believed that even if AirHastinapur were to be saved, it could only be by way of taking a heavy haircut, which they believed would be offset by the high CIRP costs that it would be forced to bear. Instead, Vidura believed that they would take recourse to the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002 (SARFAESI Act 2002) and sell the assets of AirHastinapur mortgaged with it.

16. Armed with heavy artillery in the shape of:
    (i) guidance from the creator of the Constitutional and various commercial laws of the nation of Kurukshetra, Krishan;
    (ii) the proposal of Bhim, the erstwhile chief auditor of the entire Hastinapur Group, up until a few years ago, as the Interim Resolution Professional. Bhim had left the CA practice to run a full-time IP agency; and
    (iii) the assignment of debt to Bhikshuk Resurgence Asset Reconstruction Private Limited' helmed by Indr.

17. Krishan now asks Yudhisthir and Arjun to move an application under section 10 of the IB Code. Befuddled, Arjun inquires if the same is the right course of action, upon which Krishan explains the *virat* strategy to Arjun, prodding him to do the *dharma* as the end result of their actions, all lie within the vision that Krishan had envisioned for the nation of Kurukshetra at the time of enacting the Constitution and various the statutory laws for the nation of Kurukshetra.

18. The battle swords are unsheathed and fearful of the irreparable impact of admission of either of the applications, be it the application under section 7 or the application under section 10 of the IB Code; the National Company Law Tribunal, Principal Bench at Kurukshetra is saddled with parallel litigations, interventions and interlocutory applications, *namely*:
    18.1 An application under section 9 of the IB Code by the Pilots' Workmen Union, who are cognizant of their effectively non-existent bargaining power in a CIRP process on

account of being operational creditors. Sensing an opportunity to open doors for backdoor negotiations with the management of AirHastinapur, the Pilots' Union seeks to arm-twist the management of AirHastinapur to settle their dues outside the Court by recommending an Interim Resolution Professional of their own in their respective application under section 9 of the IB Code;

18.2 Applications under section 65 of the IB Code filed by the Union Bank of Kurukshetra seeking imposition of penalties on both State Bank of Kurukshetra and AirHastinapur for seeking to initiate the insolvency resolution process fraudulently or with malicious intent for any purpose other than for the resolution of insolvency;

18.3 An application for intervention and an application under section 65 of the IB Code by foreign-located registered aircraft lessors arguing that the matter must not be subjected to the IB Code, as the State of Kurukshetra had deposited the Instruments of Accession with the depositary (UNIDROIT) on 31.03.2008 along with the Declarations and had become a Party to the Cape Town Convention/Protocol on 01.07.2008 in accordance with Article 49 of the Convention and Article XXVIII of the Protocol. Resultantly, the provisions of the IB Code would not affect the rights of the aforesaid registered aircraft lessors to reclaim their assets. In the alternative, the registered aircraft lessors seek affirmation of their status as financial creditors vis-à-vis AirHastinapur.

19. The NCLT has decided and admitted the application filed by AirHastinapur under section 10 of the IB Code and:

(a) imposed moratorium under section 14 of the IB Code;

(b) appointed Bhim's IP Agency as the IRP;

(c) dismissed the application under section 7 of the IB Code filed by the State Bank of Kurukshetra on account of the ruling of the Apex Court in *Dharani Sugars and Chemicals Ltd. v. Union of India (UOI) and Ors.*, Decided On: 02.04.2019, (2019) 5 SCC 480;

(d) dismissed the intervention application filed by the aircraft lessors for want of locus while upholding the applicability of the provisions of the local/municipality law of Kurukshetra;

(e) dismissed the application under section 65 of the IB Code filed by the aircraft lessors holding the application under section 10 clearly showed a debt and a default on the part of AirHastinapur;

(f) disposing of the plea of aircraft lessors staking claim to be financial creditors, with liberty to present the same before the IRP and for the IRP to decide;

(g) dismissed at the outset, the application under section 9 of the IB Code filed by the Pilots' Workmen Union for want of *locus* and reasoning that even otherwise, they could submit their claims to the IRP appointed and

(h) dismissed the application under section 65 of the IB Code filed by the Union Bank of India without returning any finding on the averments that no rehabilitation is possible for AirHastinapur.

20. The NCLAT have clubbed and framed the following *issues* for the matters pending before it:

I. Did the NCLT err by admitting an application of AirHastinapur and, alternatively, whether an aircraft lessor can be included within the CoC?

II. Is the dismissal of the application filed by the State Bank of Kurukshetra justified?

III. Was the NCLT correct in dismissing the application filed by the Pilots Union?

IV. Is the dismissal of the application by Union Bank of Kurukshetra erroneous in Law?

<u>**Notes**</u>:

1. The laws of Kurukshetra are *pari materia* with the laws of the Republic of Bharat/India.

2. In light of the above, please note the provisions are the Insolvency and Bankruptcy Code 2016, the Constitution of India 1950, the Industrial Disputes Act 1947, the Trade Union Act 1926, SARFAESI Act 2002, as well as the legal position pertaining to Cape Town Convention and Aircraft Equipment Protocol, are all the same as it is with respect to Republic of Bharat/India.

3. All circulars, notifications, and guidelines issued by the Reserve Bank of Kurukshetra are the same as the circulars, notifications, and guidelines issued by the Reserve Bank of India.