NATIONAL COMPANY LAW APPELLATE TRIBUNAL
AT CHENNAI
(APPELLATE JURISDICTION)

Company Appeal (AT) (CH) (Ins) No. 291/2026
(IA Nos. 821, 990 & 1411/2026)

In the matter of:

GV Krishna Reddy
Suspended Director of Kallam Textiles Ltd. & Anr. … Appellants

Vs

Union Bank of India & Anr. … Respondents

Present :

For Appellants : Mr. E. Om Prakash, Senior Advocate
For Mr. P. Kamalhasan, Advocate

For Respondents : Mr. R. Sankaranarayanan, Senior Advocate
For Mr. Peri Rama Krishna, Advocate for R1
Mr. M. Maharshi Viswaraj, Advocate for RP/R2

ORDER
(Hybrid Mode)

30.09.2026: The facts of this case are largely not in dispute. The appellant herein has borrowed money from a consortium of lenders and the debt has swelled to around Rs.433 crores. Very evidently, there is a default and promptly the consortium led by Union Bank of India has approached the Adjudicating Authority in CP(IB)/3/7/AMR/2026 under Section 7 of the IBC. This came to be admitted vide order of the Adjudicating Authority dated 06.04.2026.

2. When the appeal was moved, the appellant has required the tribunal to require the financial creditors to consider its proposal to restructure the debt. Even though the said prayer does not strictly fall within the four corners of IBC,

yet this tribunal required the respondents to consider the same since the corporate debtor is an MSME and has been doing business for close to 30 years. It appears that a restructuring proposal was made on 16.03.2026, which was rejected and this was followed by another plea for considering another fresh proposal for restructuring the debt. This was considered by the consortium of lenders on 08.07.2026 and 09.07.2026, and after a detailed study of the restructuring proposal the lenders have rejected it.

3. The appellant's contention is that under the MSME Act, a procedure is contemplated for considering the restructuring plan and this has not been followed. Trying to draw strength from the ratio of the Hon'ble Supreme Court, in the matter of ***Pro Knits v. Board of Directors of Canara Bank*** **[(2024) 10 SCC 292]**, for sustaining his contention, the learned counsel submitted that the procedure contemplated under the MSME Act would prevail over IBC.

4. The learned counsel for the RP submitted that he has issued Form G pursuant to which EOI has been received and the appellant has also submitted his EOI.

5. Since the issue is one of a pure question of law and since we need to consider the effect of the solitary judgment of the Hon'ble Supreme Court in ***Pro Knits*** case, we decide to hear the main appeal instead of spending time in IA No.1411/2026 which the respondent has taken out for vacating the order of stay that this bench has passed earlier on 18.06.2026. Instead, we modify the same

and direct the RP to issue RFRP and to receive the plan and also require the CoC to process the resolution plans placed before it. If in the process the CoC requires any improvement over the plans earlier made by the resolution proponents, the same also can be permitted. However, we direct the CoC not vote on the plans that may be placed before it.

6. The appellant submitted that he may not require more than 20 minutes to make his submissions and the learned counsel for the respondent is confident that he can make a game for himself in lesser time than the appellant.

List the matter for final hearing after admission on **07.10.2026** at **12:00 PM**.

[Justice N. Seshasayee]
Member (Judicial)

[Jatindranath Swain]
Member (Technical)

AR//MS