

DRISH SHOES WORKERS UNION VS DRISH SHOES LIMITED THROUGH ITS RESOLUTION PROFESSIONAL SHRI MOHIT CHAWLA

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Case Summary

Details of the Parties

- **Appellant:** Drish Shoes Workers Union
 - Represented by: Mr. M. L. Dhingra, Senior Advocate, and other advocates.
- **Respondent:** Drish Shoes Ltd. (through its Resolution Professional)
 - Represented by: Mr. Abhishek Anand and other advocates.

Facts of the Case

- The **Corporate Insolvency Resolution Process (CIRP)** of Drish Shoes Ltd. commenced on **12.05.2022**.
- A **layoff notice** was issued on **31.07.2021** for 45 days, but work could not resume, and the company remained closed thereafter.
- The Workers' Union (Appellant) filed claims amounting to **Rs. 314,31,360**. The Resolution Professional (RP) admitted a claim of **Rs. 185,62,360**.
- The Appellant filed an **Interlocutory Application (IA No. 406/2024)**, questioning the RP's decision and asking for the layoff period to be ignored in the salary computation.

- The Adjudicating Authority rejected the IA, leading the Workers' Union to file an appeal with the **National Company Law Appellate Tribunal (NCLAT)**.

Issues Involved

1. Whether the **layoff period** should be ignored in the **salary computation** for the workers?
2. Whether the Adjudicating Authority erred in rejecting the IA filed by the Workers' Union?
3. Whether the Workers' Union can claim dues for the **layoff period** despite the moratorium under **Section 14** of the **Insolvency and Bankruptcy Code (IBC)**?

Judgment

- **CIRP Commencement:** The CIRP commenced on **12.05.2022**, and a **layoff notice** had been issued earlier on **31.07.2021**.
- The Adjudicating Authority observed that issues regarding the **entitlement of workers** to salary during the **layoff period** before the CIRP are outside its jurisdiction. The Authority cited the **Industrial Dispute Act**, which allows disputes regarding layoffs to be adjudicated in appropriate forums, not under the insolvency proceedings.
- **Resolution Professional's Role:** The RP had only calculated the salary up to the **layoff period** and had no jurisdiction to compute salary beyond that, as this was not part of the insolvency proceedings.
- **Legal Precedent:** The Tribunal relied on a previous judgment (**Company Appeal (AT) (Ins.) No. 1572 of 2024**) where similar claims had been rejected, reinforcing the view that issues of **layoff** and **salary computation** outside the insolvency process should be addressed in a labor court, not under IBC proceedings.
- The appeal by the Workers' Union was **dismissed**.

Conclusion

The NCLAT concluded that there was no error in the Adjudicating Authority's decision, as the issue of salary claims for the layoff period fell outside the jurisdiction of the insolvency process. The appeal was dismissed, but the Appellant was free to pursue other legal remedies as available.