During the subsistence of moratorium under Section 14 of the IBC, a lessor cannot terminate a subsisting lease and recover possession of leased property occupied by the corporate debtor by invoking contractual breach clauses or by initiating or continuing eviction proceedings under the Gujarat Public Premises Act, 1972

The **Gujarat High Court** in the case of **Gujarat Industrial Development Corporation vs Gujarat Hydrocarbons and Power SEZ Ltd [R/Letters Patent Appeal No. 55 of 2026] dated April 29, 2026**, has held that during the subsistence of moratorium under Section 14 of the IBC, a lessor cannot terminate a subsisting lease and recover possession of leased property occupied by the corporate debtor by invoking contractual breach clauses or by initiating or continuing eviction proceedings under the Gujarat Public Premises Act, 1972.

The Court emphasised that Explanation to Section 14(1) is clarificatory and not an enabling exception permitting such termination or recovery on grounds other than insolvency. The expression "proceedings" in Section 14(1)(a) is broad, and the protection under Section 14(1)(d) extends to actual occupation or possession of property by the corporate debtor, so as to maintain status quo and preserve the corporate debtor as a going concern during CIRP.

Since Section 238 gives the IBC overriding effect over inconsistent provisions of the Public Premises Act, the High Court held that the Single Judge had committed no error in quashing the termination order and eviction order, and the Letters Patent Appeal filed by GIDC was dismissed as devoid of merit. The Court clarified that issues concerning approval of the resolution plan and GIDC's claims pending before the NCLAT were left open and that its observations would not prejudice the parties there.

The Court observed that Section 14(1)(d) of the IBC prohibits recovery of any property by an owner or lessor where such property is occupied by or in possession of the corporate debtor, and that this protection had to be read in light of the object of the moratorium, namely preservation of the assets and value of the corporate debtor as a going concern. It accepted that the leasehold interest of the corporate debtor in the demised premises was "property" within Section 3(27) of the IBC, and noted that the leased land was the only property held by the corporate debtor. The Bench further observed that the statutory freeze under Section 14 is intended to preserve the status quo from the insolvency commencement date until completion of CIRP or approval of the resolution plan.

The Court rejected GIDC's interpretation of the Explanation to Section 14(1). It held that the Explanation is clarificatory and was inserted by way of abundant caution to make explicit the legislative intent that Government licences, permits, concessions and similar grants should not be suspended or terminated during moratorium merely on the ground of insolvency. The Court specifically held that the Explanation cannot be read as an exception enabling termination or recovery in situations otherwise barred by the main provision, because such an interpretation would render Section 14(1) nugatory.

The Court also observed that the moratorium protection was not confined to civil suits stricto sensu. It held that the expression "proceedings" in Section 14(1)(a) is of wide amplitude and is not limited to civil proceedings alone. Proceedings before statutory or quasi-judicial authorities are capable of falling within that expression where they operate against the corporate debtor and threaten depletion of its assets or interference with its protected status during CIRP. On that reasoning, eviction proceedings under the Public Premises Act, 1972 could not be treated as outside the moratorium merely because they arose before a statutory authority.

On the lease terms themselves, the Court noted that Clause 15.1 permitted re-entry for non-payment of annual rent after notice, and Clause 15.2 contemplated action under the Gujarat Public Premises Act if the breach remained unremedied. However, the Court held that even if such contractual rights existed, their enforcement had to freeze during moratorium because re-entry and eviction would amount to recovery of property occupied by the corporate debtor, which Section 14(1)(d) prohibited. It further noted that Clause 3.3(v) allowed the lessee to seek change of use from SEZ to another industrial use with approval, and Clause 3.9 permitted creation of charge, mortgage, lien or encumbrance over the demised premises, which weakened GIDC's case that termination was justified solely on the pleaded grounds.