

# Centre may not extend IBC suspension further

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- **The govt sees no need for an extension, thanks to a robust recovery in biz**
- **This marks a turning point in pandemic response, as efforts are directed at restoring normalcy**

**NEW DELHI** : The ongoing suspension of bankruptcy action against corporate defaulters may not be extended when it expires on 24 March, a government official said, given the revival in business fortunes thanks to a robust recovery. The ministry of corporate affairs will announce its decision a few days before the expiry of the suspension of key provisions in the Insolvency and Bankruptcy Code (IBC), the official said on condition of anonymity.

The broad understanding within the government, based on current facts, is that there is no need for an extension, the official said, adding if at all there is a requirement, the option for an extension exists. This marks a turning point in policymakers' pandemic response, with efforts now focused on steering the economy back to normalcy with a massive spending programme for the next fiscal. "The situation in March 2020 and now is quite different. The coronavirus situation has improved. GST collections are at an all-time high. Buoyant stock market indices, too, reflect the confidence in economic recovery. A changed situation requires a changed response," the official said.

India is currently on a vaccination drive, and active cases have fallen below 150,000 after scaling a million last September. RBI governor Shaktikanta Das said in his statement on 5 February that the list of normalizing sectors was expanding while the capacity utilization in manufacturing improved and home sales in metropolitan centres reflected renewed confidence in real estate sector — all showing faith in the economy's recovery. "Besides, we have already raised the threshold of default for filing bankruptcy petitions by creditors to ₹1 crore from ₹1 lakh, which offer protection to small businesses," the official said. The government does not want to suspend the operations of IBC, one of the stellar pieces of its reforms, for an extended period of time as that would mean artificially keeping alive businesses that are not viable in a changed world.

Experts are awaiting the promised alternatives to deal with the stress in the economy. "Payment defaults committed by businesses during the current one-year suspension of IBC provisions will never ever be brought before bankruptcy tribunals. Prolonging this suspension would be a tough call for the government and for lenders to deal with. The government has promised an alternative debt resolution framework for MSMEs and a pre-pack (out of court) resolution scheme. If these are rolled out by March, it may be a good idea to allow IBC to operate in full swing," said Manoj Kumar, partner and head of M&A, transactions and insolvency at Corporate Professionals, an advisory firm. That is key because tribunals could see higher bankruptcy filings when the suspension of the Code ends, said Kumar.

FM Nirmala Sitharaman said in her budget speech that NCLT will be strengthened for faster resolution of cases and alternative methods of debt resolution will be introduced. In January, the Insolvency and Bankruptcy Board of India, released a draft pre-pack resolution scheme. This would help in quickly drawing up reorganization plans, which could be placed before bankruptcy tribunals for its seal of approval.

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