

Govt. to amend insolvency law to reduce time taken for resolution process

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- **The focus is now on how to speed up the whole resolution process by reducing the time taken.**

The government is looking to amend the insolvency law in order to reduce the time taken for or completion of resolution process of stressed assets and prevent significant erosion of value of the assets, according to a senior official.

The amendments to the Insolvency and Bankruptcy Code (IBC), which came into force in 2016 for timely resolution of stressed assets, are likely to be introduced in the Budget session of Parliament early next year.

The corporate affairs ministry's move to amend the law comes against the backdrop of concerns in various quarters that many of the corporate insolvency resolution processes are taking a longer time due to litigations and other issues.

The senior government official said that consultations are going on with various stakeholders, including bankers and lawyers, and the changes are expected to be finalised in the coming weeks, reported news agency PTI.

The focus is now on how to speed up the whole resolution process by reducing the time taken.

One of the options being looked at is how fast a company undergoing the resolution process can be handed over to the winning bidder as that would help in preserving the value of the assets concerned, the official said.

As per IBC, a company's affairs are taken care of by an insolvency resolution professional till the winning bidder takes over.

To ensure that there is no significant value erosion, the amendments will look at putting in place provisions whereby the assets can be handed over to the winning bidder at the earliest, the official said.

On the basis of data from the Insolvency and Bankruptcy Board of India (IBBI) till the end of September this year, the ministry informed the Lok Sabha on December 12 that a total of 553 cases have been resolved under IBC and the average time taken for the resolution was 473 days.

In the current fiscal up to September, 57 cases were resolved under IBC and the average time taken was 679 days. The higher time taken for resolution is mainly on account of associated litigation as with time, the average number of interlocutory applications has increased, which is considered to impact realisable value of assets, the ministry told the Lower House.

As per the data, it took an average of 560 days to resolve 143 cases in 2021-22, while the average time taken was 468 days to resolve 120 cases in 2020-21.

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In 2017-18, 19 cases were resolved and the average time taken was 230 days, and in 2018-19, 78 cases were resolved at an average time of 326 days.

In 2020-21, as many as 120 cases were resolved and the average time taken was 468 days.

The IBC time frame for the resolution process is 330 days, inclusive of time taken for litigation.

As per the IBBI data, the 517 cases that yielded resolution plans took an average of 460 days for conclusion till the end of June while the recovery rate for creditors against the claims made was around 31 per cent.