

Govt. may alter insolvency law

Injeti Srinivas

The insolvency law might be amended depending on recommendations of the panel reviewing issues related to the legislation, including those pertaining to homebuyers, a senior government official said.

While everything is time-bound under the Insolvency and Bankruptcy Code (IBC), Corporate Affairs Secretary Injeti Srinivas said the issue is how the interests of stakeholders are to be balanced.

A 14-member panel, also chaired by Mr. Srinivas, is working to identify and suggest ways to address issues faced in the implementation of the IBC, which came into force in December 2016.

“There is a feeling that this law is skewed a little too much in favour of financial creditors. It is not adequately addressing the requirements or expectations of other stakeholders. It is a serious area we have to look at. The committee is looking at all the issues,” he said.

Competition, regulatory clearances, tax liabilities and other aspects would also be looked at, he said. “It was felt that there was enough reason to have a comprehensive stock taking even though it is a one-year old law... Based on recommendations of the Insolvency Law Committee, in the future there may be changes in the IBC,” Mr. Srinivas said.

A large number of cases have been filed under the IBC, which provides for a market-determined and time-bound insolvency resolution process. “There are also apprehensions on whether this system [insolvency law] can be abused. Can somebody trigger this system for some sort of wrongful intent?” the secretary said.

Valuation debate

Among others, issues such as whether the insolvency process should be governed by liquidation value or enterprise value would also be looked into. “What are the rights of homebuyers? What is the capacity of insolvency professionals? These are among the issues that has to be seen,” he said.

In recent months, there have been concerns about incomplete realty projects and consequent hardships faced by home buyers. Some real estate firms are also facing insolvency proceedings.

There have also been suggestions from certain quarters about having provisions that would help provide relief to home buyers.

Responding to a query about home buyers’ rights in the context of the insolvency law, Srinivas said, “whatever you do, it has to be calibrated in a way that public interest is not affected. You maximise benefits and minimise losses”.

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