

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:5248

ANSWERED ON:24.04.2015

CORPORATE BANKRUPTCY LAWS

Pradhan Shri Nagendra Kumar;Raut Shri Vinayak Bhaurao;Shewale Shri Rahul Ramesh;Shinde Dr. Shrikant Eknath;Venugopal Dr. Ponnusamy

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has set up a committee to frame bankruptcy laws to enable entrepreneurs to close down unviable business;
- (b) if so, the details thereof;
- (c) whether the said committee has submitted its report, if so, the details thereof and if not, the reasons therefor; and
- (d) the time by which it is likely to submit its report?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JAYANT SINHA)

(a) & (b) Yes Madam; the Government set up a Committee on 22.8.2014 for providing an entrepreneur friendly legal bankruptcy framework for India. The mandate of the Committee is to study the corporate bankruptcy legal framework in India including preventive measures for early detection and resolution of financial distress, enabling entrepreneurs to close down unviable business, and liquidation procedure for all companies.

(c) & (d) The Committee submitted an Interim Report on 5th February 2015 and has dealt with provisions relating to 'revival/rescue and rehabilitation of sick companies' and 'winding up/ liquidation of companies. The recommendations of the Interim Report inter alia include:

providing for a simple liquidity based test for initiating rescue proceeding;

allowing unsecured creditors of a certain value of unsecured debt to initiate rescue proceedings; reducing timelines and streamline the process for assessing the viability of a business;

providing for involvement of secured creditors in the appointment of the company administrator; provision for raising 'rescue finance' and granting super-priority to such financiers;

strengthening the framework for insolvency practitioners; and

amending certain provisions relating to the National Company Law Tribunal(NCLT) for operationalisation of NCLT.

As per the terms of reference of the Committee, the time fixed for submitting the final report is February 2016.