

Resolving Insolvency

Description of Reform: Introduction of Fast Track Corporate Insolvency Resolution Process ('CIRP') for mid-sized companies

The Fast Track Corporate Insolvency Resolution Process shall be completed in 90 days (extendable by maximum 45 days), thereby effectively reducing insolvency period for certain category of corporate debtors.

Fast track CIRP provisions in the Insolvency and Bankruptcy Code act as an enabler for small companies , start-ups and specified unlisted companies to complete the resolution process quickly and move on, thus improving Ease of Doing Business situation in the country.

"Section 2(85) of Companies Act 2013 defines a 'small company'. As per the provisions of such section, 'small company' means a company, other than a public company,—

- i. paid-up share capital of which does not exceed fifty lakh rupees or such higher amount as may be prescribed which shall not be more than five crore rupees; or
- ii. turnover of which as per its last profit and loss account does not exceed two crore rupees or such higher amount as may be prescribed which shall not be more than twenty crore rupees:

Provided that nothing in this clause shall apply to—

- (A) a holding company or a subsidiary company;
- (B) a company registered under section 8; or
- (C) a company or body corporate governed by any special Act"

Impact: By reducing time for which the money remains tied up in insolvency proceedings, the reform will substantially improve the recovery rate.

Date of Entry into Force: 14.06.2017

Legal Basis:

http://www.mca.gov.in/Ministry/pdf/IBBINotification_14062017.pdf

<http://www.mca.gov.in/Ministry/pdf/IBBIFastTrackInsolvencyResolutionProcessforCorporatePersonsRegulations2017.pdf>