

# 90-day insolvency resolution for start-ups

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The government on Friday notified provisions for a fast-track resolution of insolvency proceedings in what will come as a major relief to struggling start-ups. Under this part of the code, also applicable to small firms, insolvency proceedings will be completed in 90 days. According to the industry data, around 95 per cent of start-ups are unsuccessful ventures and wind up within two years of operations. However, liquidation of the companies is a painful process, which takes at least five years. The main code formulated for insolvency proceedings mandates a firm's restructuring or exit within 180 days from the day of admission. The adjudicating authority, the National Company Law Tribunal (NCLT), may extend the period of 90 days by a further 45 days for completing the process. Unlisted companies with assets up to ₹1 crore can use this section of the code for a faster resolution.

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Start-ups have for long demanded simpler and easier winding down procedures.

“This will help start-ups and small companies to start afresh. Shutting down a company is a drawn-out process in India, which can take five years. With this, the liquidation process will be cut down to not more than a year,” said Ashish Chhawchharia, partner, restructuring services, Grant Thornton Advisory.

A small company with a turnover of less than ₹2 crore and share capital of less than ₹50 lakh will be able to carry out insolvency proceedings under the new rules.

The fast-track process has also reduced the time given to the NCLT for admission or rejection of cases from 14 days to 10 days. However, experts said this reduction did not amount to much.