Unfair move in Unitech case

Why in news?

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NCLT agreed the move of corporate affairs ministry to take over the Unitech real estate company.

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What is the Unitech case?

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- The Unitech is a real estate giant, which is in trouble essentially because it has failed to honour its contracts.
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- It is supposed to return Rs 2,000 crore to various customers after it did not deliver around 19,000 flats, although it had already accepted Rs 7,800 crore as payment.
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- In addition, it needs to return Rs 723 crore to 51,000 holders of corporate fixed deposits.
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- The company hesitate to return the money as it claims it does not have the money.
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What is the decision of the government in this case?

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- The case is before NCLT which is examined by the Supreme Court.
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- In this case the corporate affairs ministry, has declared that it would take over the management of Unitech in the public interest.
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- The NCLT agreed with the government and, in order to ensure that this takeover was carried out, it asked to submit a list of 10 nominee directors by

December 20.
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- Meanwhile, Unitech’s directors were suspended, and prevented from selling any assets.
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- Supreme Court, expressed its unhappiness over the NCLT order which seems to be unfair.
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Why the order is seen unfair?

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- In an order NCLT stated that no assets of Unitech can be sold and its accounts must froze, and it also insisted the company to refund Rs 700-plus crore.
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- The government’s decision to step in creates a concern that taxpayer money will be used to resolve a problem created by a private company.
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- In this case, government need to address the issues of multiple competing stakeholders, the debt-holders, the promoters, and all the various flat buyers.
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- If government steps in those who lost their money to Unitech might be privileged over those who lost their money to other unscrupulous real-estate magnates.
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- Thus such actions by the government hardly encourage companies to run their affairs efficiently.
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Source: Business standard

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Quick facts

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NCLT

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- The National Company Law Tribunal is a quasi-judicial body that adjudicates issues relating to companies in India.
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- The Central Government has constituted National Company Law Tribunal (NCLT) under section 408 of the Companies Act, 2013.
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- Ministry of Corporate Affairs have set up eleven Benches, one Principal Bench at New Delhi and one each Regional Benches at New Delhi, Ahmedabad, Allahabad, Bengaluru, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata and Mumbai.
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- These Benches will be headed by the President and 16 Judicial Members and 09 Technical Members at different locations.
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- National Company Law Appellate Tribunal (NCLAT) was constituted for hearing appeals against the orders of National Company Law Tribunal(s) (NCLT).
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- NCLAT is also the Appellate Tribunal for hearing appeals against the orders passed by Insolvency and Bankruptcy Board of India.
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- NCLAT is also the Appellate Tribunal to hear and dispose of appeals against any direction issued or decision made or order passed by the Competition Commission of India (CCI).
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