



LEGAL ISSUES WITH RESPECT TO ACQUISITION OF PREMISES FOR NEW ENTREPRENEURIAL VENTURE

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ABSTRACT

This case study discusses the legal issues and the possible ways to cope with the practical problems arising during acquisition of premises for new entrepreneurial ventures.

KEYWORDS : Purchase of land, legal issues and government clearance

Case Study:

Mr. Sarathy after his Post-Graduation in Business Administration, worked for a manufacturing organization for few years. He then decided to establish an entrepreneurial venture for manufacturing and distribution of rectangular shape water bottles.

He felt that the product would provide much comfort to the school going children and working professionals. He conducted primary research and found that there is a huge untapped potential opportunity in the given business.

He prepared a detailed business plan and feasibility report for a bank loan. In addition to this, he purchased land which was suitable for the business requirement and also submitted land parent deed to the bank along with the detailed business plan and feasibility report for a bank loan.

Bank officials after the preliminary application screening, suggested to Mr. Sarathy that he needed to get the legal clearance from an Advocate for the premises which he had bought as part of the formal requirements to get a bank loan. On discussion with the Advocate, Mr. Sarathy realized that the premises which he had purchased has some major legal issues.

Description of the legal issue is as follows:

Mr. Sarathy had bought the piece of land of 25 cents (10,900 square feet) out of 1.7 acres (74120 square feet) which was in possession of Mr. Rakesh. In turn, Mr. Rakesh had got the power of attorney from Mr. Sanjay Chandran to sell the land. Mr. Sanjay Chandran owned the property which he had inherited from his father Mr. Chandran as per the will written by the Mr. Chandran. In fact, Mr. Chandran had two sons namely Mr. Sanjay Chandran and Mr. Deva Chandran. Deva Chandran had passed away 12 years back.

The transfer of property by Mr. Chandran to Mr. Sanjay Chandran had taken place seven years ago. As per Hindu family setup, if one son expired in a family, the property that belonged to the expired one would be shared equally with the mother and other son of the family. Even though Mr. Chandran had transferred the property to his son, consent and signature of the mother in the parent document deed approving of the transfer would make the process legal.

On approaching the original owner and mother to get the mothers' consent, Mr. Sarathy found out that the mother was delirious and she was not ready to give her signature on the parent document deed.

Then he went to consult the issue with the Advocate. The Advocate gave two means to get out of the legal issues namely:

- 1) To get notary affidavit from the father and also sign of the mother as a temporary stop gap arrangement saying no objection to sell the land. It gives legal validity to utilise the purchased land but not any other facilities which were common to the entire plot.
- 2) Get the sign of the owner and mother in the parent documents, transfer deed from the father to the son in the registrar office which

provides legal validity to utilise the purchased land and as well the road and other facilities which is common as part of whole land.

He opted for temporary solution as of now and got the notary affidavit from the mother and completed the legal clearance from authorized advocate and submitted the same to the bank.

After the receipt of legal documents from Mr. Sarathy, bank officials re-verified the parent document deed, business plan and feasibility report and sanctioned the mortgage loan to Mr. Sarathy.

Questions for Discussions:

- (i) Do you think that, one must be aware all the legal issues while purchasing land?
- (ii) Do you think that the solution opted by Mr. Sarathy is right? If you were in Mr. Sarathy's position, what would you have opted for as a solution?