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## IBC suspension will protect viable firms: MS Sahoo

*The suspension was applied to a small part of the IBC's operation, that involves initiating new cases, Sahoo said*

**Gireesh Chandra Prasad**

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M.S. Sahoo, chairman, Insolvency and Bankruptcy Board of India. Photo: Priyanka Parashar/Mint



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The temporary ban on lenders from forcing companies into bankruptcy proceedings is meant to save viable companies in covid-19 times, even if it comes at the cost of keeping unviable ones alive, said Insolvency and Bankruptcy Board of India (IBBI) chairperson M. S. Sahoo on Friday.

He was responding to expert suggestions that the temporary suspension of Insolvency and Bankruptcy Code (IBC) provisions for corporate defaults after 25 March denied lenders the opportunity to take action against unviable companies.

On 5 June, President Ram Nath Kovind suspended the IBC for at least six months to shield businesses from bankruptcy proceedings for defaults amid the covid crisis.

At a webinar organized by industry body Assocham, Sahoo said the suspension applied only to a small part of the IBC's operations, which involves initiating new cases. The ongoing cases were not affected by it, he said. He said the IBC suspension was initiated because many wanted it, but since its announcement some have criticized the decision.

"Rescuing a viable firm is more important than failing to liquidate an unviable company," Sahoo told experts and industry representatives. The idea is to salvage companies that have defaulted during the pandemic period for the first time only because of the prevailing extraordinary circumstances, he explained. He likened the ban on new cases to a 'key hole surgery' that doesn't affect the rest of the system.

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He also said the temporary blanket ban on all defaults after 25 March was meant to keep it simple, as identifying companies which had defaulted due to the coronavirus crisis could have led to litigation.

"What has been suspended is a microscopic part. The entire IBC has not been suspended. Insolvency is the outcome of market forces. Market must find its solution, of course, it should be facilitated by the ecosystem. But essentially, it is an economic problem and has to be sorted out by market forces."

Former finance secretary Subhash Chandra Garg, who also attended the webinar, said some businesses were so badly dented that they may need to be restructured, while there were others which have taken a temporary hit but will comeback. He criticised the decisions to suspend all fresh bankruptcy cases and provide a wholesale moratorium on loan repayments. "We should have

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