

Insolvency law a 'Swachhata drive' against non-performing assets: IBBI chief

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New Delhi, Mar 22 () The "evolving" insolvency law is a kind of "Swachhata drive" to clean up non-performing assets as well as put companies in the hands of capable and credible people, according to IBBI chief M S Sahoo.

Around 3,600 companies have been admitted under the Insolvency and Bankruptcy Code (IBC) so far.

While acknowledging that the Code is still evolving, Sahoo said authorities are conscious of the emerging needs.

"As and when they find a problem, they try to address it as expeditiously as possible. The insolvency professionals, creditors, NCLT, IBBI -- all are on a steep learning curve. The

Supreme Court has been settling matters at a quick pace. I believe the road to success is always under construction," he told in a recent interview.

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Sahoo is the chairperson of the Insolvency and the Bankruptcy Board of India (IBBI), a key authority in implementing the Code. A case is taken up under the Code only after approval from the National Company Law Tribunal (NCLT).

When asked about the enduring benefits of the Code, which came into force in 2016, the IBBI chairperson said, "This is another kind of Swachhata (cleanliness) drive to clean up NPAs (non-performing assets) and to put companies in the hands of capable and credible people".

"This reinforces the rule of law by treating every company on the same level-playing field, irrespective of its size or the influence of the people behind them. Repayment of loan is no more an option, but an obligation," he noted.

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With the IBC in place, as the Supreme Court puts it, the defaulter's paradise is lost, Sahoo emphasised.

The Code provides for a time-bound and market-linked resolution of stressed assets. If the resolution does not happen, the company concerned goes into liquidation. "Failing is succeeding in Silicon Valley. An entrepreneur should not be stuck up in a business if he is failing to deliver," Sahoo said.

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On whether the success of IBC is not just in numbers, the IBBI chief said that given the behavioural change, the performance should be seen in totality.

It should be seen in terms of "what happens under the IBC, what happens on account of the IBC and what happens in the shadow of the IBC," he said.

"190 companies were rescued, while 780 companies were referred for liquidation. Thus, the number of companies getting into liquidation is four times that of companies being rescued. These 190 companies, however, had assets, which is four times of the assets of the 780 companies.

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"Thus, asset rescued is four times compared to those referred to liquidation. Importantly, of the companies rescued, one-third were under BIFR or defunct. Of the companies that proceeded for liquidation, three-fourths were under BIFR (Board for Industrial and Financial Reconstruction) or defunct," he said. RAM HRS

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