

# Liquidation an outcome of mkt forces: Sahoo

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New Delhi, 9 March

Liquidation of companies under the Insolvency and Bankruptcy Code (IBC) is not necessarily a bad thing since the market usually rescues a viable company, M S Sahoo, chairperson of the Insolvency and Bankruptcy Board of India (IBBI), said on Tuesday.

Addressing a FICCI seminar on distressed debt in the infrastructure sector, Sahoo said, "Do not fret over liquidation of deserving cases. When the market concludes that there is no feasible resolution plan to rescue the company, it proceeds for liquidation."

Sahoo was responding to the criticism that only 25 per cent of IBC cases end up in resolution while the remaining get liquidated.

He said that there were quite a few firms which had negligible assets or were defunct when they entered the corporate insolvency resolution process (CIRP). The IBBI chief said that 75 per cent of companies, which went into liquidation, accounted for only 25 per cent of the distressed assets.

"If there are assets, there is hope of recovery. What IBC does is, it tries to maximise value of the assets available but not the assets which do not exist."

Liquidation or rescue is an outcome of market forces and law is only an enabler, he said. "If the price is right, most rotten tomatoes sell."

So far, about 4,000 companies have been admitted for the CIRP. Of these, 2,000 have completed the process and around 300-350 of them have been resolved through a resolution plan. These 300-350



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companies, which found a successful resolution plan, had liquidation value of around 22 per cent of the claim amount. In these companies, the creditors got 45 per cent of their claim, which was almost 200 per cent of the liquidation value.

On the issue of value maximisation under IBC, Sahoo said the committee of creditors often faces a dilemma whether to maximise value of the corporate debtor (the stressed company) or the claimants.

Both are not always the same. He added, "We should try to find the value and not get into the formula that if A exceeds B, I will accept the resolution plan or go into liquidation."

Sahoo also said that there are various frameworks available to stakeholders for resolution of stressed assets, including the IBC, but none of them are sectoral laws.

He said there should be competing options for resolution and stakeholders should choose the one that suits their unique circumstances.