

ECONOMY P5

M&As TO INCREASE UNDER INSOLVENCY CODE, SAYS REGULATOR

Insolvency and Bankruptcy Board of India Chairperson M S Sahoo (pictured) said on Saturday mergers and acquisitions might increase under the code governing the sale of assets of companies unable to repay debt. Sahoo, addressing an Assocham event, said rules for cross-border insolvency and bankruptcy were being worked out by the board.



M&As to increase under insolvency code: Sahoo

VEENA MANI
New Delhi, 15 July

Insolvency and Bankruptcy Board of India Chairperson M S Sahoo said on Saturday mergers and acquisitions might increase under the code governing the sale of assets of companies unable to repay debt.

The Insolvency and Bankruptcy Code has been in the news since the Reserve Bank of India issued directions to banks to initiate the insolvency process for the top 12 non-performing accounts in the country. Sahoo, addressing an Assocham event, said rules for cross-border insolvency and bankruptcy were being worked out by the board.

"The IBC has put the commercial aspects in hands of stakeholders and judicial aspects with tribunal and with all that it has put a timeline with firm consequences," Sahoo said.

Meanwhile, an official of the ministry of corporate affairs said more Benches and members would be joining National Company Law Tribunal (NCLT). Earlier,

State Bank of India (SBI) chairman Arundhati Bhattacharya had said more benches have to be created by NCLT to deal with dispute resolution under IBC.

A number of ways are allowed for resolution under the insolvency process, one of which is the acquisition of a debt-laden company by another firm during a 180-day moratorium. Once a case is admitted by the NCLT, an interim resolution professional is appointed. They issue an advertisement calling for bids for a target company. Insolvency professionals claim though acquisitions haven't taken place in the past six months, there is a lot of scope for it. Under the insolvency process, once acquisition is initiated, only statutory approval from the NCLT is required for the completion of the deal.

Some insolvency professionals said in acquisitions triggered by the insol-

veny process, buyers might negotiate to acquire a company without the liabilities.

Sahoo said the IBC was one way to sort out the non-performing assets problem.

Unsecured creditors are also likely to benefit, as now they can also stake claim or recover their dues by taking a debtor to the NCLT. Banks might also want to find acquirers for debt-laden, as they would be reluctant to take a haircut, said insolvency professionals.

Sahoo told reporters later though rules for a fast-track

resolution process have been laid down, no case has yet been filed under this provision. The fast-track resolution process was formulated to help small companies, including start-ups exit, without difficulty.

As opposed to 180 days in case of regular insolvency proceedings, the fast-track route allows for a wrap-up in 90 days, with an extension of 45 days.

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'IBC segregates commercial, judicial aspects of insolvency'

PRESS TRUST OF INDIA
NEW DELHI, JULY 15

THE INSOLVENCY and Bankruptcy Code (IBC) has segregated the judicial and commercial aspects of insolvency process whereby stakeholders have the right to decide on what suits them, Insolvency and Bankruptcy Board of India (IBBI) chairperson M S Sahoo said on Saturday.

The Code, which became operational in December last year, provides for a market-determined and time-bound insolvency resolution process.

The IBBI is implementing the Code. Sahoo said there is an oversight mechanism, that includes the IBBI and National Company Law Tribunal (NCLT), to facilitate the transaction that a

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"The IBC actually has segregated commercial aspects and judicial aspects... It has put commercial aspects in the hands of stakeholders, judicial aspects with the tribunal and with all that it has put a time line with firm

consequences," Sahoo said here.

In case the process is not completed within 180 days time, then the company concerned would go into liquidation.

"That is the disincentive if they don't do it within the time line. The incentive is that they stand to gain if the process goes through and they have the right to take the decision on what suits them the most," he noted.

More than 150 transactions are going on under the Code.

Sahoo was speaking at an event organised by industry body Assocham.

Amardeep Singh Bhatia, joint secretary at the corporate affairs ministry and Pavan Kumar Vijay, managing director of advisory firm Corporate Professionals Capital, among others, were present.

Sahoo: IBC segregates judicial, commercial aspects of insolvency'

PTI ■ NEW DELHI

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Sahoo was speaking at an event organised by industry body Assocham. He also said that merely making rules and regulations is not adequate unless there are facilitators in the system.

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