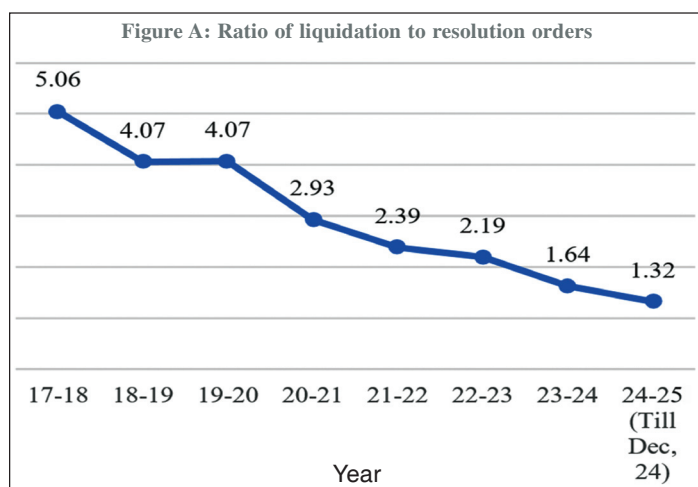


# From Chairperson's Desk

## Improving Liquidation Outcomes

The main objective of the Insolvency and Bankruptcy Code, 2016 (IBC/ Code) is resolution of distressed companies. However, when all attempts to resolve the company fail, the next alternative is liquidation of the company involving sale of assets of the company and distribution of the proceeds thereon among the stakeholders.

Over the years more and more companies are being resolved under IBC and the number of liquidations are going down. There is a consistent upward trend in resolutions and a significant downward shift in the number of liquidations, starting from the year 2020-21. Further analysis indicates that the ratio of liquidations to resolutions, in a given year, is also on a downward trend. As seen in Figure A, in 2017-18 for every 1 CD that was resolved, 5 CDs would go into liquidation. However, in 2024-25 (till Dec, 2024) for every one CD that is resolved, 1.3 CDs go into liquidation. Therefore, there is a visible trend reversal in the number of companies going into liquidation under the Code.



While the liquidation process has undergone important course corrections over the years, there is scope for further improvement. It is observed that till December 2024, in the completed liquidation cases, the amount realised by claimants has been very low as compared to CIRP, and in some cases it has been even lower than the liquidation value. Given that many distressed entities are being liquidated under the Code and there is a growing need to improve realisation for claimants, it is imperative that the liquidation process be reformed further for improved outcomes.

The Insolvency and Bankruptcy Board of India (IBBI/ Board) has amended the Liquidation Process Regulations from time to time to make the process more efficient, transparent and bolster stakeholder confidence. One of the most important amendments has been to expand the role of the Stakeholders Consultation Committee (SCC). The Regulations were amended wherein the Liquidator is now mandated to convene regular SCC meetings, with at least one meeting in a quarter, for timely decisions and oversight. Consultation with the SCC has been made mandatory for key activities such as developing a marketing strategy for sale of assets; fresh valuation of assets; undertaking private sale of assets; reduction in reserve price of assets in auctions;

rationalisation of liquidation cost; decision to run the CD as a going concern; initiation or continuation of legal proceedings, among others. In the interest of homebuyers, the Board has also mandated the exclusion of those housing units from the liquidation estate where the possession has already been handed over to the allottees.

The sale of assets is a critical step in the liquidation process, aimed at maximizing the recovery for creditors while ensuring transparency and fairness. Presently, the asset sale and auction process is *ad hoc* and fragmented in several areas. Different liquidators use different online platforms and there is lack of effective advertising of such auctions. These *ad hoc* practices pose challenges to efficient information dissemination to prospective buyers, price discovery and competitive bidding. To address these inefficiencies, the IBBI, in collaboration with the Indian Banks' Association has launched the BAANKNET platform (Bank Asset Auction Network, formerly known as eBKray) for listing and auction of assets under the IBC liquidation process. The platform is owned and operated by PSB Alliance Private Limited, which is a company jointly owned by the 12 public sector banks and is extensively used for auctions under the SARFAESI Act. BAANKNET provides a centralised and transparent digital interface with key features such as strong KYC mechanism, advanced digital marketing tools, automated refunds of Earnest Money Deposits, and audit trails for transparency.

As on January 27, 2025, BAANKNET has facilitated the listing of nearly 62,046 properties and conducted 63,019 auctions, with assets worth Rs. 5356.49 crore auctioned. Additionally, 9,609 auctions are scheduled in the near future, underscoring the platform's significant utilisation and widespread adoption. Encouraged by the platform's success so far, IBBI has decided to extend this digital framework to liquidation processes under the IBC.

Presently, the BAANKNET platform for IBC e-auctions is running on a pilot mode and will be improved based on the experiences of usage. To date, around 210 assets have been listed, and 25 auctions have been scheduled or conducted on the platform. Vide Circular dated January 25, 2025, the IBBI has directed all Liquidators to exclusively use the BAANKNET auction platform for conducting auctions for sale of assets during the liquidation process with effect from April 1, 2025.

It is expected that the centralised e-auction platform will set a benchmark for enhanced information dissemination, improved price realisation, and greater transparency. The success of such a platform could also pave the way for developing a similar platform for inviting resolution plans from prospective resolution applicants under the Code, leading to more competitive bids for companies and value maximisation for creditors. The recent announcement by the Government to set up an Integrated Technology Platform for the IBC ecosystem is a step in this direction. The IBBI remains steadfast in its commitment to fostering tech innovations and implementing reforms to further streamline and strengthen the processes under the Code.

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