

Companies yet to learn to use IBC to be more productive: Ibbi chief

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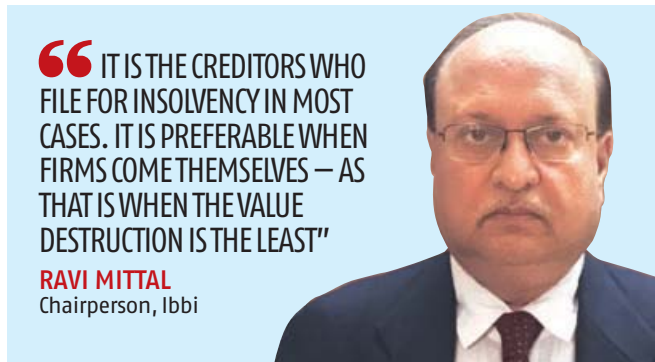
New Delhi, 30 January

Companies in India have yet to learn to use the Insolvency and Bankruptcy Code (IBC) to make themselves more productive, Ravi Mittal, Chairperson, Insolvency and Bankruptcy Board of India (Ibbi), said on Thursday, asserting that the insolvency regulator will be keen to study and resolve any roadblocks that the firms face.

Speaking at an event organised by the Associated Chambers of Commerce & Industry of India (ASSOCHAM), Mittal said it is the creditors who file for insolvency in most cases in India.

“It is preferable when companies come themselves as that is when the value destruction is the least,” Mittal said.

Citing the insolvency data of the developed world, the IBBI chief highlighted that around 63,000 of the total 66,000 insolvency applications filed in the US



were voluntary by the companies. “This means that insolvency is not an adversarial process,” he added.

According to the IBBI data, as of September 2024, 3,706 insolvency applications were initiated by financial creditors, 3,812 by operational creditors, and only 480 by corporate debtors (companies) themselves.

The Ibbi data showed that about 80 per cent of corporate

insolvency resolution processes (CIRPs), with an underlying default of less than ₹1 crore, were initiated on applications by operational creditors while about 80 per cent of CIRPs, with an underlying default of more than ₹10 crore, were initiated on applications by financial creditors. IBBI data suggests that the share of CIRPs initiated by corporate debtors or companies is declining.

Mittal said that cases worth ₹11 trillion had been settled through IBC by withdrawal even before they reached the admission stage, showing that the IBC had changed the debtor-creditor relationship.

“Fear of the law is better than using the law. People today do not want to default,” he said.

In the last eight years, IBC has provided the best exit mechanism to companies while returning ₹3.6 trillion to creditors, enabling banks to lend much more, Mittal said. The IBBI chairman stressed the need for the private sector to ramp up its investment in infrastructure to contribute towards India’s goal of becoming a developed country at the earliest.

“Government recognises the need for investment in infrastructure and in successive budgets this amount has been increasing, but the government cannot provide the huge investment this sector requires,” Mittal said.