

## Ministry of Finance

### Insolvency and Bankruptcy (Second Amendment) passed in Rajya Sabha

19 September, 2020

Relevant to Corporate Finance Teams of all Mahindra Businesses

#### Background


- The Bill mandates that a default on repayments from March 25, the day when a nationwide lockdown began to curb the spread of coronavirus, would not be considered for initiating insolvency proceedings for at least six months
- The bill amends the Insolvency and Bankruptcy Code, 2016 which provides a time bound process for resolving insolvency in companies and also among individuals
- The legislation seeks to temporarily suspend initiation of the corporate insolvency resolution process, CIRP under the Code. It replaces the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2020 promulgated in June this year

#### Salient Features of the Bill

- The central government may extend this period to one year through notification. Insolvency is a situation where individuals or companies are unable to repay their outstanding debt
- Amendments were brought due to the Covid-19 situation to give the immunity to the business from insolvency proceedings in this critical situation
- The IBC mechanism has helped in the recovery of the amount related to the non-performing assets of scheduled commercial banks
- Giving the comparative analysis of the recovery made by the Lok Adalat, SARFAESI and IBC in 2018-19, under the IBC mechanism 42.5 percent recovery has been made which is the highest and it helped to recover more than Rs. 77 thousand crore

#### For Further Study

1. <https://smestreet.in/msmenews/insolvency-and-bankruptcy-code-second-amendment-bill-passed-from-rajya-sabha/>
2. <http://newsonair.com/Main-News-Details.aspx?id=400422>

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3. <https://currentaffairs.gktoday.in/insolvency-and-bankruptcy-second-amendment-passed-in-rajya-sabha-092020342529.html>