

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF INVESTMENT AND PUBLIC ASSET MANAGEMENT
(DIPAM)

LOKSABHA
UNSTARRED QUESTION NO. 3441
TO BE ANSWERED ON 15.07.2019

AUCTION OF STRESSED STEEL COMPANIES

3441. SHRI A.RAJA:

Will the Minister of FINANCE be pleased to state:

- a) whether it is a fact that there is a cartelized auction purchase of stressed steel companies under IBC;
- b) if so, the details of the companies put up for auction with details of promoters and buyers during the last five years;
- c) whether there is collusion with bank officials by prospective buyers and promoters to drive value realization to bare minimum; and
- d) if so, the details thereof along with the action taken by the banks to derive maximum value of such steel companies?

ANSWER

THE MINISTER OF STATE FOR FINANCE
(SHRI ANURAG SINGH THAKUR)

(a)&(b) No, Sir, The Insolvency and Bankruptcy Code (IBC), 2016 is not envisaged to be a model for sale of the corporate debtor through any auction.

The soul of the Code, as evident from its long title, is resolution. In the matter of Binani Industries Limited vs. Bank of Baroda & Anr., the Hon'ble NCLAT has held that the first order objective of the Code is "resolution". This has been reiterated by the Hon'ble Supreme Court in the case of Swiss Ribbon, wherein it held that:

"The primary focus of the legislation is to ensure revival and continuation of the corporate debtor by protecting the corporate debtor from its own management and from a corporate death by liquidation."

(c)&(d) No, Sir, Resolution of corporate debtors, including stressed steel companies, is governed by provisions contained in Chapter II of the Insolvency and Bankruptcy Code (IBC), 2016 regarding corporate insolvency resolution process, and the insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 made under the Code, which contain comprehensive provisions for maximizing value from assets of the corporate debtor. These include independent valuations of the assets as per globally accepted valuation standards to determine fair value, invitation of expressions of interest for resolution plan that shall provide for maximization of value of the assets, approval of resolution plan by a committee consisting of all financial creditors with special majority and additionally, by the National Company Law Tribunal. Financial creditors represented on the committee of creditors take action in accordance with these provisions.
