

# Bankrupt Companies after lockdown was imposed due to COVID-19 pandemic

Posted On: 22 MAR 2021 4:52PM by PIB Delhi

As per information from Insolvency and Bankruptcy Board of India (IBBI), details for the period from 01.04.2020 to 31.12.2020 of the number of companies declared bankrupt in the country after the lockdown was imposed due to COVID-19 pandemic is as under:

283 firms were admitted into corporate insolvency resolution process (CIRP).

76 CIRPs ended in resolution, 128 CIRPs were closed due to withdrawal/appeal or settlement and 189 CIRPs ended in liquidation.

30 corporate persons were dissolved/ sold as a going concern/undergone compromise or arrangement under section 230 of Companies Act, 2013 under liquidation process. Further, 59 corporate persons were dissolved under voluntary liquidation process.

This was stated by Shri Anurag Singh Thakur, Union Minister of State for Finance & Corporate Affairs, in a written reply to a question in Lok Sabha today.

The state-wise details is as per Annexure - A.

Giving more details, the Minister said that the Ministry of Corporate Affairs (MCA) has raised the threshold of default under Section 4 of the Insolvency and Bankruptcy Code, 2016 (the Code/ IBC) to Rs. 1 crore (from the existing threshold of Rs. 1 lakh) vide Notification dated 24th March, 2020. This step was taken, inter alia, to assist and aid the functioning of Corporate Persons which might face default owing to the economic slowdown and unprecedented situation due to COVID19.

The Minister further stated that the Insolvency and Bankruptcy Code (Second Amendment) Act, 2020 with effect from 5th June 2020 provides for insertion of Section 10A to the Code for temporary suspension of initiation of corporate insolvency resolution process (CIRP) under Section 7, 9 and 10 of the Code for a period of six months or such further period not exceeding one year from 25th March 2020, as follows:.

The benefit of the suspension is applicable to all those defaults of the corporate debtor that occur from 25th March, 2020 and till the end of period of suspension.

Such defaults arising from 25th March, 2020 and till completion of suspension period will remain as nonest for the purpose of initiation of CIRP under the code as permanent carve out.

Section 66 has been amended to provide protection to directors from personal liability for COVID period defaults.

The time period under section 10A of the code has been extended vide notification no. SO-4638 (E) dated 22nd December, 2020 for a further period of three months from 25th December, 2020.

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(a) Outcome of CIRP:

State/ UT	Number of CIRPs Closed due to withdrawal/ appeal or settlement	Number of CIRPS ending in resolution	Number of CIRPs ended in Liquidation
Andhra Pradesh	3	-	4
Bihar	1	-	-
Chandigarh	1	1	-
Chhattisgarh	1	-	-
Dadra & Nagar Haveli	-	-	2
Daman & Diu	-	-	1
Delhi	38	19	58
Goa	-	3	-
Gujarat	21	5	36
Haryana	2	5	1
Himachal Pradesh	-	-	2
Jharkhand	1	-	-
Karnataka	4	3	16
Kerala	3	2	3
Madhya Pradesh	3	3	4
Maharashtra	20	16	37
Meghalaya	-	2	-
Punjab	-	-	4
Rajasthan	3	-	-
Tamil Nadu	6	1	11
Telangana	10	5	5
Tripura	2	-	-
Uttar Pradesh	4	1	2

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Uttarakhand	-	1	-
West Bengal	5	9	3
Grand Total	128	76	189

(b): Segregated state-wise details of companies dissolved and of compromise and arrangement under Companies Act:

Sl. No.	State	Companies dissolved/ sold as a going concern/ undergone compromise or arrangement under section 230 of Companies Act, 2013 through liquidation	Companies dissolved through Voluntary Liquidation
1	Andhra Pradesh	1	0
2	Delhi	3	13
3	Gujarat	6	10
4	Haryana	2	0
5	Karnataka	9	16
6	Kerala	0	1
7	Maharashtra	2	8
8	Madhya Pradesh	0	4
9	Punjab	1	0
10	Telangana	3	3
11	Tamil Nadu	2	3
12	West Bengal	1	1
Total		30	5