



# LIQUIDATION PROCESS FOR CORPORATE DEBTOR

Presented by:

CA. Anil Goel

Chartered Accountant & Insolvency Professional

Email: [anilgoel@aaainsolvency.com](mailto:anilgoel@aaainsolvency.com)

Mobile: 9811055148

E-10A, Kailash Colony, New Delhi -110048

## AAA Capital Services Private Limited

(India's largest 'Resolution & Enforcement Agents' under SARFAESI Act; empanelled and working for all the banks in India; having operations spread over 19 states; handled more than 14,000 Sarfaesi cases with more than 160 human resources)

[www.aacapitalservices.com](http://www.aacapitalservices.com)

## AAA Insolvency Professionals LLP

(India's second 'Insolvency Professional Entity' recognised by IBBI)

Branch offices:

Mumbai | Kolkata | Ahmedabad | Chennai | Kochi | Raipur |  
Bengaluru | Hyderabad

[www.insolvencyandbankruptcy.in](http://www.insolvencyandbankruptcy.in)

# Explaining the Liquidation Process





# NATIONAL COMPANY LAW TRIBUNAL

Who Can Order  
For Liquidation ?  
**ONLY**



# WHEN CAN LIQUIDATION ORDER BE PASSED

- 1. NCLT does not receive a resolution plan under sub-section (6) of section 30 before the expiry of 180 days or extend time, if any extension is permitted by NCLT - Sec 33(1)(a)**
- 2. NCLT rejects the resolution plan under section 31 for the non-compliance of the requirements specified therein - Sec 33(1)(b)**
- 3. Where RP at any time during the CIRP but before confirmation of resolution plan, intimates NCLT of the decision of the COC to liquidate the corporate debtor – Sec 33(2)**
- 4. Where the resolution plan approved by the NCLT is contravened by the concerned corporate debtor, any person other than the corporate debtor, whose interests are prejudicially affected by such contravention, may make an application to NCLT for a liquidation order – Sec 33(3); On receipt of an application under sub-section (3), if the NCLT determines that the corporate debtor has contravened the provisions of the resolution plan, it shall pass a liquidation order**

# IMMEDIATE EFFECTS OF LIQUIDATION ORDER BY NCLT



- 1. No suit or other legal proceeding shall be instituted by or against the corporate debtor – Sec 33(5)**
- 2. Provided that a suit or other legal proceeding may be instituted by the liquidator, on behalf of the corporate debtor, with the prior approval of the Adjudicating Authority**
- 3. Provided that a suit or other legal proceeding may be instituted by the liquidator, on behalf of the corporate debtor, with the prior approval of the Adjudicating Authority.**
- 4. The provisions of sub-section (5) shall not apply to legal proceedings in relation to such transactions as may be notified by the Central Government in consultation with any financial sector regulator.**
- 5. The liquidation order shall be deemed to be a notice of discharge to the officers, employees and workmen of the corporate debtor, except when the business of the corporate debtor is continued during the liquidation process by the liquidator**
- 6. All powers of the BoD, KMPs and partners of the corporate debtor, as the case may be, shall cease to have effect and be vested in the liquidator.**



## **THE** ***Liquidator***

---

1. The resolution professional appointed for the CIRP under Chapter II shall, subject to submission of written consent to the NCLT, act as the liquidator for the purposes of liquidation unless replaced by the NCLT under section 34(4)
2. The NCLT shall by order replace the resolution professional, if
  - a) The resolution plan submitted by the resolution professional under section 30 was rejected for failure to meet the mandatory requirements of resolution plan as per section 30(2) or
  - b) The IBBI recommends the replacement of a resolution professional to the NCLT for reasons to be recorded in writing and also propose a name of Insolvency professional
  - c) The resolution professional fails to submit the written consent
3. For the purposes of clause sec 34(4)(a) & (c) the NCLT may direct IBBI to propose the name of another insolvency professional to be appointed as a liquidator and IBBI shall propose the name within 10 days along with the written consent of the RP

# Eligibility for appointment as Liquidator – Reg 3

**(1) Eligible only if IP and every partner or director of his IPE is independent of the CD**

**Explanation– A person shall be considered independent of the CD**

- a) If he is eligible to be appointed as an independent director on the board of the CD under section 149 of the Companies Act, 2013 where the corporate debtor is a company;
- b) If he is not a related party of the CD; or
- c) has not been an employee or proprietor or a partner:
  - i. of a firm of auditors or secretarial auditors or cost auditors of the CD; or
  - ii. of a legal or a consulting firm, that has or had any transaction with the CD contributing ten per cent or more of the gross turnover of such firm, in the last three financial years

**(2) A liquidator shall disclose the existence of any pecuniary or personal relationship with the concerned CD or any of its stakeholders as soon as he becomes aware of it, to the Board and the AA.**

**(3) An IP shall not continue as a liquidator if the IPE of which he is a director or partner, or any other partner or director of such IPE represents any other stakeholder in the same liquidation process.**

## • FEE OF LIQUIDATOR

- liquidator shall charge such fee for the conduct of the liquidation proceedings and in such proportion to the value of the liquidation estate assets, as may be specified by the Board
- The fees for the conduct of the liquidation proceedings shall be paid to the liquidator from the proceeds of the liquidation estate under section 53

## • Liquidator's Fee – Reg 4

- The liquidator's fee is part of the liquidation cost
- Fee to be decided by COC before the liquidation order is passed
- Manner of payment would also be decided by COC
- In case not decided by COC, then the fee would be as:
  - %age of amount realised (net of other liquidation cost)
  - %age of amount distributed
- 50% fee to be received by liquidator only after the amount is distributed
- Fee is prescribed in a chart under Reg 4(3) against amount of realisation and against amount distributed to stakeholders.

# POWERS OF LIQUIDATOR – Sec 35

- (a) To verify claims of all the creditors;
- (b) To take into his **custody or control all the assets, property**, effects and actionable claims of the corporate debtor;
- (c) To **evaluate the assets and property** of the corporate debtor in the manner as may be specified by the Board and prepare a report;
- (d) To take such measures to **protect and preserve the assets** and properties of the Corporate Debtor as he considers necessary
- (e) To **carry on the business** of the corporate debtor for its beneficial liquidation as he considers necessary;
- (f) Subject to section 52, to **sell the immovable and movable property** and actionable claims of the corporate debtor in liquidation by **public auction or private contract**

***Provided that the Liquidator shall not sell the property under (f) to any person who is not eligible to be a resolution applicant.***

- (g) To operate the bank account of the CD
- (h) To take out, in his official name, letter of administration to any deceased contributory and to do in his official name any other act necessary for obtaining payment of any money due and payable from a contributory or his estate which cannot be ordinarily done in the name of the corporate debtor, and in all such cases, the money due and payable shall, for the purpose of enabling the liquidator to take out the letter of administration or recover the money, be deemed to be due to the liquidator himself;





# POWERS OF LIQUIDATOR – Sec 35 – Cont..



- (i) To obtain any professional assistance from any person or appoint any professional, in discharge of his duties, obligations and responsibilities;**
- (j) To invite and settle claims of creditors and claimants and distribute proceeds in accordance with the provisions of this Code;**
- (k) To institute or defend any suit, prosecution or other legal proceedings, civil or criminal, in the name of and on behalf of the corporate debtor;**
- (l) To investigate the financial affairs of the corporate debtor to determine undervalued or preferential transactions;**
- (m) To take all such actions, steps, or to sign, execute and verify any paper, deed, receipt document, application, petition, affidavit, bond or instrument and for such purpose to use the common seal, if any, as may be necessary for liquidation, distribution of assets and in discharge of his duties and obligations and functions as liquidator;**
- (n) To apply to the Adjudicating Authority for such orders or directions as may be necessary for the liquidation of the corporate debtor and to report the progress of the liquidation process in a manner as may be specified by the Board; and**
- (o) To perform such other functions as may be specified by the Board.**

## Power to Consult any of the stakeholder – Sec 35(2) & Reg 8

- The liquidator shall have the power to consult any of the stakeholders entitled to a distribution of proceeds under section 53
- Any such consultation shall not be binding on the liquidator.
- The records of any such consultation shall be made available to all other stakeholders not so consulted, in a manner specified under regulation 8
- Stakeholders consulted shall extend all assistance and co-operation
- The liquidator shall maintain the particulars of any consultation with the stakeholders as per Form A of Schedule II

# LIQUIDATION ESTATE (Sec 36)



The liquidator shall form an **estate** of the assets mentioned in sub-section (3), which will be called the **liquidation estate** in relation to the corporate debtor.

The liquidator shall hold the liquidation estate as a fiduciary for the benefit of all the creditors.

# **A. ASSETS WHICH ARE PART OF LIQUIDATION ESTATE**

- 1. All assets over which the corporate debtor has ownership rights:
  - i. As evidenced in the balance sheet; or**
  - ii. As per records of an information utility; or**
  - iii. Records in the registry; or**
  - iv. Any depository recording securities of the corporate debtor; or**
  - v. Shares held in any subsidiary of the cd**
  - vi. By any other means as may be specified by the board;****
  
- 2. Assets that may or may not be in possession of the Corporate Debtor**
- 3. Assets may or may not be encumbered;**
  
- 4. All tangible assets, whether movable or immovable;**
  
- 5. Intangible assets:
  - i. Intellectual property,**
  - ii. Securities (including shares held in a subsidiary of the corporate debtor); or**
  - iii. Financial instruments,**
  - iv. Insurance policies,**
  - v. Contractual rights;****

# **ASSETS WHICH ARE PART OF LIQUIDATION ESTATE... Contd.**

- 1. Assets Subject To The Determination Of Ownership By The Court Or Authority; (Status Quo To Be Maintained)**
- 2. Any Assets Or Their Value Recovered Through Proceedings For Avoidance Of Transactions In Accordance With Section 43, 45, 50 & 66;**
- 3. Any Asset Of The Corporate Debtor In Respect Of Which A Secured Creditor Has Relinquished Security Interest;**
- 4. Any Other Property Belonging To Or Vested In The Corporate Debtor At The Insolvency Commencement Date; And**
- 5. All Proceeds Of Liquidation As And When They Are Realized**
- 6. All Recoveries Done From Receivables, Claims, Advances During Liquidation..**

# **B. ASSETS WHICH ARE NOT PART OF LIQUIDATION ESTATE**

- i. Assets Owned By A Third Party, But Are In Possession Of Cd, Including:**
- ii. Assets Held In Trust For Any Third Party;**
- iii. Bailment Contracts;**
  
- iv. All Sums Due To Any Workmen Or Employee From The Provident Fund, The Pension Fund And The Gratuity Fund;**
- v. Other Contractual Arrangements Which Do Not Stipulate Transfer Of Title But Only Use Of The Assets; And**
- vi. Such Other Assets As May Be Notified By The Central Government In Consultation With Any Financial Sector Regulator;**
- vii. Assets In Security Collateral Held By Financial Services Providers And Are Subject To Netting And Set-off In Multi-lateral Trading Or Clearing Transactions;**
- viii. Personal Assets Of Any Shareholder Or Partner Of Cd Provided Such Assets Are Not Held On Account Of Avoidance Transactions That May Be Avoided Under Section 43, 45, 50 & 66**
- ix. Assets Of Any Indian Or Foreign Subsidiary Of The Corporate Debtor; Or**
- x. Any Other Assets As May Be Specified By The Board, Including Assets Which Could Be Subject To Set-off On Account Of Mutual Dealings Between The Corporate Debtor And Any Creditor.**

# REPORTS TO BE PREPARED BY LIQUIDATOR AND TIME LINE



Sr. No.	Description of the Report	Section or Regulation	Days from liq. Date
1	To evaluate the assets and property of the corporate debtor in the manner as may be specified by the Board and prepare a report ( Asset Memorandum)	Sec 35(1)(c)	75 Days
2	To report the progress of the liquidation process in a manner as may be specified by the Board; and	Sec 35(1)(n)	15 Days from the end of each quarter
3	"Preliminary Report" means the report prepared in accordance with Regulation 13;	Reg 2(1)(f) & 13	75 days
4	First Progress Report" means the quarterly report prepared in accordance with Regulation 15;	Reg 2(1)(g) & 15	15 days from the end of quarter of apptt.
	Subsequent Progress Report. In case IP ceases to act as Liquidator, then 15 days from the date of cessation	Reg 2(1)(g) & 15	15 days from the end of every quarter.
5	An asset memorandum	Reg 5(1) – Reg 34	75 Days
	Sale Reports	Reg 5(1) – Reg 36	To be enclosed with progress report after sale of each asset
	Minutes of Consultation with the stakeholders	Reg 5(1) – Reg 8	After each Meeting, No days prescribed
	The final report prior to distribution	Reg 5(1) – Reg 45	Within 2 years
	Provide copies of the reports and minutes to stakeholders in electronic or physical forms: on application from stakeholder; receipt of cost of making reports or minutes; receipt of confidentiality undertaking	Reg 5(3)	Reasonable Time

**The liquidator shall preserve a physical as well as an electronic copy of the reports and minutes referred to in sub-regulation (1) for eight years after the dissolution of the corporate debtor.**

# PRELIMINARY REPORT

## **Capital structure of the Company**

**The estimates of its assets and liabilities as on the liquidation commencement date based on the books of the CD or other records available**

**Intention of the liquidator about making further inquiry into any matter relating to:**

- Promotion of CD
- Formation of CD
- Failure of the CD
- Conduct of the business of CD

## **Plan of Action for:**

- Carrying out the liquidation
- Time line of liquidation
- Estimated Liquidation Cost



## **EARLY DISSOLUTION (Reg. 14)**

**Any time after preparation and filing of preliminary report, if it appears that:-**

- 1. The realizable properties of the CD are insufficient to cover the cost of the liquidation process; and**
- 2. The affairs of the CD do not require any further investigation;**
- 3. Liquidator may apply to AA:**
- 4. For early dissolution of the CD; and**
- 5. For necessary directions in respect of such dissolution.**

Progress Report shall provide all information relevant to liquidation for the quarter, including:

1. Appointment, tenure of appointment and cessation of appointment of professionals;
2. A statement indicating progress in liquidation, including-
  - Settlement of list of stakeholders,
  - Details of any property that remain to be sold and realized,
  - Distribution made to the stakeholders, and
  - Distribution of unsold property made to the stakeholders;
3. Details of fee or remuneration, including-
  - The fee due to and received by the liquidator
  - A description of the activities carried out by him,
  - The remuneration or fee paid to professionals appointed by the liquidator
  - Description of activities carried out by professionals
  - Other expenses incurred by the liquidator, whether paid or not;
4. Developments in any material litigation, by or against the corporate debtor;
5. Filing of, and developments in applications for avoidance of transactions u/s 43, 45, 49 & 50; and



6. Changes, if any, in estimated liquidation costs.
7. A Progress Report shall enclose an account maintained by the liquidator showing-
  - His receipts and payments during the quarter; and
  - The cumulative amount of his receipts and payments since the liquidation commencement date.
8. A Progress Report shall enclose a statement indicating:
  - Any material change in expected realization of any property proposed to be sold,
  - The basis for such change:

*Provided that this statement shall not be accessible to any person during the course of liquidation, unless permitted by the AA.*

9. The Progress Report for the fourth quarter of the financial year shall enclose audited accounts of the liquidator's receipts and payments for the financial year:



## OTHER REPORTS

**Report of Colluding sale – Reg 33(3)**

**Asset Memorandum Report:**

**Asset Sale Report**

**Report to AA in case liquidation is not completed in two years – Reg 44(2)**

**Final report prior to dissolution to be submitted along with application for dissolution –  
Reg 45**

**Liquidation cost exceed the estimated liquidation cost – reason to be submitted along  
with Final report prior to dissolution**



# REGISTERS AND BOOKS OF ACCOUNTS- Reg 6



1. Liquidator to complete all pending books of accounts, with all convenient speed
2. Liquidator shall maintain registers and books, to the extent applicable
3. Shall preserve them for eight years after the dissolution of the CD
4. **Books and Registers:** Cash Book, Ledger, Bank Ledger, Register of Fixed Assets and Inventories, Securities and Investment Register, Register of Book Debts and Outstanding Debts, Tenants Ledger, Suits Register, Decree Register, Register of Claims and Dividends, Contributories Ledger, Distributions Register, Fee Register, Suspense Register, Documents Register, Books Register;
5. Register of unclaimed dividends and undistributed properties deposited in accordance with Regulation 45; and
6. Such other books or registers as may be necessary to account for transactions entered into by him in relation to the corporate debtor.
7. Formats of Registers and Books provided in Schedule III, with such modifications as the liquidator may deem fit in the facts and circumstances of the liquidation process.
8. The liquidator shall keep receipts for all payments made or expenses incurred by him.

## Asset Memorandum -Reg 34

- To be made on forming of liquidation estate u/s 36
- To be prepared within 75 days from Liquidation commencement date(LCD)
- Asset memorandum shall provide following details:
  - Value of the asset as per valuation report
  - Intended manner of sale i.e. Set of Assets, in parcels or slump sale
  - Value of set of assets if intended to be sold as set of assets, or
  - Value of assets in parcels if intended to be sold in parcels, or
  - Value of assets in slump sale, if intended to be sold that way
  - Intended mode of sale i.e. e-auction, physical auction or private sale
  - Expected amount of realisation from sale
  - Any other relevant information for sale of asset
- Asset memorandum shall also be prepared for each asset other than those assets which are intended to be sold as 'set of assets' 'assets in parcels' & 'assets in a slump sale'
- Liquidator to file Asset Memorandum along with the preliminary report. To AA – Reg 34(4)
- Asset Memorandum shall not be accessible to any person during the course of liquidation unless permitted by AA – Reg 34(5)



## MANNER OF SALE – REG 32

- Sale of asset on standalone basis
- Sell the asset in a slump sale
- Sell a set of assets collectively
- Sell the assets in parcels
- Sell the corporate debtor as a going concern

# Mode of sale – Reg 33

## A. E-Auction:

- Marketing strategy with the help of Marketing professionals:
  - Releasing advertisements
  - Preparing information sheet for the assets
  - Preparing a notice of sale
  - Liaising with agents
  - Terms and Conditions of sale:
  - Fixing reserve price
  - Fixing earnest money deposits
  - Pre-bid qualifications, if any
  - Reserve Price fixation:
  - Reserve price to be as per valuation done – Reg 34 & 35
  - Valuation can not be more than 6 months old at the time of fixation of RP
- In case auction fails, the RP can be reduced up to 75% of earlier RP for subsequent auctions
  - Public Announcement (PA) of each auction:
  - PA is required for each auction as per Reg 12(3)
  - One in English and One in Regional Language with wide circulations
  - At Registered Officer & Principle Office, if any
  - Any other location where CD conduct material business operations
  - On the website of CD
  - On the designated website of IBBI
  - PA can be waived by AA keeping in view value of asset
  - Due Diligence by interested buyers:





# Mode of sale – Reg 33

- Liquidator to extend all assistance
- Requirement of e-auction:
  - Online portal, if any designated by IBBI
  - Registration by the buyers
  - Buyers can bid
  - Buyers can receive confirmation of acceptance of their bid
  - Auction shall be transparent
  - Highest bid at any given point shall be visible to other bidders
  - The requirement of highest bid visible can be waived with the permission of AA, if in the interest of creditors
  - Multiple rounds of auction can be done to maximise the realisations and to the best interest of creditors
  - Physical auction is also possible:
- Based on the liquidator opinion
- With the objective of maximisation of realisation
- Best interest of creditors
- With the permission of AA
- Liquidator can avail the services of qualified professional auctioneers
- Close of auction and payment of sale consideration:
  - Highest bidder shall be invited for making balance sale consideration with 15 days from the date of invitation
  - Sale stands closed on payment of full amount
  - Liquidator shall execute certificate or sale deed



## B. Private Sale

### B. Conditions for Private Sale – any one of the four

- Asset is perishable
- Asset is likely to deteriorate in value significantly, if not sold immediately
- Asset is sold higher than the reserve price of a failed auction
- Prior permission of AA
- Process of Private Sale:
  - Prepare a strategy to approach interest buyers
  - May be by direct liaising with potential buyers or their agents
  - Through retain shops
  - Through any other means for maximisation of realisation
- Sale will complete as per the terms of sale
- Asset can be delivered to the purchaser
- Receipt of full consideration
- Conditions for related party sale
  - Prior permission of AA is required for sale to related party
  - Related party Means:
    - Related party of CD
    - Related party of Liquidator
    - Any professional appointed by liquidator

## C. Colluding Party Transactions:



### Colluding Party Transactions:

- Liquidator shall submit a report to AA, if he :
- has reasons to believe that there is
- Collusion between buyers
- Collusion between CD's related parties and the buyers
- Collusion between the creditors and the buyers
- Will seek appropriate order against the colluding parties from AA

## Asset Sale Report – Reg 36

- To be prepared on sale of each asset
- To be submitted to AA along with Progress Report
- Information to be provided in report:
  - The realized value
  - Cost of realization
  - The manner and mode of sale
  - Reason for lesser realization as compared to value given in AM
  - The person to whom the same is made
  - Any other details of sale

## Distribution of unsold assets to stakeholders– Reg 38



- Permission of AA is required
- If an asset cannot be readily sold
- If an asset cannot be advantageously sold due to its peculiar nature
- For some other special circumstances
- Application to AA should provide following information:
  - Identity of asset
  - Provide a value of the asset
  - Detail of efforts made to sell the asset, if any made
  - Reasons for such distribution

## **Recovery of monies due – Reg 39**

Liquidator shall make all efforts to:-

- To recover dues to CD in a time bound manner
- To realise all assets in a time bound manner

For maximisation of value for the stakeholders.

## **Liquidator to realise uncalled or unpaid capital contribution – Reg 40**

- Shall call and realise uncalled capital
- To collect calls in arrears (only for call made prior to liquidation)
- Subject to any charge or encumbrance
- No distribution to person who is liable to contribute to calls unless calls are paid

# RIGHTS AND OPTIONS OF SECURED CREDITORS IN LIQUIDATION PROCEEDINGS – Sec 52 & Reg 37

**Sec 3 (30) :** "secured creditor" means a creditor in favour of whom security interest is created;

**Sec 3 (31) :** "security interest" means:

- Right, title or interest or a claim to property
- Created in favour of, or provided for a secured creditor
- By a transaction which secures payment or performance of an obligation and
- Includes mortgage, charge, hypothecation, assignment and encumbrance or
- Any other agreement or arrangement securing payment or
- Performance of any obligation of any person

Provided that security interest shall not include a performance guarantee;

## OPTIONS OF SECURED CREDITOR IN LIQUIDATION PROCEEDINGS:

**A. Relinquish its security interest to the liquidation estate and receive proceeds from the sale of assets by the liquidator in the manner specified in section 53; or**

**B. Realize its security interest under Sarfaesi or Recovery of Debts and Bankruptcy Act, 1993.**

## Process of Realisation of security interest by secured creditor:

1. The Secured Creditor shall inform the liquidator of such security interest, and
2. Identify the asset subject to such security interest to be realised.
3. The liquidator shall verify such security interest
4. Permit the secured creditor to realise only such security interest, the existence of which may be proved either:
  - By the records of such security interest maintained by an information utility; or
  - By such other means as may be specified by the Board.
5. In case the proceeds of sale is in excess of debts due, the secured creditor shall —
  - (a) Account to the liquidator for such surplus; and
  - (b) Tender to the liquidator any surplus funds received from the enforcement of such secured assets.
6. CIRP Cost due from secured creditor, shall be deducted from the proceeds of any realisation or the secured creditor shall transfer such amounts to the liquidator to be included in the liquidation estate.

## Enforcement of security interest as per applicable law: Sarfaesi or IBC or any other law:



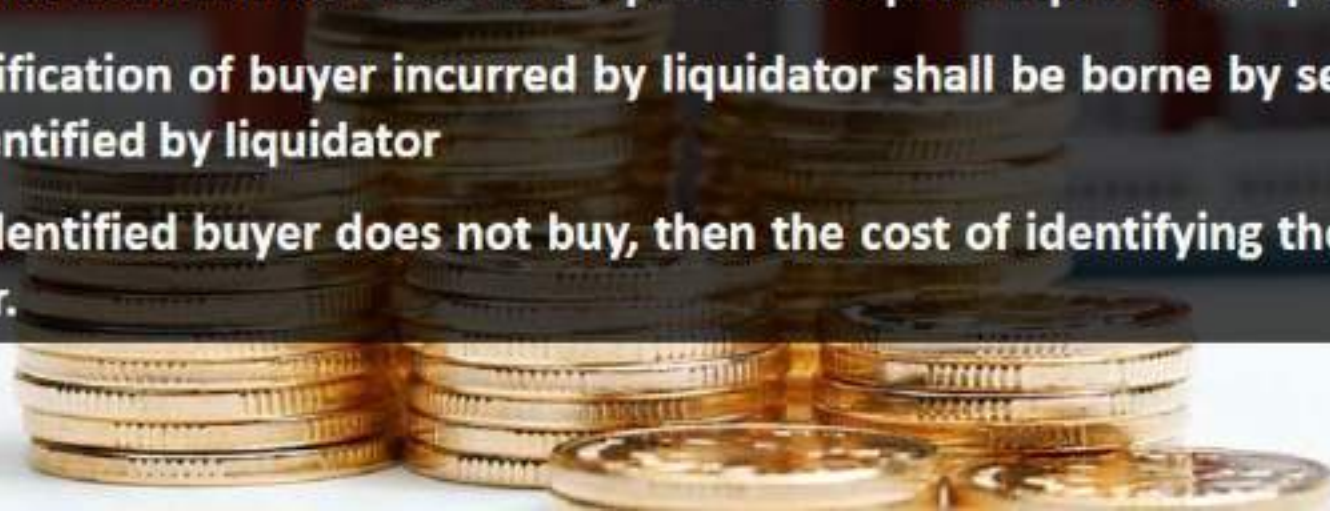
- A secured creditor may:
- Enforce, realise, settle, compromise or deal with the secured assets
- In accordance with such law as applicable to the *security interest* being realised and
- In accordance with such law as applicable to the *secured creditor* and apply the proceeds to recover the debts due to it

### Application to AA for facilitating possession or sale of secured asset – Sec 52(5) & 52(6)

- If in the course of realising a secured asset, any secured creditor faces resistance from the corporate debtor or any person connected therewith in taking possession of, selling or otherwise disposing off the security,
- the secured creditor may:
- make an application to the Adjudicating Authority to facilitate the secured creditor to realise such security interest in accordance with law for the time being in force.
- No format for such application, it can be in general form of application
- AA may pass such order as may be necessary to permit a secured creditor to realise security interest in accordance with law for the time being in force.

## Process for Sale of Secured Assets other than under SARFAESI or RDBA

- 1. The secured creditor shall intimate the liquidator of the price at which he proposes to realise its secured asset.**
- 2. Liquidator shall inform Secured Creditor with in 21 days of intimation, if a person is willing to buy the secured asset before the expiry of 30 days at a price higher than the price intimated by secured creditor**
- 3. The secured creditor shall sell the asset to such buyer as suggested by Liquidator**
- 4. In case there is no such person with liquidator or that person does not buy the asset, then the secured creditor shall sell the asset to his person at a price equal to the price informed earlier.**
- 5. Cost of identification of buyer incurred by liquidator shall be borne by secured creditor if sold to the buyer identified by liquidator**
- 6. In case the identified buyer does not buy, then the cost of identifying the buyer will be borne by the liquidator.**



# PROCEEDS OF LIQUIDATION AND DISTRIBUTION OF PROCEEDS – Reg 41 & 42

## Proceeds of Sale or any Realizations:

The liquidator shall open a bank account in the name of the CD followed by the words 'in liquidation', in a scheduled bank

The liquidator shall deposit in the bank account all moneys, including cheques and demand drafts received without any deduction not later than the next working day.

The liquidator may maintain a cash of one lakh rupees or such higher amount as may be permitted by the Adjudicating Authority to meet liquidation costs.

All payments out of the account by the liquidator above five thousand rupees shall be made by cheques drawn or online banking transactions against the bank account.

## Distribution of Proceeds:

The liquidator shall not commence distribution before the list of stakeholders and the asset memorandum has been filed with the Adjudicating Authority

The liquidator shall distribute the proceeds from realization within six months from the receipt of the amount to the stakeholders.

The insolvency resolution process costs, if any, and the liquidation costs shall be deducted before such distribution is made.



*Thank  
You*

**CA. ANIL GOEL**

**Insolvency Professional**  
Founder and Chairman



**Corporate Office: E 10A, Kailash Colony, Greater Kailash, New Delhi - 110048**  
**Contact Details: 011- 46664600 (100 Lines), Email: [anilgoel@aaainsolvency.com](mailto:anilgoel@aaainsolvency.com)**

**Mumbai | Kolkata | Ahmedabad | Raipur | Bengaluru | Hyderabad | Chennai | Kochi**