

Understanding the Voluntary Liquidation Process

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What is Liquidation?

What is Voluntary Liquidation (VL)?

Voluntary Liquidation is a process where a company on its own accord and with shareholder approval decides to dissolve and distribute its assets to settle outstanding debts and distribute any remaining surplus. In this presentation we will explore the phases before and after commencement under Section 59 of the Insolvency and Bankruptcy Code, 2016 read with the IBBI (Voluntary Liquidation Process) Regulations, 2017.



Thinking of commencing VL?

Remember these points

COMPANY MUST BE SOLVENT
AND ABLE TO PAY ITS DEBTS
IN FULL

DIRECTORS MUST SUBMIT
FOLLOWING DECLARATIONS:

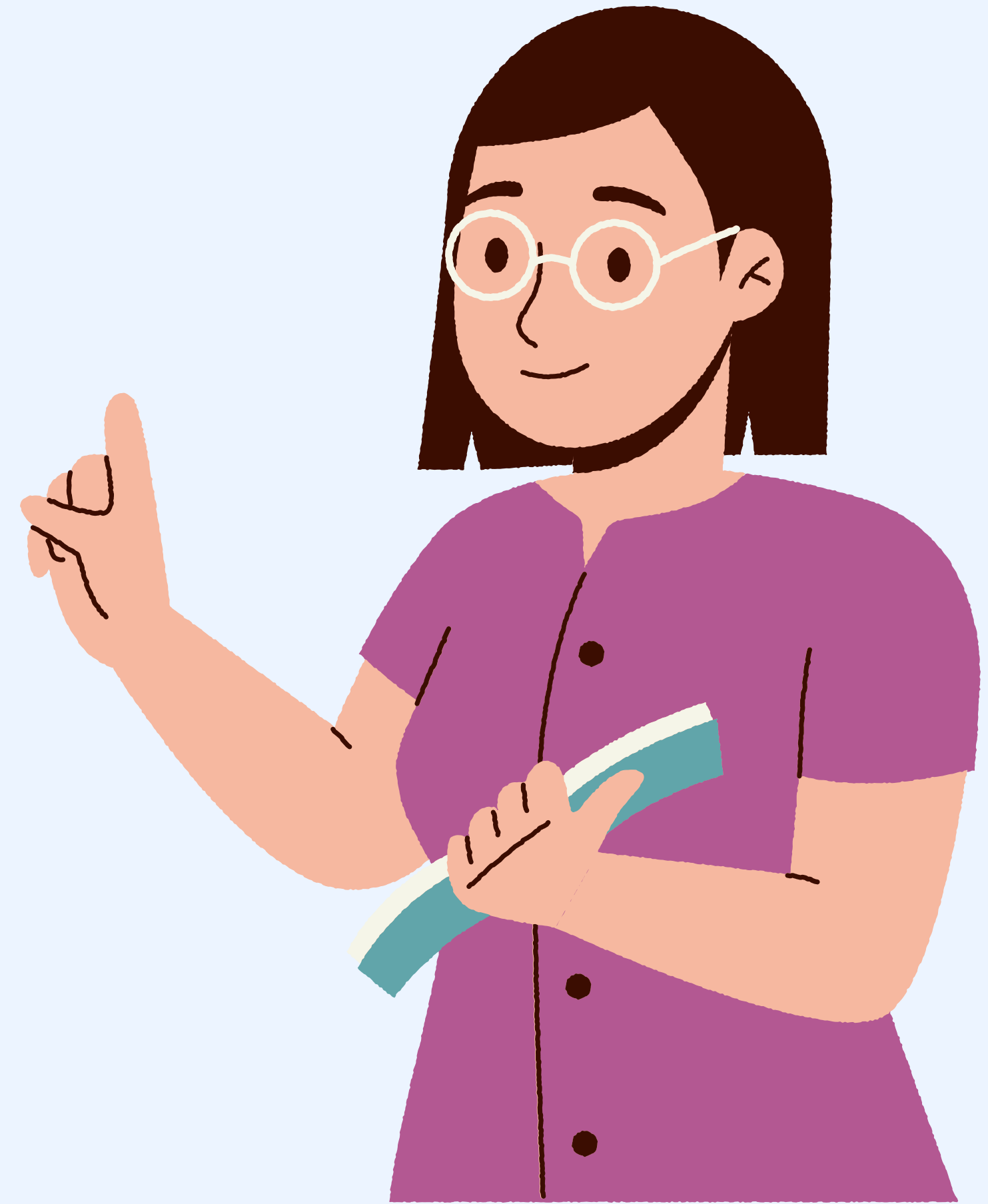
THE COMPANY IS NOT BEING
LIQUIDATED TO DEFRAUD
ANYONE

DECLARATIONS OF
SOLVENCY(DOS) AND THAT
THERE ARE NO PENDING
PROCEEDINGS AGAINST THE
COMPANY UNDER, ANY OTHER
LAW FOR THE TIME BEING IN
FORCE

**FINANCIAL STATEMENTS OF 2
PYS ARE TO BE APPENDED TO
THE DOS AND FINANCIAL
STATEMENTS NEED T BE
DRAWN UP TILL THE BM DATE**

The VL process

- 1 DECISION TO LIQUIDATE
- 2 APPOINTMENT OF LIQUIDATOR
- 3 REALIZE ASSETS
- 4 CLAIMS FROM CREDITORS
- 5 DISTRIBUTION OF PROCEEDS
- 6 DISOLUTION



Pre-Commencement Activities



Investor Consents

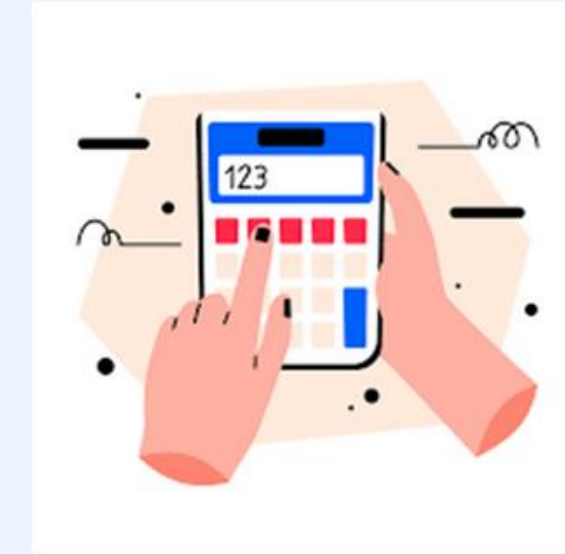
The SHA and AOA are to be checked to determine whether specific consents are required from Qualifying Investors as Liquidation would constitute Reserved Matter.



List of Creditors and Assets

Listing out the names of the Creditors, addresses, and amounts owed.

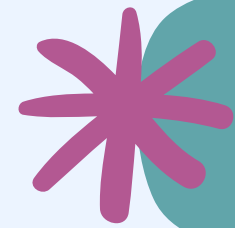
Listing out the description of assets and estimated values, if applicable



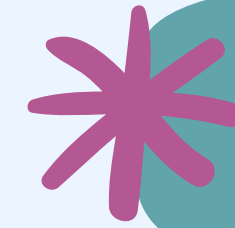
Payout Simulation

The proportion and amounts to be distributed to the shareholders needs to be determined based on the Liquidation Preference in the SHA.

Board approvals for VL



APPROVAL OF AUDITED ACCOUNTS UPTO THE DATE OF THE BM



APPROVAL OF DECLARATION OF SOLVENCY



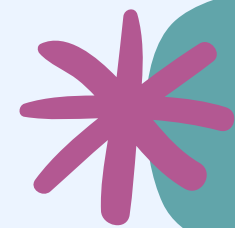
APPROVAL FOR VOLUNTARY LIQUIDATION OF THE COMPANY



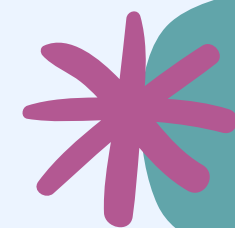
APPROVAL FOR APPOINTMENT OF INSOLVENCY PROFESSIONAL TO ACT AS LIQUIDATOR OF THE COMPANY



APPROVAL FOR CONTINUANCE OF CERTAIN POWERS OF THE BOARD UPON COMMENCEMENT OF VL



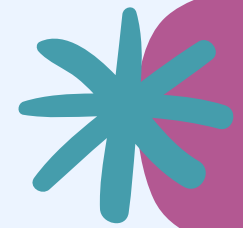
TAKING ON RECORD DECLARATION FROM DIRECTORS THAT THERE ARE NO PENDING PROCEEDINGS



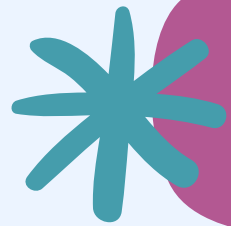
APPROVAL FOR OPENING A SEPERATE BANK ACCOUNT FOR VL

Shareholders' approvals for VL

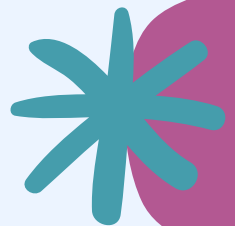
within 21 days of Board approval



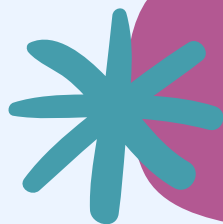
ADOPTION OF AUDITED ACCOUNTS UPTO THE DATE OF THE BM



APPROVAL FOR APPOINTMENT OF INSOLVENCY PROFESSIONAL TO ACT AS LIQUIDATOR OF THE COMPANY



APPROVAL FOR CONTINUANCE OF CERTAIN POWERS OF THE BOARD UPON COMMENCEMENT OF VL



APPROVAL FOR VOLUNTARY LIQUIDATION OF THE COMPANY

IF THERE ARE CREDITORS AS ON THE DATE OF COMMENCE THEN APPROVAL OF CREDITORS REPRESENTING TWO-THIRD IN VALUE OF DEBT IS REQUIRED.



Liquidator's Responsibilities Post-Commencement

01.

**THE LIQUIDATOR TAKES
POSSESSION OF COMPANY
ASSETS AND REALIZE THEM FOR
THE BENEFIT OF CREDITORS.**

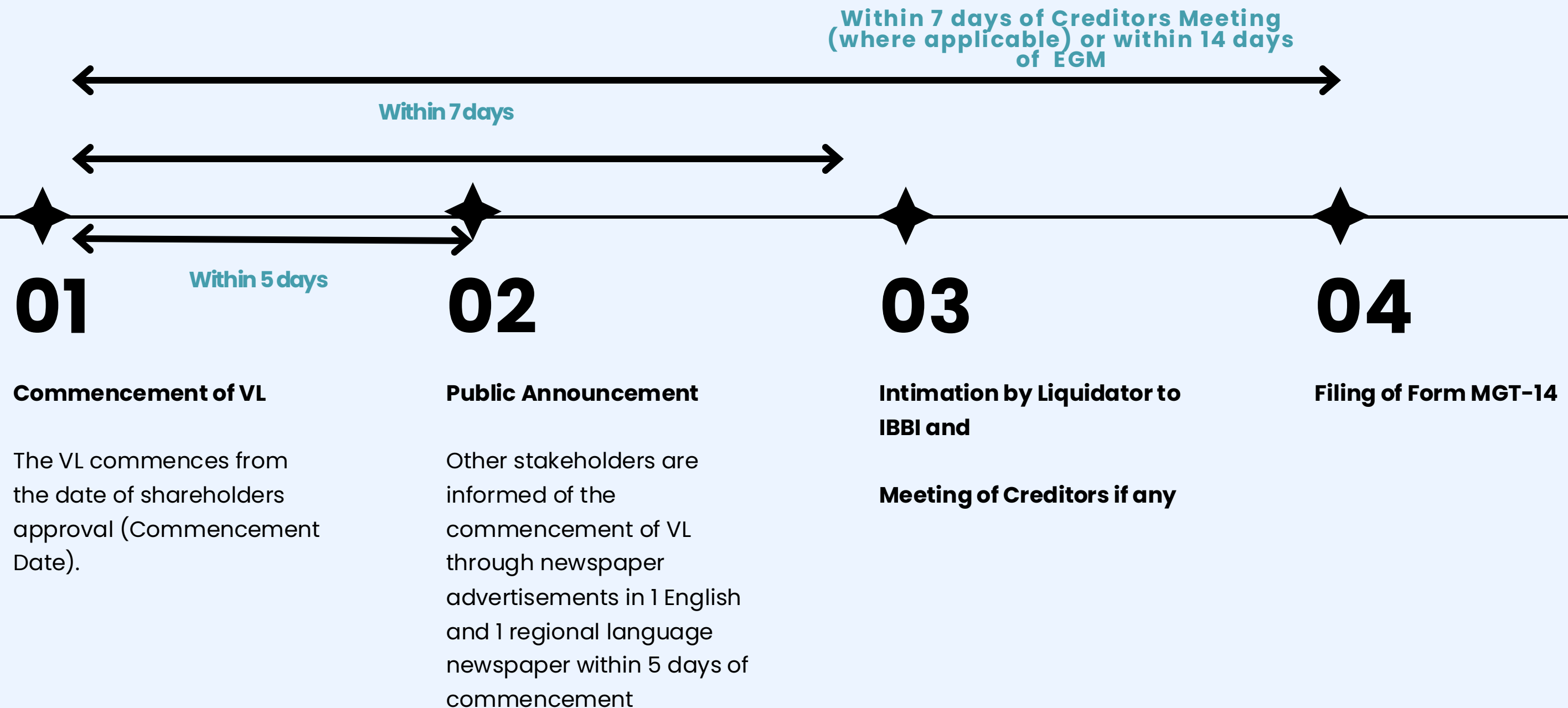
02.

**EXAMINING THE
COMPANY'S PAST
ACTIVITIES AND
TRANSACTIONS.**

03.

**SELLING ASSETS TO
GENERATE CASH**

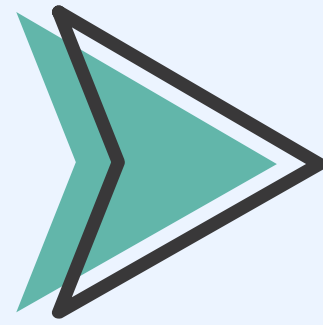
Steps ahead



Steps ahead

**CLAIMS BY CREDITORS IN FORM B,C,D,E OR F
RESPECTIVELY WITHIN 30 DAYS OF
COMMENCEMENT DATE**

**THE CLAIMS MAYBE WITHDRAWN/MODIFIED
WITHIN 44 DAYS FROM COMMENCEMENT DATE**



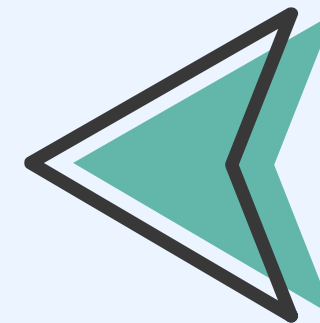
**SUBMISSION OF PRELIMINARY REPORT BY
LIQUIDATOR WITHIN 45 DAYS OF
COMMENCEMENT DATE**



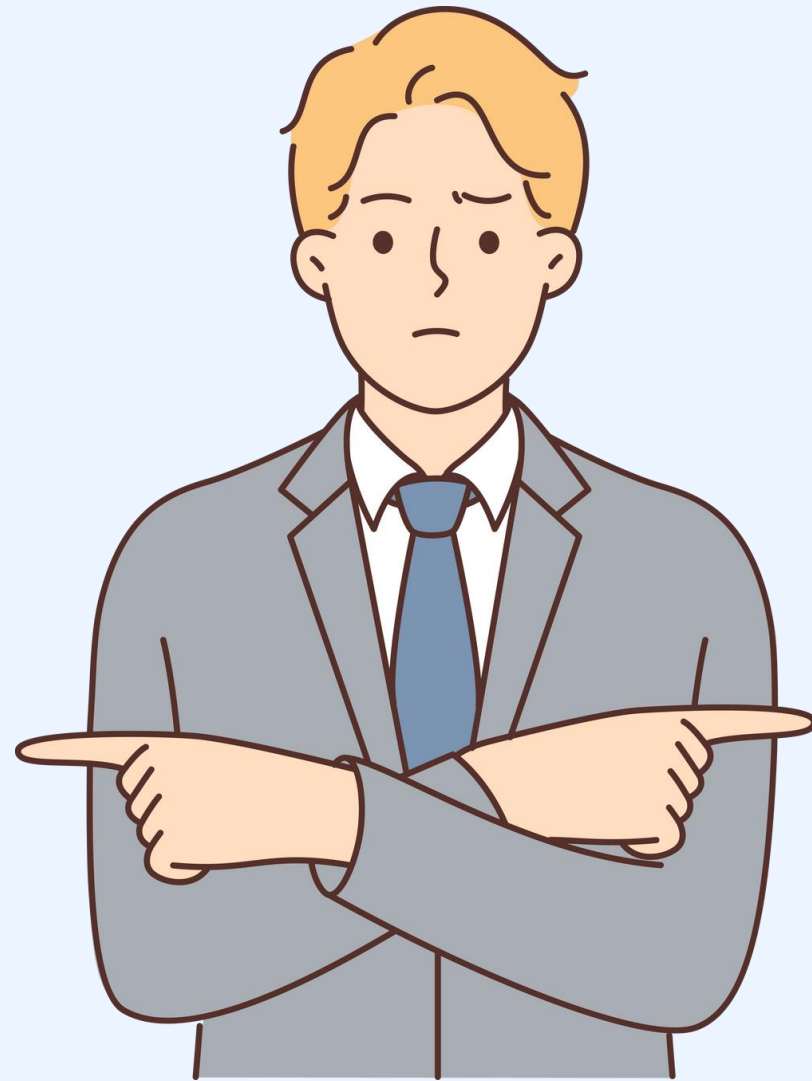
**VERIFICATION OF CLAIMS BY LIQUIDATOR
WITHIN 60 DAYS OF COMMENCEMENT DATE
AND INTIMATION OF REJECTION OR
ACCEPTANCE OF CLAIMS WITHIN 67 DAYS OF
COMMENCEMENT**



**CLOSURE OF LIQUIDATION BANK ACCOUNT
AND APPLICATION TO NCLT FOR DISOLUTION**



DISTRIBUTION OF PROCEEDS



Pre vs. Post Commencement: Key Differences

1

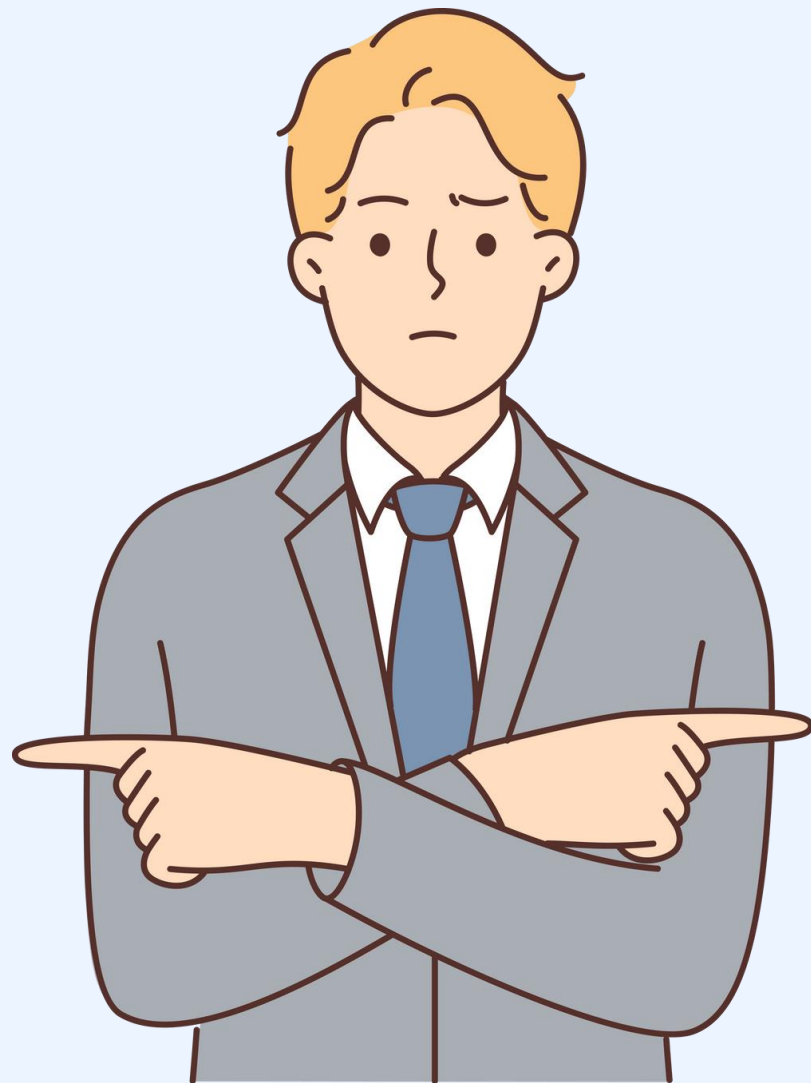
Pre-Commencement

Control rests with directors and shareholders. They decide how to proceed.

2

Post-Commencement

Control shifts to the appointed liquidator. He is responsible for managing assets, bank accounts etc



Pre vs. Post Commencement: Key Differences

1

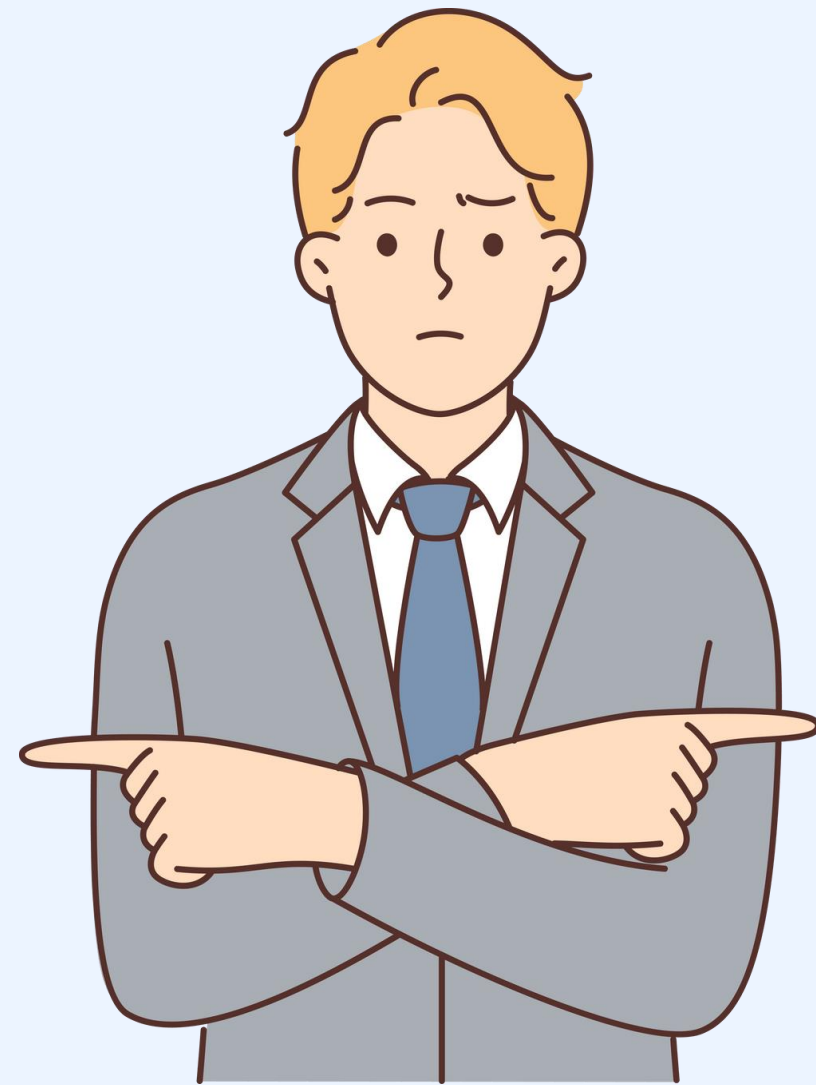
Pre-Commencement

Limited powers to directors

2

Post-Commencement

Extensive powers to Liquidator - sell assets, investigate and pursue claims.



Pre vs. Post Commencement: Key Differences

1

Pre-Commencement

Directors liable for actions. Risk of wrongful trading or misfeasance.

2

Post-Commencement

Liquidator protected if acting reasonably. Can pursue legal claims.

Thank

You!



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