

Lenders take 57% haircut in 94 cases worth ₹1.75 lakh cr

PRESS TRUST OF INDIA
Mumbai, May 3

BANKS HAVE TAKEN a huge 57% haircut in the 94 large accounts worth ₹1.75 lakh crore which were resolved in FY19, recovering just ₹75,000 crore or only 43% of the admitted claims, finds a report. The numbers assume importance as the bankruptcy law enters the third year this month.

As of March, there were 1,143 cases pending at various bankruptcy tribunals, and 32% of them are pending for over 270 days. The average resolution timeline for these 94 cases resolved was 324 days as against the stipulated timeline of 270 days.

"Only 94 stressed with a total claim of ₹1,75,000 crore by financial creditors were resolved in FY19 with a recovery of ₹75,000 crore or 43% of the admitted claims under the insolvency process approved by the various national company law tribunals (NCLTs)," say a joint study by Crisil and industry lobby Assocham, released on Friday.

The report said had these 94 companies were liquidated, the recovery would have been just 22% which is significantly



lower than the recovery rate through the normal resolution process.

The report further said there are a few big-ticket accounts for which resolution has not been finalised for over 400 days, as the IBC framework is still a work in progress.

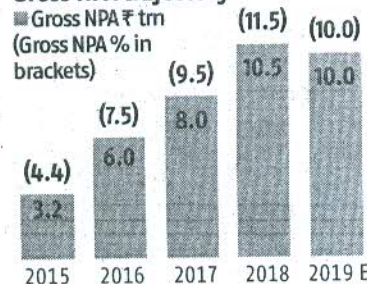
According to the study, some of the key issues that need to be addressed for successful implementation of IBC are adherence to timelines, adequate judicial infrastructure, creditor classification and prioritising, among others.

To maximise value and stakeholders' interest, the IBC framework for liquidation under a going concern basis needs to be explored further and should be followed in true spirit, the report said.

IBC's 43% recovery is fair: CRISIL

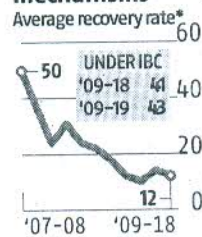
A BETTER SYSTEM

Gross NPA trajectory

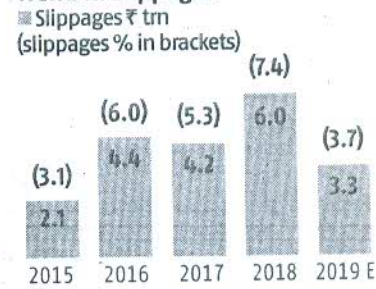


*Under DRT+SARFAESI+Lok Adalat; E: Estimates

Recovery rates across recovery mechanisms



Trend in slippages



Source: CRISIL-ASSOCHAM Report

ANUP ROY

Mumbai, 3 May

The advent of Insolvency and Bankruptcy Code (IBC) has resulted in a recovery rate of 43 per cent, which, according to rating agency CRISIL, is "respectable".

As on March 31 of this year, the resolution plan for 94 stressed assets was approved by the National Company Law Tribunal (NCLT).

"For this set of 94 accounts, resolution has been reached for ₹75,000 crore out of ₹1.75 trillion total claim of financial creditors admitted. That makes for a respectable recovery rate of 43 per cent," said a knowledge paper prepared by industry body

ASSOCHAM and rating agency CRISIL.

"Also, post-implementation of the IBC, CRISIL estimates the banking sector's gross NPA (aggregate) dropped to 10% in March 2019 from 11.5% at the end of fiscal 2018," it said, adding that India's resolving insolvency score improved to 40.8 in 2019 from 32.6 in 2016 after the IBC.

The IBC regime also improved India's ease of doing business' ranking to 77 in 2019 from 130 in 2017.

However, the IBC is a work-in-progress and despite two amendments brought forward, challenges remain, with the major one being adherence to the IBC timeline.

Of the 1,858 cases admitted

in the NCLT under the IBC, 1,143 cases were outstanding as on March 31, 2019. Of these outstanding ones, 32 per cent had surpassed the stipulated 270-day resolution timeline, the paper noted. "Also, there are a few big-ticket accounts for which resolution has not been finalised for over 400 days," it said.

"Then, there are other challenges such as burden on NCLT to resolve the large number of cases, clarity on priority of claims, limited number of information utilities, liquidation at a 'going concern' level, and creation of a secondary asset market, which need to be addressed," said CRISIL's President-Ratings, Gurpreet Chhatwal.

Debt resolution under IBC: Lenders take 57% haircut

Out of claims worth ₹1.75 lakh crore, only ₹75,000 crore recovered

MUMBAI, MAY 3

Banks have taken a huge 57% haircut in the 94 large accounts worth Rs 1.75 lakh crore which were resolved under Insolvency and Bankruptcy Code (IBC) in FY19, recovering just Rs 75,000 crore or only 43% of the admitted claims, finds a report.

The numbers assume importance as the bankruptcy law enters the third year this month. As of March, there were 1,143 cases pending at various bankruptcy tribunals, and 32% of them are pending for over 270 days.

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"Only 94 stressed cases with a total claim of Rs

CRISIL-ASSOCHAM REPORT

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1,75,000 crore by financial creditors were resolved in FY19 with a recovery of Rs 75,000 crore or 43% of the admitted claims under the insolvency process approved by the various national company law tribunals (NCLTs),"

say a joint study by Crisil and industry body Assocham in a report released on Friday.

The report said had these 94 companies were liquidated, the recovery would have been just 22% which is significantly lower than the

recovery rate through normal resolution process.

The report further said there are a few big-ticket accounts for which resolution has not been finalised for over 400 days as IBC framework is still a work in progress.

According to the study, some of the key issues that need to be addressed for successful implementation of IBC are adherence to timelines, adequate judicial infrastructure, creditor classification and prioritising, among others.

To maximise value and stakeholders' interest, the IBC framework for liquidation under a going concern basis needs to be explored further and should be followed in true spirit, the report said. — PTI

For 94 large A/Cs, banks take ₹1 lakh crore haircut!

Recover only 43% of admitted claims

OUR CORRESPONDENT

MUMBAI: Banks have taken a huge 57 percent haircut in the 94 large accounts worth Rs 1.75 lakh crore which were resolved in FY19, recovering just Rs 75,000 crore or only 43 percent of the admitted claims, finds a report. The numbers assume importance as the bankruptcy law enters the third year this month.

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The report said had these 94 companies been liquidated, the recovery would have been just 22 percent which is significantly lower than the recovery rate through normal resolution process. The report further said there are a few big-ticket accounts for which resolution has not been finalised for over 400 days as IBC framework is still a work in progress.



According to the study, some of the key issues that need to be addressed for successful implementation of IBC are adherence to timelines, adequate judicial infrastructure, creditor classification and prioritising, among others.

To maximise value and stakeholders' interest, the IBC framework for liquidation under a going concern basis needs to be explored further and should be followed in true spirit, the report said.

The report, however, termed the recovery rate of 43 per cent "respectable". "With a respectable recovery rate of 43 per cent, resolution for 94 stressed assets has been reached for Rs 75,000 crore as on March 31, 2019 out of Rs 1,75,000 crore total claim of financial creditors admitted under the Corporate Insolvency Resolution Process (CIRP) approved by the National Company Law Tribunal (NCLT)," said that report titled, 'Strengthening the code'.

Lenders take 57 pc haircut in 94 cases worth Rs 1.75 tn

AGENCIES / Mumbai

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