

Adherence to IBC timelines still a challenge, says Crisil

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Adherence to the IBC timeline, burden on NCLT to resolve the large number of cases, clarity on priority of claims, limited number of information utilities and creation of secondary asset market are some of the main challenges that need to be addressed under the Insolvency and Bankruptcy Code (IBC), an industry report said.

The report – titled ‘Strengthening the Code’ – has been put together by global analytics company Crisil and industry body Assocham.

Stating that it has not been a smooth sailing for the IBC, which has completed three years, the report highlighted that the average resolution timeline for the resolved 94 cases was 324 days vis-à-vis the stipulated 270 days. Also, there are a few big-ticket accounts for which resolution has not been finalised for over 400 days. As of end March, there were 1,143 cases outstanding under CIRP, of which resolution in 32 per cent of the cases was pending for more than 270 days, which is substantial in number.

Of the first dozen cases in the IBC referred by the RBI, the majority have crossed the maximum 270 days of resolution timeline, the report said.

However, if a comparison is being drawn, this is considerably faster than the recovery

time taken by asset reconstruction companies, which is 3.5-4 years. Also, as per the World Bank’s ‘Doing Business 2019’ report, the recovery timeline for stressed assets in India is 4.3 years.

National Company Law Appellate Tribunal (NCLAT) Chairman Justice SJ Mukhopadhaya had a different take on the IBC timeline issue. At an industry event last week, he took a position that none of the cases have proceeded beyond 270 days if one were to exclude the “objection period” to the parties allowed under the procedures.

He compared the situation to a football game where although the playing time is 90 minutes, it is normal to provide extra time of about 3-5 minutes to compensate for injury time during the 90 minutes period.