



## **Recoveries from insolvency cases jumped up to 30.6 per cent during April-June period of this fiscal - report**



Recoveries from insolvency cases have inched up to 30.6 per cent in Q1 of the current fiscal from 26 per cent in the year-ago period, while the number of insolvency cases filing/admission rose by 23.5 per cent during this period, says a report.

Total admitted claims of financial creditors rose from Rs 6,84,901.3 crore in March 2022 to Rs 7,67,384.9 crore in June 2022, while the liquidation value of these cases remained more or less the same at Rs 1,31,447.9 crore and Rs 1,31,468.6 crore respectively.

Realisable value of financial creditors (FCs) rose from Rs 2,25,293.8 crore to Rs 2,35,093.6 crore which is 32.9 per cent and 30.6 per cent respectively, according to an analysis by Care Ratings.

The overall recovery rate till Q1FY23 was 30.6 per cent, better than the earlier rate of around 26 per cent.

However, the cumulative recovery rate has been on a downtrend, decreasing from 43 per cent in Q1FY20 and 32.9 per cent in Q4FY22 because larger resolutions have already been executed and a significant number of liquidated cases were either BIFR cases and/or defunct, the agency said on Friday.

The number of cases admitted for corporate insolvency resolution has been increasing each quarter since the launch of the Insolvency and Bankruptcy Code in 2016 and the admission rate has increased in Q1FY23 by 23.5 per cent after a dip in FY21 and FY22.

However, the actual number of cases admitted continues to be lower compared to earlier quarters fiscals 2019 and 2020.

Citing data from the IBBI (Insolvency & Bankruptcy Board of India), the report penned by Sanjay Agarwal, the senior director at the agency and his team, said the number of cases admitted rose steadily from 992 in Q1FY19 to 4,565 in Q1FY22 and further to 5,304 in Q4FY22 and still higher at 5,636 in Q1FY23.

Of these 2,883 cases were filed by financial creditors, and 2,412 cases were by operational creditors.

And the same trend continued in the reporting June 2022 quarter, with the share of financial creditors increasing and that of operational creditors decreasing and the share of corporate debtors has continued to remain the smallest over the same period.

While the share of the various sectors has largely remained constant compared with the previous period, the manufacturing sector accounts for the highest at 40 per cent of the overall cases, followed by real estate (21 per cent), construction (11

per cent) and trading sectors (10 per cent). In case of completion/resolution, there has been a minor dip in Q1 FY23 to 30 per cent of 5,632 cases admitted from 31 per cent of the 5,258 admissions in Q4FY22.

Of the total 5,632 cases admitted at the end of June 2022, only 9 per cent have ended in approval of resolution plans, while 35 per cent remain in the resolution process as against 37 per cent as of the end of June 2021; and 1,703 or 30 per cent of the total have ended in the liquidation of which 76 per cent were either BIFR cases and/or defunct.

Around 14 per cent (774 cases) have been closed on appeal /review /settled, and 11 per cent have been withdrawn under Section 12A of which 54 per cent were less than Rs 1 crore, and the primary reason for withdrawal is either full settlement with the applicant which has increased to 41.5 per cent or other settlement with creditors (22.8 per cent).

The overall recovery rate till Q4FY22 reached 32.9 per cent, significantly better than the earlier recovery rate of 26 per cent, but down 49.2 per cent in Q2FY22.

According to the report of the Parliamentary standing committee on finance, the delay in resolution can be attributed to delays in admitting cases to NCLT, unsolicited bids outside the process, litigations after the resolution plan has been approved, and short-staffed NCLT as NCLTs also handle cases relating to corporate affairs, M&As, etc.

Of the 1,999 going ongoing cases, there has been a delay of over 270 days in 61 per cent of cases as of June 2022?an improvement of 14 per cent from 75 per cent in June 2021. The less than 90 days delayed cases are the second largest, while the other two categories continue to have quite a few cases.

As much as 49 per cent of cases gone for liquidation are pending for more than two years and another 27 per cent cases are pending for more than one year.