

5 Years of IBC: Insolvency law has helped improve recoveries, but delays disappoint

Synopsis

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the expectations of a time-bound recovery. Following are the key numbers from the **IBC** journey so far.

4,376: Cases admitted under the IBC since the fourth quarter of fiscal 2017, when courts started to function.

Though the number of cases have been increasing, last fiscal was the first time the cases admitted slowed down year on year to 499 cases compared with 1,978 cases admitted in fiscal ended March 2020, mainly as the government suspended filing of new cases as a relief measure due to the Covid-19 pandemic.

39%: The ratio of cases that continue to remain in the resolution process, 15% of which are from the manufacturing sector.

More importantly, 29% or 1,277 cases have ended in liquidation due to lack of a resolution process, though 946 or two-thirds of these cases were non-operational companies.

₹2.02 lakh crore: The total amount recovered by financial creditors in cases which yielded resolution up to March 2021, about 39% of the ₹5.16 lakh crore of admitted claims by financial creditors.

The recovery is lower than the 46% seen up to March 2020 but compared to the 26% recovery rates seen before this law came into force, it is still a better bet.

The IBC has given banks a workable option compared to Lok Adalats, Debt Recovery Tribunals (DRTs) and sale to asset reconstruction companies (ARCs), which yielded very little and were long-drawn processes. However, the increasing delays in resolution have raised fears of this well-meant law also

going the way of its predecessors.

270 days: The outer limit for the resolution process to be completed.

But legal bumps and Covid-19 have meant there is no certainty of the time taken for completion. 79% of the 1,723 ongoing corporate insolvency resolution processes have been delayed by over 270 days in the fiscal ended March 2021 compared with 34% in March 2020 and the Covid-19-induced national and local lockdowns have slowed the pace of resolution.

However, Covid alone cannot be blamed. Of 12 large accounts referred by the RBI to kick-start the IBC process in early 2017, three are still awaiting final resolution, mainly due to legal delays.

Era Infra Engineering: Nobody has a clear idea of what stage this ₹11,600-crore account is in. Bankers say the account has no hope and is awaiting liquidation but the legal issues mean that even the move to liquidation is taking time.

Jaypee Infratech: The ₹13,000-crore account has been caught in a legal tangle between homebuyers and resolution applicants. Government-backed **NBCC** **NSE 0.00 %** could not complete the takeover despite a vote from lenders; as a result, rebids were ordered earlier this year. The new winner Suraksha ARC is awaiting **NCLT** nod to complete the process.

Amtek Auto: It has been a case of so near yet so far for bankers to this ₹12,500-crore account. UK-based Liberty Group was selected as the preferred bidder way back in March 2018 and even got the NCLT order but did not make the payment. A rebid was announced in which hedge fund Deccan Value Investors was given the go-ahead in February last year, but it has yet to make the payment to complete the deal.

(Source: CARE Ratings, RBI)

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