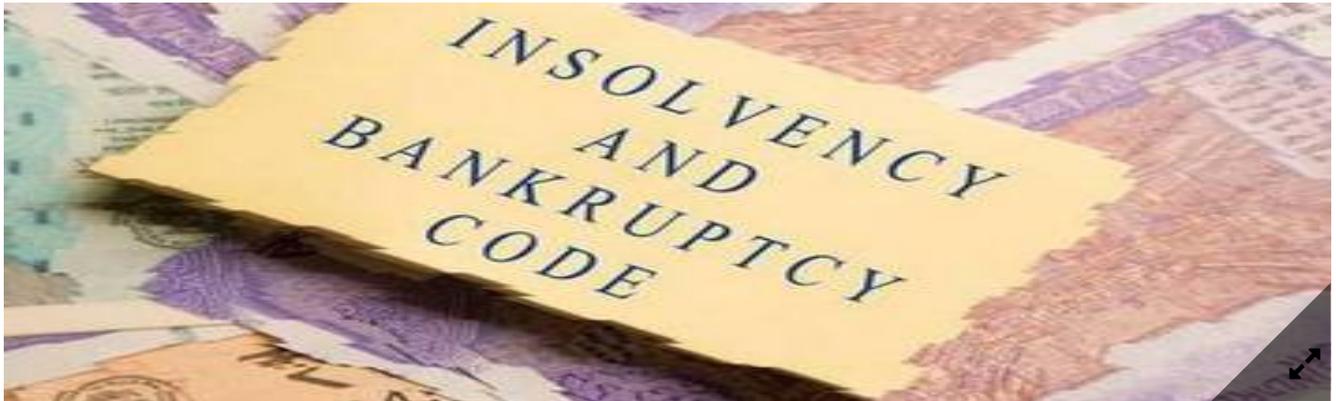


Money & Banking

RECOVERY UNDER IBC

'Overall recovery rate under IBC improved till March-end 2021'

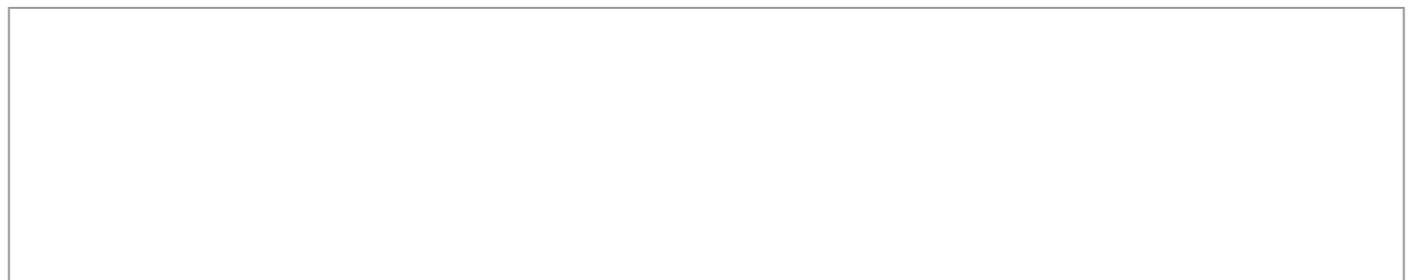
BL Mumbai Bureau Mumbai | Updated on December 26, 2021



30% of the total cases admitted have ended in liquidation, according CARE Ratings

Post implementation of the Insolvency and Bankruptcy Code (IBC), the overall recovery rate for lenders till Q4FY21 improved to 39.3 per cent against 26 per cent in the past, according to CARE Ratings.

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The recovery, which had dipped to 25.5 per cent for Q1FY22, improved in Q2FY22 to 49.2 per cent, taking the cumulative rate to 35.9 per cent, the credit rating agency said in its IBC update.

The agency assessed that although the recovery rate has been higher compared to other measures, the same has declined over a period (it declined from 45.9 per cent in March 2020 to 36 per cent in June 2021 and remained similar in September 2021 at 35.9 per cent).

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Of the total 4,707 cases admitted into the Corporate Insolvency Resolution Process (CIRP) till the end of September 2021, thirty-five per cent of the cases continue to remain in the resolution process against 39 per cent as at the end of March 2021, with manufacturing sector accounting for a majority, followed by real estate and the construction segment, per the update.

The agency said 1,419 cases have ended in liquidation (that is 30 per cent of the total cases admitted, higher compared with the last quarter). However, 74 per cent of the CIRPs ending in liquidation (1,049 out of 1,419) were either BIFR cases and/or defunct.

Around 15 per cent (701 CIRPs) of the cases have been closed on appeal or review or settled which is higher by around 100 basis points/bps compared to the last quarter (around 14 per cent in Q1FY21).

11% cases withdrawn

CARE noted that 11 per cent of the cases have been withdrawn under Section 12A of IBC. "A significant number of such cases (around 53 per cent) were less than ₹1 crore.

"The primary reason has been either the full settlement with the applicant which has increased to 41 per cent against 37 per cent as at end of March 2021 or other settlement with creditors (21 per cent)," the agency said.

Only 9 per cent of the total 4,707 Corporate Insolvency Resolution Process (CIRP) cases have ended in approval of resolution plans as at September-end 2021, according to CARE Ratings.

The approval of resolution plans increased by only one per cent compared with March-2021 and is the same as the last quarter.

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