



LENDERS SEEK SOLUTIONS OUT OF COURT due to concerns over slowing recoveries

Resolutions via IBC See a Big Fall in Third Quarter

Joel.Rebello@timesgroup.com

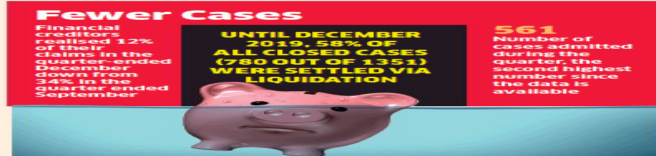
Mumbai: Realisation by financial creditors through the Insolvency and Bankruptcy Code (IBC) has fallen drastically in the fiscal third quarter, recurring industry concerns over slowing recoveries that are increasingly prompting lenders to seek out-of-court settlements.

Data from the Insolvency and Bankruptcy Board of India (IBBI) showed that financial creditors realised just 15% of their claims in the quarter-ended December, down from 34% in the quarter-ended September. The statistics are published each quarter.

During the quarter-ended December, a total of 30 cases were completed with realisation rates improved from 11% to 34% of claims in the case of 11 out of 29% of categories of claims.

Two large cases, namely EMC where 6,150 crore of claims were admitted and Ushday International where 8,221 crore of claims were admitted, yielded just 9% and 6%, respectively, pulling down the total for the quarter.

Bankers say realisations through the IBC are falling as



the companies under review are mostly service linked, with low or chances of recovery.

Some of these companies don't have the potential because they are service companies or IBC type companies. Manufacturing companies, which are continuing as a going concern, have a higher recovery potential. Many of them have already completed the process,

Central Bank of India.

Bankers said falling recoveries from the IBC and delays in resolution have pushed them to seek solutions out of the courts.

It has been noted that if a debtor is involved in the company which is a going concern and has some intellectual property IBC to offer and is ready to put some skin in the game then we are better off in doing some one time settlement or restructuring.

ing. Realisation in those cases is lower through the NCLT route and banks will increasingly look to settle them out of court," Mohapatra said.

The high number of cases going into liquidation is also a concern. Until December 28% of all closed cases (780 out of 1,351) were settled via liquidation. However, the data show that there is now finally some scopey in settling cases.

Of 551 cases admitted during the quarter, the second highest number since data are available and following the 600 admitted in the quarter ended September.

In the last two quarters, there has been a sense of urgency in courts taking up cases, particularly with regards to financial creditors. Additional benches have been set up in court to take up backlog of admissions being closed in the last two quarters, said R.C. Sreedath, managing director, India Law LLP.

However, the slow pace of resolution continues to be a deterrent. Out of 1,361 ongoing admitted cases, 432 cases have passed 270 days since admission, while another 247 cases have crossed 180 days since admission.

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