

Lenders set to realize Rs. 80000 cr from insolvency process in FY20

Banks & Financial Institutions are expected to realise more than Rs. 80,000 crore as compared to Rs 66,000 crore in the previous fiscal under Insolvency bankruptcy code (IBC). Recently, **corporate insolvency resolution process**(CIRP) of two large accounts – Essar Steel Limited and Bhushan Steel and Power Limited are expected to be realized with higher value.

However, successful completion of the CIRP for these two accounts would bring closure to eight companies from the RBI's list and could help strengthen the confidence in the IBC, despite the significant delays seen in in the process with most of the CIRPs lasting more than 500 days.



However, despite the hurdles being faced by the IBC, the number of cases being admitted to the National Company Law Tribunal (NCLT) continue to increase, especially from the operational creditors who are responsible for 50 per cent of all cases admitted by the NCLT.

The progress of the CIRP under the IBC has been hampered over the past two years by the over-burdened NCLTs, innumerable litigations, defiant promoters and failing sectors, the process under IBC has gulped, though at a slower pace.

As of March 31, 2019, 715 cases of defaulting corporate debtors had been closed under the IBC with significant portion of corporate debtors (378 cases) were ordered into liquidation, while only 92 CIRPs yielded a resolution plan where the companies continue to operate as going-concerns.

The NCLTs continue to remain heavily burdened as the number of cases being admitted continues to increase quarter-on-quarter with the highest quarterly admissions of 359 cases reported in last quarter of previous fiscal.

As the timelines for the CIRP continue to get stretched, with 32 per cent of the on-going CIRPs as on March 31, 2019 having already crossed the maximum allowed time of 270 days, the number of admitted cases that are yet to be resolved are only increasing.

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