

Why bankers want right to withdraw cases admitted by NCLT

Mumbai | Published: January 9, 2018 4:33 AM



The Indian Banks Association (IBA), on behalf of the lenders, has recently written a letter to the Insolvency and Bankruptcy Board of India (IBBI) suggesting this. (Reuters)

TOP NEWS

By-Shamik Paul



How to know if a ULIP is the right investment instrument for you



'Expect hike in minimum pension to Rs 7.5K per month under EPS-95'



Equity markets in 2018: There are certain risks which investors must consider

Indian banks have sought the option to withdraw a case admitted by the National Company Law Tribunal (NCLT) for insolvency proceedings, two bankers with direct knowledge of the development said. The Indian Banks Association (IBA), on behalf of the lenders, has recently written a letter to the Insolvency and Bankruptcy Board of India (IBBI) suggesting this. At present, a case that has been admitted by the NCLT cannot be withdrawn unless the Supreme Court orders it to be withdrawn. “We want to have the option of being able to withdraw a case that has been admitted by the NCLT if we can decide on a sustainable resolution plan. We feel it will give us more flexibility and help us to resolve some of the cases faster,” a senior banker with a large public-sector lender said. “We are in various stages of discussion with the promoters regarding resolution plans. For various reasons, sometimes the discussions extend beyond the stipulated time. The additional flexibility will enable us to reach a settlement in such cases,” the

banker added.

Apart from referring stressed accounts to the NCLT, the banks have been focusing heavily on resolving some of these accounts through one-time settlement agreements. As per the Reserve Bank of India’s (RBI) mandate, the lenders had first referred the top 12 stressed assets, accounting for 25% of the gross bad loans in the system, to the NCLT. Of these, 11 accounts including Jyoti Structures, Essar Steel, Monnet Ispat & Energy, Alok Industries, Electrosteel Steels, Amtek Auto, Bhushan Steel, Bhushan Power and Steel, ABG Shipyard, Lanco Infratech and Jaypee Infratech are currently undergoing insolvency proceedings.

Since the beginning of the year, the lenders have started referring the 28 accounts mentioned in the RBI’s second list of corporate defaulters to the NCLT. The second list includes names such as Visa Steel, Videocon Industries, Jaiprakash Associates and Jayaswal Neco Industries, among others. The RBI had given the banks time till December 13, 2017 to resolve these accounts outside the NCLT. “Only the banks should have the power to withdraw a case. And even then, it should be used