

Stressed a/cs: FinMin tells public sector banks to provide details of expected recoveries, provisions

K Ram Kumar Mumbai | Updated on June 16, 2019 Published on June 16, 2019



The Finance Ministry has sought information from public sector banks (PSBs) on their expectation of recoveries and provisions held in respect of stressed accounts admitted in the National Company Law Tribunals (NCLTs) across the country.

This exercise comes in the backdrop of hectic consultations the Finance Ministry is holding with various stakeholders for the upcoming Budget to be presented on July 5. The Ministry is expected to take a call on setting aside funds for recapitalisation of public sector banks for FY2020 based on the aforesaid information.

The information could also prove useful to beef up the functioning of NCLTs, including the possibility of setting up dedicated tribunals for fast-track hearing in corporate insolvency resolution cases where the amounts involved are big, say ₹500 crore and above.

If the Ministry finds that PSBs expect higher recoveries and they hold sufficient provisions towards the cases referred to the NCLT, it may turn conservative in allocating funds in the Budget to recapitalise them.

The Ministry also wants, among others, granular details on NCLT cases (other than Essar Steel) in which bids have been accepted, total admitted claims in NCLT, total expected realisable amount, and provisions held, said a banker versed with developments on this front.

Separate tribunals

The banker, quoted above, observed that there is a need for separate tribunals, especially in Mumbai, Delhi and Ahmedabad, to hear cases where the outstanding exposure of creditors (financial as well as operational) to corporate debtors is ₹500 crore and above. As the situation obtains now, the tribunals deal with cases ranging from a payment default of ₹1 lakh to thousands of crores of rupees, leading to delays in hearings.

According to the Insolvency and Bankruptcy Board of India, in about two years since the provisions of the Corporate Insolvency Resolution Process (CIRP) came into force, 1,858 corporate debtors were admitted into CIRP as of March 2019. Of these, 152 have been closed on appeal or review or settled; 91 have been withdrawn; 378 have ended in liquidation and 94 have ended in approval of resolution plans.

“With a respectable recovery rate of 43 per cent, resolution for 94 stressed assets has been reached for ₹75,000 crore as on March 31, 2019 out of ₹1,75,000-crore total claim of financial creditors admitted under the CIRP approved by the NCLT,” said a joint study by Assocham and Crisil, thereby highlighting that adherence to Insolvency and Bankruptcy Code (IBC) timelines still remains a challenge

The study highlighted that the average resolution timeline for the resolved 94 cases was 324 days vis-a-vis the stipulated insolvency resolution timeline of 270 days. There were a few big-ticket accounts for which resolution has not been finalised for over 400 days.

As on March 31, 2019, there were 1,143 cases outstanding under CIRP, of which resolution in 32 per cent of the cases was pending for more than 270 days and resolution in 16 per cent of the cases was pending for more than 180 days but less than or equal to 270 days.

Published on June 16, 2019



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