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Market Watch

Only 15% of the cases resolved under bankruptcy laws: Report

BY GAYATRI NAYAK, ET BUREAU | UPDATED: NOV 06, 2019, 06.13 AM IST

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Ratings firm [Icra](#) has made a case for strengthening the NCLT infrastructure as only 15% of the cases have been resolved under the new bankruptcy laws, while the rest have gone for [liquidation](#).

Timely completion of [corporate insolvency](#) resolution process initiated under the Insolvency and Bankruptcy Code (IBC) continues to remain a challenge, according to Icra. Of the 2,542 cases admitted under IBC till date, 1,497 CIRPs or 59% of total admitted cases are still on-going in the courts. Among the CIRPs that have been closed, only 15 per cent CIRPs have yielded a resolution plan whereas 56 per cent of the cases ended up going for liquidation, Icra said.

The on-going resolutions are increasing on a quarter-to-quarter basis as the number of cases being referred to the [National Company Law Tribunal](#) (NCLT) remains high, according to an Icra study. "While the infrastructure challenges for closing CIRPs-corporate insolvency resolution process- in a timely manner continue, if the NCLT infrastructure is not further strengthened, we expect the increasing trend of ongoing CIRPs to continue over the near term" said, Abhishek Dafria, Vice President, Icra. "Even for the CIRPs that are being closed, the average time taken is around 374 days which remains higher than the revised timeline of 330 days."

During the second quarter of FY'20, 27 cases yielded a resolution plan, with expected realisation of Rs. 27,065 crores to the financial creditors. Out of this, one single account, Bhushan Power & Steel Limited ('BPSL'), accounts for realisation of Rs 19,350 crore. "However, there is no visibility at present in terms of recovery of the amount to the financial creditors as the entity is undergoing litigation at the National Company Law Appellate Tribunal (NCLAT)" Icra said. Similar litigations are hampering the recovery process for the creditors of Essar Steel India Limited where NCLT had approved the resolution plan few months back. So far, of the 12 largest gross non-performing assets identified by the Reserve Bank of India in June 2017, only four cases have yielded a successful closure of resolution while the others are still under [CIRP](#) or facing litigations or have been ordered for liquidation.

"Most of the large cases are facing significant delays in approval of resolution plan and/or subsequently during the implementation of the plans, resulting in huge delays in actual recovery of money by the creditors, due to constant litigations by various parties in higher courts" said Sankha Subhra Banerjee, Assistant Vice President, Icra. This is hurting all the creditors, most importantly the banking sector. Given the recent amendment of the CIRP timeline to 330 days from 270 days, it would be beneficial if all the relevant parties put in their best efforts to adhere to the timelines to ensure the IBC's success.

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