

Banks lose ₹4,000-cr income over insolvency delay

Banks have lost an additional income of ₹4,000 crore due to the delay in resolution of the initial 12 large insolvency cases referred by the RBI last June.

Of the 12 large insolvency cases, only four have been resolved so far. The other cases remain unresolved even after over 450 days of their being admitted by the NCLT.

Of the 816 on-going Corporate Insolvency Resolution Process, about 30 per cent have exceeded the 270-day timeline, which was supposed to be the maximum time allowed for the resolution process under Insolvency and Bankruptcy Code. Another 20 per cent cases have crossed the 180-day timeline, said an ICRA study.

The growing number of applications from creditors is not only challenging the existing infrastructure of the NCLT but is also impacting the completion of the resolution process.

Abhishek Dafria, Vice-President, Corporate Ratings, ICRA, said the number of corporate debtors admitted by the NCLT but yet to be resolved has increased to 816 as of September from 723 in June.

As on September, 212 cases were resolved through liquidation, against only 52 cases where a resolution plan was approved. Some of these entities were already non-operational when reported to the NCLT and the delay in the process only deteriorated the asset value. For about 60 companies, the entire resolution process after admission of the application by the NCLT, took over 300 days. Thus, based on the judgment of the resolution professional, there could be a case for hastening the pace of resolution of cases which have seen little interest from potential bidders.

The regulatory authorities could consider increasing the minimum threshold of ₹1 lakh for approaching the NCLT and subsequently reduce it again once the NCLT benches are expanded. There may also be merit in hastening the process for those cases where a resolution may look bleak from the onset. The number of NCLT benches has remained at 11 since the IBC was introduced, whereas the number of cases being referred to the NCLT has been gaining momentum.

(The Hindu Business)