

Creditors can expect 100% recoveries under IBC, says IBBI chairperson M S Sahoo

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Creditors can expect 100 percent recoveries from their client companies going under the Insolvency and Bankruptcy Code (IBC) process for resolving cases of stressed assets and non-performing assets.

"This is because new NPA companies going through the IBC system are active businesses," M S Sahoo, chairperson of the Insolvency and Bankruptcy Board of India (IBBI) said on June 6.

"We are seeing active companies coming to the IBC system and we expect 100 percent recovery for the creditors," he said after delivering a keynote address at a conference on Insolvency and Bankruptcy Code: New Paradigm for Stressed Assets.

There are few cases of active businesses where creditors have recovered 100 percent due to them, said Sahoo.

He is also satisfied with the level of recoveries from NPA-laden companies made under the IBC system so far.

"The 43 percent recovery works out to 200 percent of the liquidation value means if these resolutions had not happened the companies would have been liquidated.

"If you look at in respect of amount due, it is a haircut, but from the perspective of liquidation value, it is a bonus for the creditors," said Sahoo.

The 43 percent recoveries are because a significant number of the companies processed under the IBC system were defunct or sick, some without any business for many years.

Till date, he estimates NPAs linked to banks at Rs 10 lakh crore, while data is not available on the same outside the banking sector.

The IBC has strengthened creditors' rights and the credit market will continue expanding, he pointed out.

Sahoo sees credit growth at 15 percent a year and expected more NPAs. But he accepted these as ongoing businesses with losses being part of failures within the environment.

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