

Dues over ₹3 lakh crore pending insolvency action

FC BANKING BUREAU

Mumbai

THE first set of 12 large corporate defaulters identified by the central bank in June last year to initiate the Insolvency and Bankruptcy Code (IBC), owe banks a whopping Rs 3.12 lakh crore.

According to the data released in the pre budget Economic Survey 2017-18 on Monday, of the 12 accounts, only in one case (Bhushan Steel), the Corporate Insolvency Resolution Process (CIRP) has met some success while in the remaining 11 cases, an extension has been sought or has

already been granted additional time.

Bhushan Steel, one of the 12 non-performing accounts referred by the Reserve Bank of India (RBI) for National Company Law Tribunal (NCLT) proceedings, owes an amount of Rs 55,989 crore to its lenders while Bhushan Power and Steel own Rs 48,524 crore.

Claims admitted under insolvency proceedings for Essar Steel is to the tune of Rs 50,778 crore while for Lanco Infratech, it stands at Rs 51,505 crore. Era Infra Engineering has not yet been admitted to CIRP so far. On June 13, 2017, RBI identified 12 large loan defaulters where the Insolvency and Bankruptcy Code was initiated. The survey also



disclosed data on the percentage of realisation to liquidation value of some of the companies that underwent resolution under IBC.

“We need to wait and watch to see how the final resolution takes place in the first set of these 12 accounts. While they have disclosed the liquidation value for banks on these accounts, individual banks have indicated that they have a provision coverage ratio of 50-60 per cent for the first set of NCLT accounts,” said Asutosh Kumar Mishra, lead analyst, Institutional Equity (Banking and NBFC) at Reliance Securities.

Proceedings under the Insolvency and Bankruptcy Code are initiated after receiving the approval from the NCLT. Insolvency proceedings have to be completed within 180 days, but can be extended by another 90 days by the committee of creditors (CoC).

In CIRP, the CoC invites resolution plans from the ap-

plicants, and may select one of these plans.

The survey said extension of 90-days has been sought in the case of Alok Industries, Amtek Auto, Essar Steel, and Monnet Ispat and Energy, among others.

The time period has been extended in the case of Bhushan Power and Steel, Electrosteel Steels and Jyoti Structure. The CoC has also approved extension of 90 days in case of AGG Shipyard.

The Insolvency and Bankruptcy Code, 2016 (IBC) was passed in May 2016. At the time the previous Economic Survey was issued, the new regime was in its very early days.

Since then, there has been a significant amount of progress – the entire mechanism for the CIRP has been put in place, said the survey.

A number of rules and regulations have been notified to create the institutions and professionals necessary for the process to work.