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Creditors resolve nearly ₹30,000 cr claims in Jul-Sep

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MUMBAI : Financial creditors have been able to resolve insolvency claims of ₹29,849.28 crore during July-September 2019, data from the Insolvency and Bankruptcy Board of India (IBBI) showed. The total resolution amount in the given period was 11% less than the preceding three months, when creditors, primarily comprising banks and asset reconstruction companies, had resolved claims of ₹33,573 crore.

Like previous months, most admitted cases led to liquidation as a viable resolution plan could not be arrived at. As on 30 September, 23% of the admitted cases were ordered to be dissolved. In fact, only 6%, or 156 cases, were resolved under the bankruptcy law since December 2016. Interestingly, more cases (186) were closed on the basis of appeal, review or settlements. The number of ongoing corporate insolvency resolution process (CIRP) cases stood at 1,497 as on 30 September.

According to the data, out of the 2,542 cases admitted to the National Company Law Tribunal (NCLT) since its inception, 587 cases faced liquidation. During the July-September quarter, 93 companies ended in liquidation.

Under IBC, liquidation is the last resort, wherein a company's assets are sold piecemeal to pay off creditors. According to IBBI's newsletter for the September quarter, lack of resolution plan was the primary reason for liquidation, followed by cases where the committee of creditors (CoC) decided to liquidate the debtor.

To be sure, 72.86% of the companies, where the resolution process ended in liquidation (427 out of 586), were earlier with the Board for Industrial and Financial Reconstruction (BIFR), the erstwhile entity for revival of sick companies. However, out of the 587 liquidation cases, the process is still on for 550 as on 30 September. During the September quarter, nine companies faced liquidation, showed IBBI data.

“The general trend right now is that the strategic players in the market are more or less done with spending money on IBC cases. We are now looking at financial players with some strategic backing. So, in this kind of a situation, wherein there is so much uncertainty with regard to the applicability of the code, the interest of financial players in the distressed space might need further reassurance,” said Arjun Gupta, co-head, global insolvency and bankruptcy practice, Nishith Desai Associates.

However, while more than one-fourth of the admitted cases have headed for liquidation, creditors have received only a fraction of their dues from these debtors. In the nine liquidations closed in the September quarter, creditors have received ₹5.33 crore out of the total claims of ₹3,574 crore.