

Govt to review IBC cases today

Lenders to discuss progress on 52 cases of big defaulters

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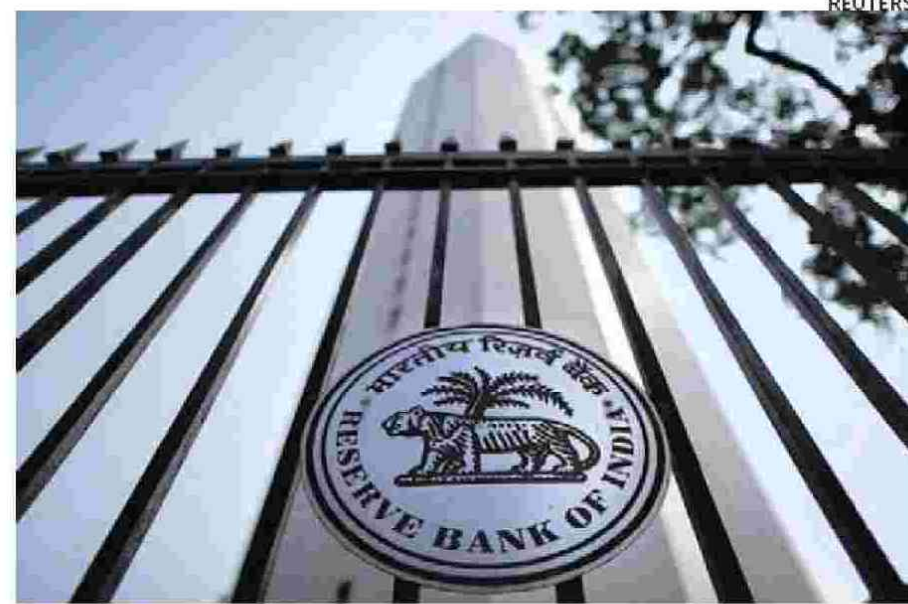
The ministry of corporate affairs will meet lenders on Monday to review cases of distressed assets under the Insolvency and Bankruptcy Code or IBC, said two bankers familiar with the matter.

Lenders will discuss the progress of 52 cases involving large defaulters, which were part of the Reserve Bank of India's (RBI's) list 1 and 2, and were admitted for debt resolution under IBC. The lists comprise more than 60% of bad loans in the banking system.

However, only three large cases—Bhushan Steel Ltd, Monnet Ispat Ltd and Electrosteel Steel Ltd—have been resolved so far since the first list of 12 defaulters was identified by RBI in June 2017. The rest have not been resolved though more than 540 days have passed since they were admitted by the National Company Law Tribunal (NCLT).

Recently, State Bank of India (SBI) put on sale its ₹15,431 crore exposure to Essar Steel Ltd as last-minute litigations continued to delay the recovery of loans. Other lenders of the steel maker, including HDFC Bank Ltd, Axis Bank Ltd, ICICI Bank Ltd and Federal Bank, have already sold their exposure, either in part or in full, in the last few years. Essar Steel owes more than ₹49,000 crore to two dozen banks led by SBI.

Speaking at the India Business Leaders' Award last week,



REUTERS

Recovery through resolution

Creditors are likely to recover around ₹70,000 crore from cases resolved by NCLT by end of March 2019

So far, around ₹80,000 crore has been recovered by creditors in 66 cases resolved by NCLT

SBI chairman Rajnish Kumar said the bank's decision to sell Essar Steel's exposure was to avoid losses of ₹17 crore on a single account per day. "There is time value of money and that explains SBI's decision to put on sale Essar Steel's exposure," he added. "While we are not fed up with the IBC, its success lies in the fact there is quick resolution of cases."

According to a 20 January *Mint* report, Kumar said section 29A of IBC, which disallows defaulting promoters and related persons from bidding for assets, is being "stretched too far". He also said while the intent of section 29A was very clear, defaulting promoters should not be in the

driver's seat once again. Furthermore, the practice of submitting late bids "is not the way in which IBC can be run", Kumar said and asked interested investors to follow the bidding schedule.

In several cases, including that of Amtek Auto, ABG Shipyard, Ruchi Soya and Adhunik Met-alicks, bidders withdrew from the resolution process at the last stage.

The asset quality of banks has seen an improvement with gross

non-performing assets declining from 11.5% in March 2018 to 10.8% in September 2018. The annualized slippage ratio fell from 7.6% to 4.1% during the same period.

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