

'Operational Creditors Get Fair Share of Claims Settled'

Settlement of their claims in line with that of financial creditors, says ICRA

Our Bureau

Mumbai: Realisation for operational creditors has been in line with financial creditors in the 92 corporate and insolvency resolution plans that have yielded results until March 2019, rating agency ICRA said.

Operational creditors have realised 42% of their total claims compared to 44% realisation for financial creditors, the rating agency said.

ICRA analysed 92 corporate insolvency resolution plans (CIRPs) that have yielded a resolution plan up to March 31, 2019. The rating agency found that operational creditors realised ₹3,419 crore of the total ₹8,140 crore claims of operational creditors while financial creditors realised ₹70,664 crore of their total claims worth ₹1.60 lakh crore.

"The reason the operational creditors have not suffered significantly higher haircuts is on account of the criticality of certain creditors to the core operations of the corporate debtors. As a result, the resolution applicants have ensured that relationships with such creditors are

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maintained. Among certain large size corporates, realisation by the operational creditors has been much higher than the average realisations such as that seen in the resolutions of Bhushan Steel Limited (81% of claims received by operational creditors) and Binani Cement Limited (86%)," said Abhishek Dafria, vice-president & co-head, corporate ratings, ICRA.

Of the 1,858 corporate debtors referred to the NCLT up to March 31, as many as 920 cases (49%) have been referred to by the operational creditors. Despite the delays in the application being accepted by the NCLT and then the CIRP itself, operational creditors have continued to show confidence in the process and remained at the forefront of pushing corporate debtors to the

NCLT. Dafria said that financial creditors have a responsibility to ensure that operational creditors get their fair share and maintain their financial health.

Operational creditors do not form part of the Committee of Creditors that evaluates the resolution plans unlike financial creditors. Thus, it is the responsibility of the CoC to ensure that the operational creditors receive a fair share of their claims to maintain their financial health, said Dafria.

"A short-sighted vision of financial creditors to enhance their own realisation from the resolution applicant could impact the sustainability of the businesses of the operational creditors which would thus have a bearing on the going-concern status of the corporate debtor itself in the long run," he said.