

Recoveries may Take a 30-40% Hit due to IBC Suspension, says Icra

Our Bureau

Mumbai: Resolution and recoveries through cases pending in bankruptcy courts may take a 30-40% hit this year as courts have stopped accepting new cases. Besides, the outbreak of Covid-19 pandemic and the consequent lockdown are creating operational difficulties for the on-going cases, according to ratings firm Icra. Suspension of new proceedings under the Insolvency and Bankruptcy Code (IBC) is expected to result in a 30-40% dip in realisation to creditors in FY20-21, it said. Lenders are expected to take a haircut in the current market conditions. Besides, the number of acceptable resolution plans would also be impacted. Creditors could realise about ₹60,000-70,000 crore in FY21 through successful resolution plans from the IBC as compared to about ₹1 lakh crore in FY20. "The pandemic has thrown up new operational challenges for the various parties involved in a resolution process," said Abhishek Dafria, vice president, Icra. "This could result in li-

mitted cases yielding a resolution plan, especially in Q1 FY21."

In the current fiscal, the successful resolution of a large housing finance company is going to be the key determinant of the extent of amount the financial creditors would realise during the year, Icra said. Housing finance firm DHFL is facing insolvency proceedings as it owes over ₹80,000 crore to creditors.

New insolvency proceedings initiated in FY22 are unlikely to get



resolved in the same fiscal as average time period seen for corporate insolvency resolution proceedings to conclude with a resolution plan is quite high, Icra said. On a positive note, suspension of fresh proceedings for one year would ensure relief for firms that are severely impacted by the Covid-19 pandemic and are unable to meet payments to their creditors. But if the severity of the pandemic were to increase, then there could be a sudden surge in cases being referred under the IBC after the one-year period, Icra said.