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# FCs stand to lose a lot with IBC suspension: Icra

**FE BUREAU**
Mumbai, June 3

**FINANCIAL CREDITORS HAVE** a lot to lose with insolvency proceedings under the Insolvency and Bankruptcy Code (IBC) having been suspended for a year. Their realisations could fall to ₹60,000-70,000 crore in FY21 from ₹1 lakh crore in FY20, given the fewer number of resolutions as also bigger haircuts that lenders would need to take, Icra wrote on Wednesday. Moreover, FY20 has seen several corporate insolvency resolution processes being concluded for large stressed assets.

The ratings agency cautioned it was possible recoveries could drop further in FY22 since no cases would have been filed for a year. Also, insolvency proceedings initiated in FY22 are unlikely to be resolved within the year given the long timelines taken for an CIRP to be completed successfully.

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# IBC realisations for financial creditors may drop 40% to ₹60,000 crore in FY21: Icra


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**THE REALISATIONS FROM** resolutions under the Insolvency and Bankruptcy Code (IBC) could drop to ₹60,000-70,000 crore in FY21 from ₹1 lakh crore in FY20, rating agency Icra said in a report on Wednesday. Realisations could decline further in FY22 as a result of the suspension of insolvency proceedings for a year, it added.

Icra expects the resolution of corporate insolvency resolution proceedings (CIRPs) to be impacted during FY21 due to a fall in the number of CIRPs yielding a resolution plan as well as a rise in haircuts that lenders would have to take. The resolution amount would also be lower in FY21 as the previous year witnessed large-size non-performing assets successfully concluding CIRPs.

In the current fiscal, the successful resolution of a large housing finance company, understood to be DHFL, is going to be the key determinant of the extent of realisation by financial creditors, Icra said. It further said realisations from resolution plans could further suffer in FY22 as fresh insolvency proceedings have been suspended for a year. New proceedings initiated in FY22 are unlikely to get resolved in the same fiscal, given the average time taken for CIRPs to conclude with a successful resolution plan is quite high.

Against the stipulated resolution period of 330 days, the average time taken for completion of the CIRPs yielding approval of resolution plans has been 415 days.

Abhishek Dafria, vice-president, Icra, said the pandemic has thrown up new operational challenges for the various parties involved in a resolution process and this could result in limited cases yielding a resolution plan, especially in Q1FY21. "In the current environment, the ongoing and even future CIRPs are likely to suffer from lower valuations and possible lesser interest from bidders due to the uncertainty across many sectors. This in turn may result in creditors having to agree on higher haircuts," he said.

He added that the time period taken for successfully concluding a CIRP would also increase, as in addition to the lockdown period, the creditors need to provide additional time to the bidders for due diligence. In case of unsatisfactory bid results, creditors may have to go for extension of bid timelines or for further rounds of bidding.

At the same time, Icra said, suspension of fresh insolvency proceedings for a year would ensure relief for the firms that are severely impacted by the pandemic and are unable to meet payments to their creditors. If the pandemic's severity were to increase, thus delaying economic revival, there could be a sudden surge in cases being referred under IBC after the one-year period. This would be detrimental to the resolution process which is already facing challenges from over-burdened tribunals.