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Knowledge SBU Initiative

Indian government's insolvency code for NBFCs raises more questions than it answers

The recent turmoil in India's shadow banking sector has brought this issue to the fore and also exposed the absence of a proper framework to deal with such crises. The problems began a year ago when Infrastructure Leasing & Financial Services defaulted on its payments. The troubles at the Mumbai-based non-banking financial company triggered a liquidity crisis, which spilled over into the rest of the sector.

Companies such as Dewan Housing Finance Limited, real estate lender Altico Capital, and industrialist Anil Ambani-led Reliance Capital are also facing the threat of bankruptcy.

"The sector has gone into intensive coronary care unit over the past eight months," Ambani had said in May.

SBI recovers a paltry 2% debt in liquidation cases under IBC

State Bank of India (SBI), the country's largest bank, has recovered a paltry 2 per cent of total debt outstanding in defaulting companies that eventually landed in liquidation under the Insolvency and Bankruptcy Code (IBC).

There are as many as 150 defaulting companies under liquidation where SBI had loan exposure of close to Rs 30,000 crore. These are the cases where no resolution was reached because of the differences over the resolution or restructuring or lack of buying interest from outside companies. There were other financial creditors too in these 150 companies, but the SBI managed to get only Rs 350 crore out of these cases. It is not known whether the Rs 350-crore recovery under the liquidation was higher or lower than the liquidation value of the company.

RBI retains advisory committee for Dewan Housing Fin administrator

The Reserve Bank of India today decided to retain the three-member advisory committee set up on Nov 22 to support the administrator of Dewan Housing Finance Corp Ltd, saying that the panel will continue to assist in the resolution process.

This comes after, the National Company Law Tribunal on Monday, admitted RBI's plea for initiation of corporate insolvency proceedings against Dewan Housing Finance Corp under the Insolvency and Bankruptcy Code, the first mortgage lender to be referred to the tribunal by the regulator.

Point to Ponder

"An expenditure of words without income of ideas will lead to intellectual bankruptcy."

-Ravi Zacharias

Lenders seek speedy resolution of DHFL in bankruptcy tribunal

Having burnt their fingers in the Essar Steel insolvency case, lenders are looking for a speedier and time-bound resolution for Dewan Housing Finance Corp Ltd (DHFL) in the bankruptcy tribunal. Stuck in the tribunal since August 2017, the Essar Steel insolvency case was finally resolved by the Supreme Court last month.

DHFL is the first company to be referred to the National Company Law Tribunal (NCLT) after the government notified new rules for such proceedings against financial services providers (FSPs) on 15 November. For these companies, only the regulator is allowed to approach the tribunal seeking resolution under the Insolvency and Bankruptcy Code (IBC).

18,782 cases filed under Insolvency & Bankruptcy Code

Of this 2173 cases have been admitted under IBC Anurag Singh Thakur, Minister of State for Finance & Corporate Affairs, in a written reply to a question in Rajya Sabha informed that a total of 18,782 cases have been filed under Insolvency and Bankruptcy Code (IBC), 2016 as on 30 June 2019. Of this 2173 cases have been admitted under IBC. Out of 2,173 admitted cases, 1,274 cases were ongoing under different stages of resolution process, 129 cases have resulted in resolution, 491 cases have been approved for commencement of liquidation process, 279 cases have been closed by appeal/review/settlement/withdrawn u/s 12A of IBC. The action is taken as per the provisions of the IBC in all the cases admitted under the IBC.

First personal insolvency petition filed in Amaravati

The National Company Law Tribunal's bench in Amaravati, Andhra Pradesh, received the first personal insolvency petition in the country on Monday, the day the amended Insolvency and Bankruptcy Code (IBC) bringing personal guarantor under its purview came into effect. Omkaram Venkata Ramana, who had stood personal guarantor to five firms that defaulted on Rs 38.66 crore of bank loans, filed the petition to initiate personal insolvency resolution process, which his counsel said would entitle him to an interim moratorium on all his liabilities.

***Feedback requested at ipa@icai.in**