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Weigh pros and cons before further extending IBC suspension beyond Dec 25, says SBI's MD

OUR BUREAU

New Delhi, October 26

State Bank of India (SBI), the country's largest commercial bank, has advised a cautious approach in taking crucial decisions such as extension of insolvency and bankruptcy code (IBC) suspension beyond December 25, stating that one would have to weigh the pros and cons in continuing a relaxed environment.

"The RBI and government have rightfully (in the current Covid-19 times) given a relaxed environment till the months of September or October. Taking this beyond will actually give an impression that the borrowers are fundamentally weak and banks are likely to go back to square



Arijit Basu, MD, SBI

one where we are seen as promoting ever-greening etc. If that were to come as perception in the minds of investors, that would be a major negative for our economy," said Arijit Basu, Managing Director, SBI, at an international conference on IBC, organised by the Indian

Institute of Insolvency Professionals of ICAI.

Suspension of IBC

In the wake of lockdown since March 25, the government had suspended the initiation of corporate insolvency resolution process (under sections 7, 9 and 10 of IBC) for six months till September 25. This was later extended by three months till December 25.

"We have to be a little careful in extending IBC suspension beyond December 2020 or say March 2021. How a global investor perceives India is very important. As we go ahead supporting our borrowers and corporate system, at the same time, we are

mindful of rise in bad debts in system that may arise," said Basu.

Basu said that most of the mid-sized and large corporates have managed their cash flows well during the Covid times.

"There is lot of global investor interest in stressed assets of India. We are in touch with private equity players. As things open up, India will once again begin aspiring to become a \$5-trillion economy as fast as possible. Our journey towards transparency and journey towards having mechanisms like IBC should not fall back. We should try and sustain those which have made our system look more transparent," said Basu.

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