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Indian Banks' Association

Insolvency and Bankruptcy Code: Interpreting the nuances and discussing the future

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Don't we all wish declaring bankruptcy was this easy in our country...

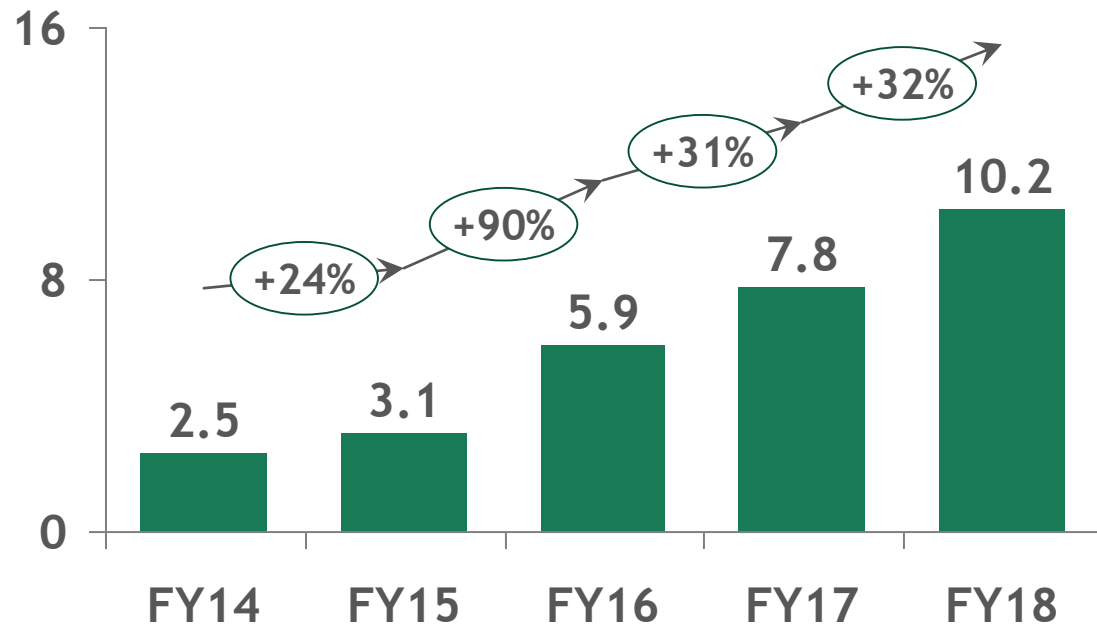


" He just filed for bankruptcy on-line and he says now he doesn't have to pay for his lunch ! "

Banking sector plagued by large non-performing assets

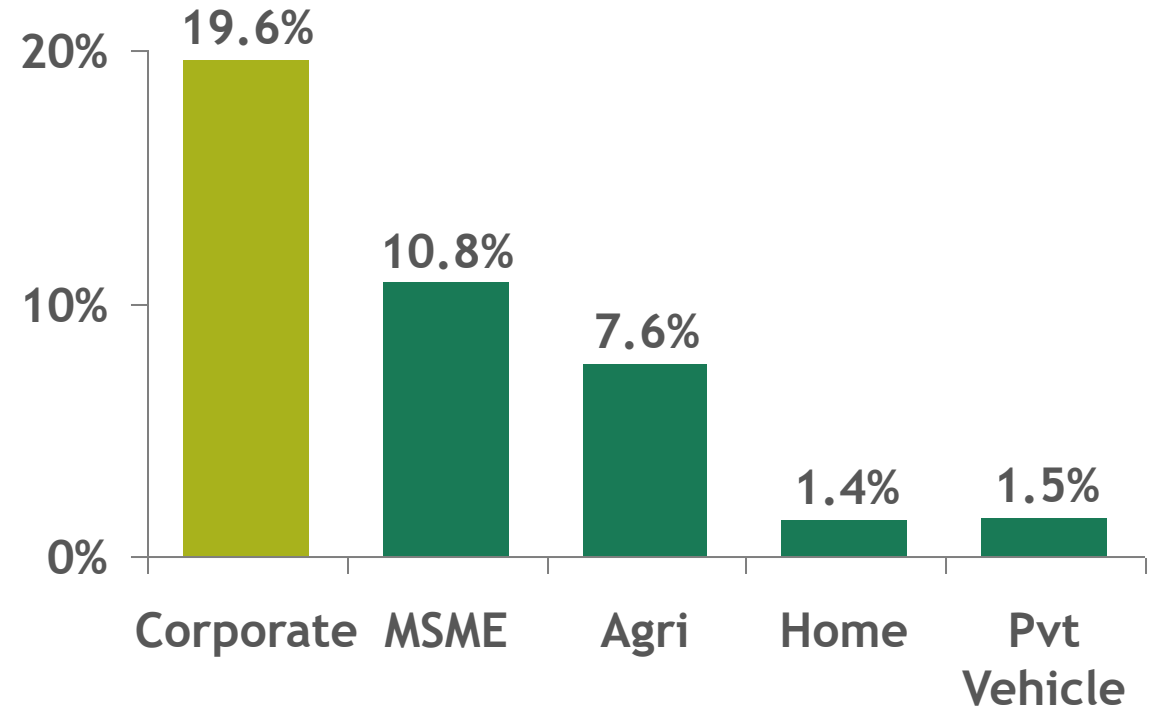
Significant growth in Gross NPA over the last 4 years..

Rs Trn



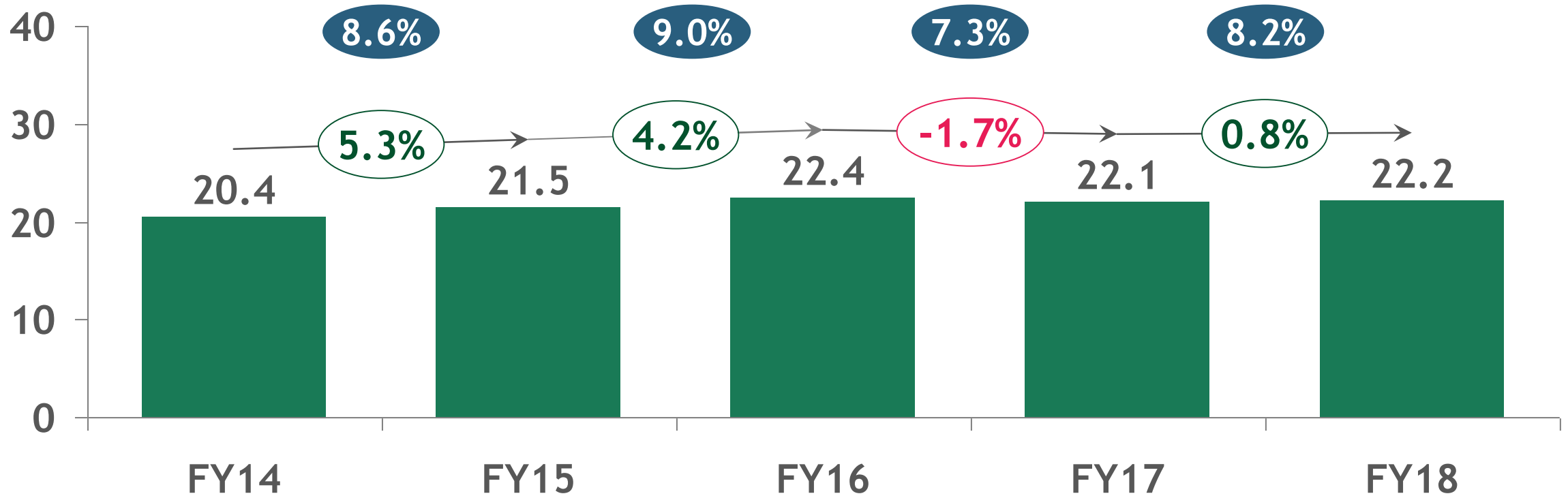
..driven primarily by sub-optimal quality of corporate lending portfolio

GNPA%



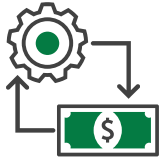
.. resulting in a cautious approach towards corporate lending

Lending to large industries (As per RBI)
Rs Trn



x% Gross Bank Credit growth rate as per RBI

Insolvency & Bankruptcy Code (IBC) launched in 2016



Complex insolvency & bankruptcy framework previously



High resolution time



Growing corporate NPA



Conservative lending to large industries

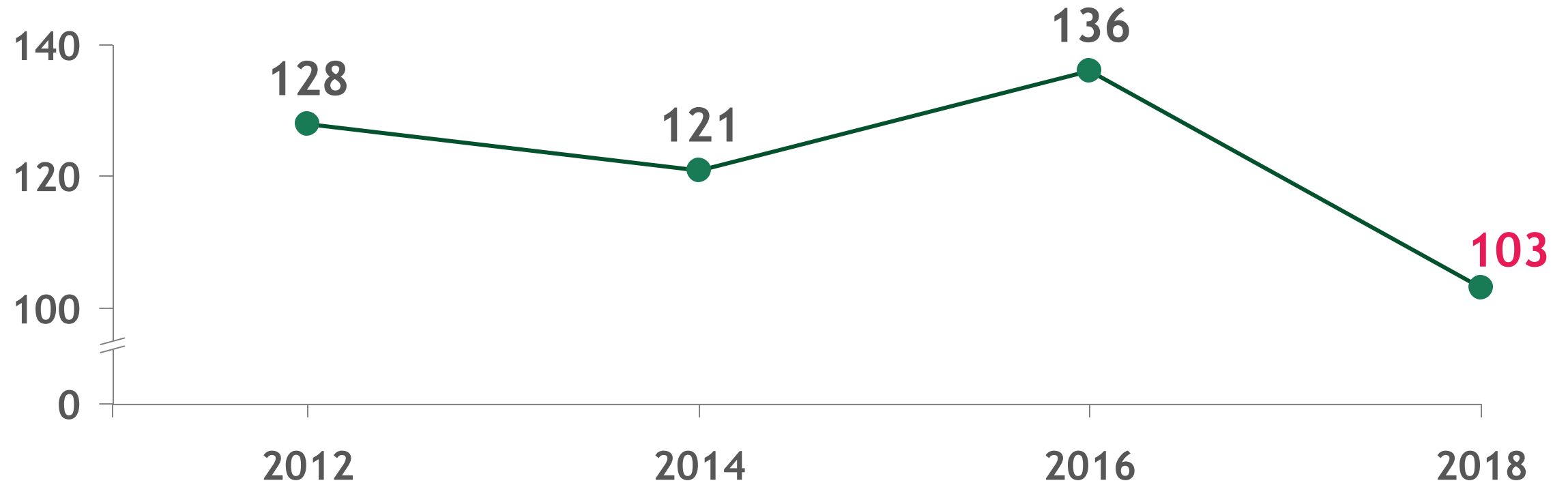


Falling investor confidence

IBC has improved India's global rank in 'Resolving Insolvency'

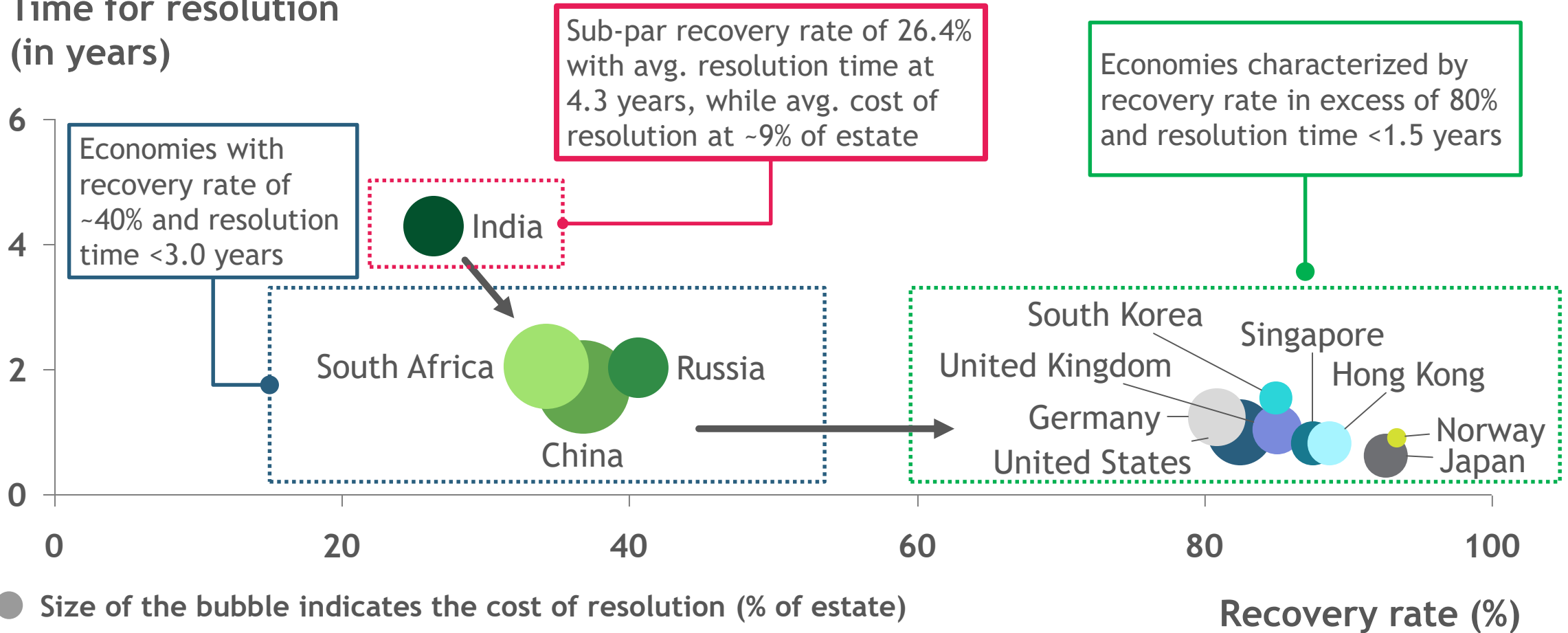
India's Rank in resolving insolvency

India's Rank



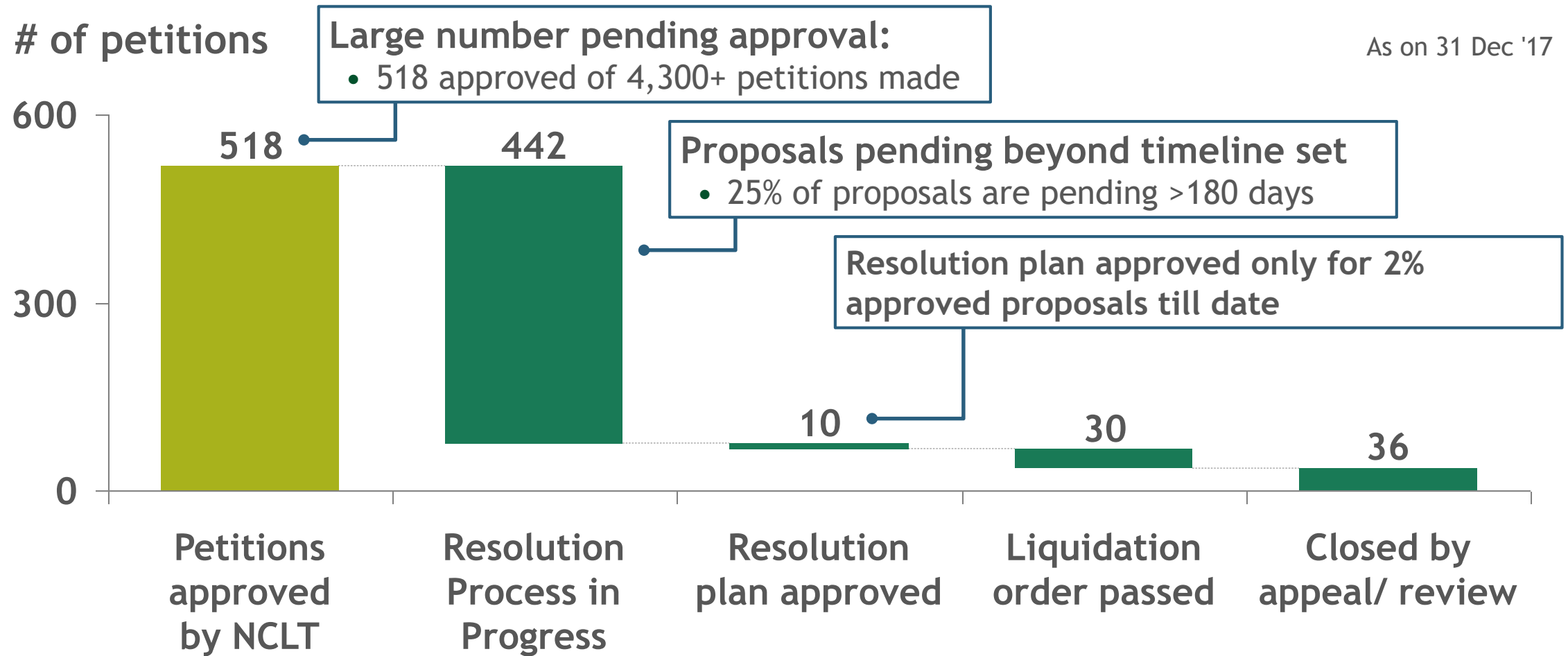
However, India's insolvency resolution process still inferior

Time for resolution
(in years)



Source: RBI, CMIE, Broker report, World Bank, BCG Analysis

Large number of cases remain stuck



Note: The details are from the orders uploaded on the NCLT website on or before January 6, 2018 for petitions dated till December 31, 2017.
Source: CARE Ratings Report, IBBI

Only 5 of first 12 defaulters resolved; Only 1 within 270 days

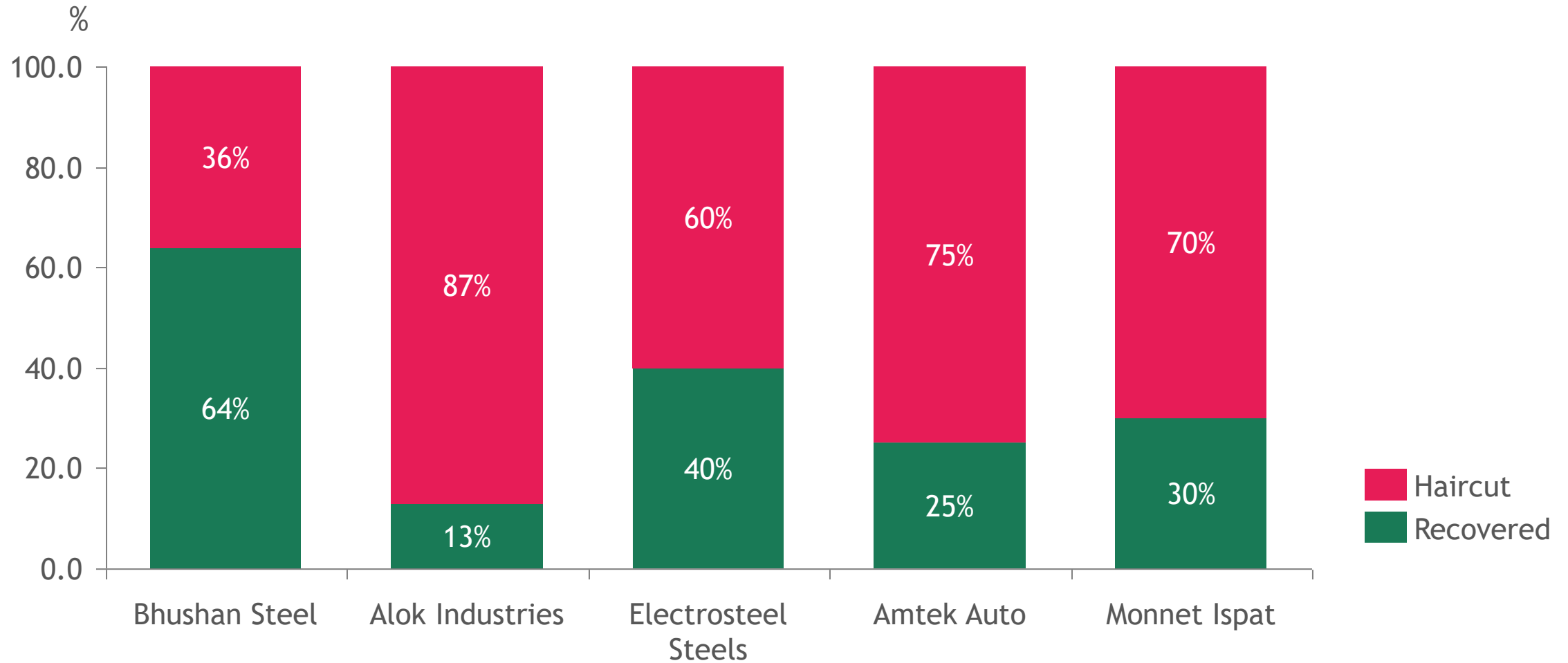
Account	Admitted	Resolution	Claim (Rs Crs)	Days since admission
Bhushan Steel	Jul 26, 2017	May 15, 2018	57,505	293
Lanco Infratech	Aug 7, 2017	Pending	53,158	378
Essar Steel	Aug 2, 2017	Pending	51,848	383
Bhushan Power & Steel	Jul 26, 2017	Pending	48,123	390
Alok Industries	Jul 18, 2017	Jun 22, 2018	30,242	339
ABG Shipyard	Aug 1, 2017	Pending	18,532	384
Electrosteel Steels	Jul 21, 2017	Apr 17, 2018	13,302	270
Amtek Auto	Jul 24, 2017	Jul 25, 2018	12,719	366
Era Infra Engineering	May 8, 2018	Pending	11,785	105
Monnet Ispat and Energy	Jul 18, 2017	Jul 19, 2018	11,080	366
Jaypee Infratech	Aug 9, 2017	Pending	10,373	376
Jyoti Structures	Jul 4, 2017	Pending	8,195	412

Estimated to account for 25% of Gross NPA¹

● Resolution Plan approved
● Pending

1. Selected by RBI on press release dated 13 Jun 2017
Note: Status as of Jul 2018
Source: Press Release

Banks have taken significant haircuts among resolved cases



Source: Press Release; Bloombergquint
Note: All percentages are approximates

IBC as a strategy to resolve the NPA problem is like...



Key issues for discussion

1

Resolutions through IBC have seen banks take significant haircuts;
Has the IBC really helped banks?

2

What are the key challenges faced by banks in the new system?
How can these be alleviated?

3

Are banks in India doing enough to leverage the new insolvency &
bankruptcy framework?

4

What impact with the improved insolvency regulations have on the
interest rates for lending for riskier projects?

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A close-up photograph of a lit sparkler against a dark background. The sparkler is the central focus, with numerous bright, golden-orange sparks radiating outwards in all directions. The sparks vary in length and intensity, creating a dynamic and celebratory atmosphere. The background is dark and slightly out of focus, with some faint, larger spark patterns visible.

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