

# At 61%, IL&FS recovery may beat IBC's 39%

## Used Both Sales, Settlements For Debt Resolution, Says MD

TIMES NEWS NETWORK

**Mumbai:** The estimated recovery from the IL&FS resolution process at around 61% of overall group debt is better than the average 39% recovery by lenders under the Insolvency and Bankruptcy Code (IBC) process.

According to C S Rajan, MD of IL&FS, the company has managed this through a combination of court-approved sales and settlements. Given that there is no legislative or regulatory regime to deal with group insolvency, the board adopted a multipronged approach.

In its April 2021 update, the new board enhanced its estimates of aggregate debt recovery to Rs 61,000 crore. This was an increase of Rs 5,000 crore over previous estimates, and represented a resolution of over 61% of group debt of approximately Rs 99,000 crore, as of October 2018. This includes the debt addressed through resolution, restructuring and liquidation across 347 IL&FS companies. As of end-March 2021, of the 347 entities, 186 have been resolved with Rs 43,000 crore of debt addressed.

The quarterly newsletter of the Insolvency and Bankruptcy Board of India for March reveals that recovery

through resolution amounted to about 39%. And recovery through liquidation is around 4%. According to bankers, recovery in the IBC process has had extreme outcomes. There have been cases like Essar Steel and Bhushan Steel where lenders got all their money back, and others like Videocon and Jet Airways, which were pretty close to liquidation value.

“ The new board has adopted a multipronged approach – depending on the type of asset – by focusing on resolution, restructuring & recovery – C S Rajan  
MD, IL&FS



What the IBC data does not show is the one-time settlement cases that are happening outside the insolvency process. In many of these cases, the promoters know that they can lose everything should their company go into bankruptcy, which is prompting them to come forward for a settlement.

The IL&FS board had the advantage of all options, and they were not pushed into a 'sale or liquidation' situation. For instance, in the case of road projects, the board decided to set up an infrastructure investment trust (InvIT).