



# Resolution, at last

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## **Essar Steel case has clarified many aspects of the Insolvency and Bankruptcy Code process**

- The National Company Law Tribunal's approval of ArcelorMittal's bid for the insolvent Essar Steel Ltd. is significant for several reasons.
- First, the Rs.42,000-crore bid will be the largest single recovery of debt under the fledgling Insolvency and Bankruptcy Code (IBC) enacted in 2016.
- Second, the case, which took 583 days to resolve, compared to the 270 days provided under the Code, has tested several aspects of the law and set important precedents for the future.
- Among the aspects that have been clarified during the long resolution process for Essar Steel are the eligibility of those who have defaulted in repaying their borrowings elsewhere to bid, the time-limits for bidding and the place of unsecured, operational creditors under the resolution mechanism.
- Finally, this was seen as a marquee case for the IBC, given the high profile of the company and its promoters, and the amount at stake.
- To be sure, though the NCLT has given the go-ahead, the last word on the subject may not have been heard as the existing promoters could go in appeal against the verdict.
- The Code provides for an appeal to the National Company Law Appellate Tribunal and then to the Supreme Court, and it is unlikely that the promoters, who bid a much higher Rs.54,389 crore, will let go without a fight.
- The banks, though, will be hoping that the process ends in the next couple of weeks as they would want to account for the receipts from the resolution process within this financial year.
- After all, only four cases (excluding Essar Steel) out of the initial list of 12 big defaulters referred by the Reserve Bank of India for resolution back in June 2017 have been successfully resolved till now.
- Insolvency and Bankruptcy Board of India data also point to a pile-up of

cases in the various benches of the NCLT.

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