

## Govt likely to resume bankruptcy filings as halt set to end on March 25



India's government is considering resuming fresh [bankruptcy](#) filings after the current suspension expires on March 25, people with knowledge of the matter said.

The lifting of the halt would come even as a resurgence in virus cases threatens the nascent economic recovery. It could spark a wave of new insolvencies, pent up from last year when businesses were hurt by India's first economic contraction in decades.

Prime Minister Narendra Modi's government last year halted the process of initiating most fresh insolvency proceedings to insulate cash-strapped borrowers hit by the pandemic for six months starting March 25, and that was extended twice during the year.

The suspension is unlikely to be prolonged further because a return to normality is needed, the people said, asking not to be identified citing rules. Finance Minister Nirmala Sitharaman is considering a proposal to this effect.

A spokesman for the corporate affairs ministry didn't answer calls made to his mobile during business hours.

The move closely follows a Supreme Court ruling Tuesday that allows lenders to resume classifying bad debt. The two steps together give investors a clearer sense of the impact of the pandemic on the asset quality of local banks. The move also reopens avenues for lenders to collect on soured debt from delinquent borrowers, allowing them more tools to manage one of the world's worst bad loan piles.

A likely wave of new cases would come, however, at a time when Indian courts are already struggling to deal with the backlog of existing insolvencies.

Of the 4,139 admitted insolvencies initiated since India's nascent bankruptcy law was enacted in 2016, a little over 40% are still ongoing as of December 2020, according to the people familiar with the matter. Another 1,126 bankrupt companies are in the midst of liquidation processes ordered by the court, they said.

[Bankruptcy](#)