

## **EPW - 18th to 24th Mar 2019**

### ➤ **HYDROPOWER POLICY (TH 18/3/19)**

- Government recently has taken a decision to classify large hydroelectric projects as renewable energy. This will help the sector and also help Govt in achieving the renewable energy targets
- Renewable energy had installed capacity of 75 GW as of February 2019, which made up 21.4% of the overall energy mix. With inclusion of hydro projects in the renewable segment, the capacity under it increase drastically to 120 GW which would account for 34.4% of energy mix
- The contribution of wind energy and solar energy will fall from 47% and 34.6% to 29.3% and 21.6% respectively
- The hydropower provides grid stability which is not provided by other sources such as wind and solar

### ➤ **Gencos seek TReDS (BS 22/3/19)**

- The private sector gencos have asked the power ministry to come up with TReDS (Trade Receivables Discounting System) to resolve their issues
- The total pending dues of the discoms is ₹ 41240 Cr (as of Jan 2019)
- These dues are putting financial stress on the functioning of the gencos - limits their debt repayment ability and creates working capital issues
- The power producer association has sought a solution on the lines of the solution provided by the government for MSME sector (has asked all the companies with a turnover of ₹ 500 Cr and CPSEs to register on the TReDS platform)
- TReDS allows discounting of invoices and bills of exchange
- The usage of this platform has been recommended by HLEC to resolve the issues of stress in the power sector

### ➤ **IBC losing its effectiveness (BS 19/3/19)**

- Under IBC, insolvency resolution is supposed to be conducted within a stipulated time of 270 days. With the cases going beyond this, it is feared that IBC is fast becoming ineffective like SICA 1985, RDBFI 1993, SARFAESI 2002 and winding up provisions in the Companies act
- As per a recent study
  - Probability of resolution within 180 days - less than 5%
  - Probability of resolution within 270 days - 10 to 30%
  - Probability of resolution within 360 days - 30 to 70%
- These findings are encouraging as the earlier findings indicated that it would take more than 500 days in case of larger cases and more than 350 days in case of smaller cases
- As per IBBI (as on 31st December 2018)
  - 1484 cases have been admitted
  - 142 cases or 10% have been closed on appeal or review
  - 63 cases have been withdrawn
  - 79 (or approx 5%) cases closed after resolution

- 302 (or approx 20%) cases closed after liquidation - around three fourth of these were either defunct or were under BIFR (Board for Industrial and Financial Reconstruction)
    - 898 cases (or approx 61%) are under different stages of resolution)
    - Approx 48% of the cases (under resolution process) have crossed a threshold of 270 days
  - Having said so, some of the positive takeaways will be
    - The code will help India to achieve better ranking under the EoDB 2019
    - It is creating a certainty in the minds of the borrowers as well as lenders regarding the default on the repayments
- **Debt recovery tribunals - DRTs (BS 24/3/19)**
  - The DRTs will be taking the insolvency resolution of non-corporate entities (retail borrowers and Partnerships) under the IBC (Insolvency and Bankruptcy Code)
  - Banks have flagged the poor performance of the DRTs (Debt Recovery Tribunal) and DRATs (Debt Recovery Appellate Tribunal)
  - The delays in getting the resolution done is affecting the banks adversely in terms of manpower, costs etc
  - Issues which have been flagged are
    - Insufficient infrastructure
    - Frequent adjournments which leads to postponement of decisions
    - Various officials such as registrars, recovery officers, presiding officers etc are lying vacant. Of the 44 DRTs and DRAT, 11 benches have vacancies
- **Boost for the cold storage sector (BS 24/3/19)**
  - Current cold storage capacity has been pegged at 37 to 39 mn tn. 68% of the capacity is being used to store potato while the remaining is being used for storage of other commodities
  - In the next four to five years' investment to the tune of ₹ 21000 Cr is expected to be invested in the cold storage sector to address the issue related to perishable commodities
  - As per CRISIL, investments to the tune of 16000 to 23000 Cr has been lined for the years 2019 to 2023
  - The investment majorly will come from the private sector wherein the government will provide subsidy of up to 50% of the project cost with an upper limit of ₹ 10 Cr