

Welcome Address for the
Eighth Annual Day of the Insolvency and Bankruptcy Board of India
on 1st October 2024

at Pradhanmantri Sanghralaya, Teen Murti Marg, New Delhi,

The dignitaries on the dias: Hon'ble President Chief Justice (Retd.) Shri Ramalingam Sudhakar, President, NCLT, Mr. Amitabh Kant, India's G20 Sherpa and Former CEO, NITI Aayog, Dr. V. Anatha Nageswaran, Chief Economic Advisor, Ministry of Finance, Whole-time Members of IBBI; and august audience present before me: Hon'ble Members of NCLT, Senior officials of the Government and IBBI, representatives from three IPAs, RVO, Resolution Professionals, Registered Valuers, Legal Experts, GIP students and Friends. I welcome you all on eighth Annual Day programme of the Insolvency and Bankruptcy Board of India.

The Insolvency and Bankruptcy Code has completed its eight years of its existence and has matured as an exit mechanism for distressed Corporate Debtors. During these eight years, more than 1000 companies have been resolved. I would like to point that during last two years, more than 450 companies out of 1000 have been resolved. Thus, about 45% of the resolved cases pertains to last two years. During eight years, the creditors have realized about Rs. 3.5 lakh crore. The amount realized during last two years is about Rs. 1.1 lakh crore which is about one-third of the total recovery. On behalf of IBBI, I would like to thank Hon'ble President and members of NCLT for their remarkable performance during the last two years and request them to continue the good work started by them.

I would like to mention that IBC has made its contribution to Viksit Bharat Campaign. IBC has recovered about Rs. 3.5 lakh crore to the creditors which has helped them to extend the credit of 10 times of this amount. IBC has helped the creditors in extending further credit of about Rs. 35 lakh crore. This enhanced credit availability plays a crucial role in economic growth, providing businesses with easier access to necessary funds.

The resolved companies under the IBC have also contributed to the GDP. To study the impact of the Code beyond recovery figures, IIM Ahmedabad studied the resolved firms to measure post-resolution performance of such firms. It shows that the overall these firms' performance improved significantly in the post-resolution with visible gains in profitability, liquidity, activity, and turnover ratios. The Report of IIM Ahmedabad on the effectiveness of IBC resolution process finds that the IBC framework has yielded, for the resolved firms (i) 76% increase in average sales, (ii) 50% increase in average employee expenses which could be attributed to increased employment generation, (iii) 50% increase in average total assets, (iv) 130% increase in CAPEX, (v) threefold increase in market valuation of resolved firms (from ₹ 2 lakh crore to ₹ 6 lakh crore), and (vi) improvement in liquidity of the resolved firms by about 80%.

The IBBI has the responsibility to promote the development of, and regulate the working and practices of the IPs, IPAs, and IUs and other institutions in furtherance of the purposes of the

Code. During fiscal year 2023-24, the IBBI hosted three IP Conclaves and 52 roundtables, webinars, and advocacy awareness programs. IBBI had also organised a conclave for resolution applicants and series of workshops for officers of Public Sector Banks (PSBs) who represent the Committee of Creditors. These programs have served as sounding boards for the regulator, identifying potential new areas for intervention, rectifying market faults, monitoring insolvency professionals' conduct, and so on. IBBI had organised the 3rd International Research Conference on Insolvency and Bankruptcy, jointly with the Indian School of Business, Hyderabad, at the ISB campus from 2nd to 3rd July, 2024.

Post extensive stakeholder engagement, the IBBI had notified 12 amendment Regulations and issued 12 circulars in FY 2023-24. In the interest of homebuyers in real estate cases, the IBBI amended Regulations to allow the resolution professional to invite separate resolution plans for each project within a real estate case to encourage their resolution. Similarly, there was some confusion in the market about inclusion of properties handed over to homebuyers/ allottees in the liquidation estate, where the transfer is not complete by way of registration. To protect the interest of homebuyers, the Board allowed exclusion of assets from the liquidation estate where the allottees have taken the possession of units.

For the benefit of claimants and to facilitate claimants in filing their claims, especially in large and complex cases involving numerous stakeholders, the IBBI amended CIRP Regulations to extend the claim filing period up to the date of issue of RFRP or 90 days from insolvency commencement date, whichever is later. For effective implementation of the resolution plan under the Code, the Board amended the CIRP Regulations to enable the CoC to consider the requirement of constituting a Monitoring Committee for the implementation of the plan.

To improve transparency in the Liquidation process and prevent misuse of provisions allowing private sale of assets by the Liquidator, the IBBI amended the Liquidation Regulations requiring the Liquidator to mandatorily consult the SCC before undertaking private sale of any assets of the CD, including confirmation of the successful buyer of the asset. Vide IBBI circular dated 12th August 2024, RVs have been mandated to quote a Valuation Report Identification Number (VRIN) in their reports for valuations conducted under the Code in order to ensure authenticity of the report. Vide the said Circular, IPs have also been mandated not to accept any valuation reports without VRIN.

IBBI has revised the CIRP Forms and the compliance burden on IPs is expected to significantly reduced while ensuring that the IBBI receives relevant and timely information for effective monitoring of the CIRP, minimising duplicate submission via auto populated fields. The revised Forms would come into force soon.

The IBC is often criticised for delays and large haircuts to the creditors. These two are directly related. Longer the delays, larger the haircuts. The data available in IBBI shows that more than 50% of the value of assets of distressed companies have already been lost prior to admission of the company under the Code. Surely, IBC would be responsible for haircuts post admission of the cases for valuation on the date of commencement of the resolution process under the

Code. Importantly, India adopts a creditor in control model which significantly differs from the debtor-in-possession system used in many other jurisdictions. Under India's framework, control shifts from shareholders to creditors, which often meets strong opposition from company promoters. This resistance, along with various tactics employed by the debtor company's management, frequently leads to delays in both initiating insolvency proceedings and completing the resolution process. However, it may be noted that IBC is realising about 84% of fair value of the assets of the resolved companies. You would remember that till 2020, the World Bank ranked countries on ease of doing business. In these rankings, India was more or less equal in the recovery to the developed economies as World Bank evaluated the performance post admission of the case in insolvency regime.

I once again welcome you all and thank you for gracing our event with your presence.
