A Journey of Endless Hope[1]

I am honoured and pleased to be here, before this distinguished audience and would like to thank GRR for providing me this opportunity.

I wish to share with you the amazing Indian journey of insolvency over the last two years. It has been fast paced, lively and exciting. It reminds me of a dialogue in the novel, 'The Sun also Rises' by Ernest Hemingway. The dialogue is: "How did you go bankrupt?"; "Gradually and then suddenly"**.** Most bankruptcies happen that way. Interestingly, the insolvency reforms in India too happened that way. While in the works for many years, the insolvency reforms suddenly took shape with the enactment of the Insolvency and Bankruptcy Code, 2016 (Code) on 28th May, 2016. In no time, it became a reform by the stakeholders, of the stakeholders and for the stakeholders.

Significance of the Code

Why did the Code catch fancy of stakeholders? Let us look at the Code through the prism of the Global Competitiveness Report of the World Economic Forum. The Report identifies three broad sources of growth, namely, (a) Basic requirements, such as institutions and resources, (b) Competition, and (c) Innovation, while classifying economies into five classes according to their stages of development. Where the reliance on competition and innovation (C&I) is relatively less, say less than 40%, the economy is in the first stage of development, typically yielding a per capita GNP of less than US $2000 and where the reliance on C&I is significant, say more than 80%, the economy is in the fifth stage of development, typically yielding a per capita GNP of at least US $17000. The level of C&I explains much of the movement from per capita GNP of $2000 to $17000.

What does the Code have to do with C&I? Competition helps efficient firms drive out inefficient firms, while innovation helps new order to drive out old order. Thus, C&I both carry the germs of firm failure. The higher the intensity of C&I, the higher is the incidence of firm failure. Since we need C&I for rapid economic growth and success, we must deal smartly with failures. The Code provides the freedom as well as a process to the stakeholders of failing firm to have swift and efficient resolution of the honest business failures, and thereby facilitates higher C&I, which in turn can potentially push an economy from $2000 per capita GNP to $17000. I shall return to how the Code induces faster growth after I explain its strategy.

Economic Freedom is key

It is well recognised that economic freedom helps every firm to realise its full potential and that economic freedom and economic performance have very high positive correlation. Countries having high level of economic freedom generally outperform the countries with not-so-high level of economic freedom. It has, therefore, been the endeavour of countries all over the world to provide an institutional milieu that (a) provides, promotes and protects economic freedom and (b) regulates such freedom only to the extent it is necessary for addressing market failure(s). In other words, they endeavour to have better business regulations that make it easier for firms to do business in the economy.

A firm needs freedom broadly at three stages of a business - to start a business (free entry), to continue the business (free competition) and to discontinue the business (free exit). This enables

[1] Edited extracts of the keynote address delivered by Dr. M. S. Sahoo, Chairperson at the 2nd Annual GRR Live Singapore on 1st April, 2019.

new firms to emerge continuously; and they do business while they are efficient and vacate the space when they are no longer efficient. This ensures seamless flow of resources from less efficient uses to more efficient uses and the highest possible growth. The economic reform typically endeavours to provide economic freedom at these three stages.

The reforms in India in the 1990s focused on freedom of entry. It ushered in liberalisation, privatisation and globalisation. It dismantled the *licence-permit-quota Raj*[2], when discretionary licence gave way to an entitlement of registration. It allowed firms meeting the eligibility requirements to raise resources to facilitate freedom of entry, without requiring any specific approval from the State.

The reforms in the 2000s focussed on creating a free and fair market competition. It moved away from control of monopoly of firms to promote competition among firms at marketplace. Size or dominance, per se, was no longer considered bad, but its abuse was. The reforms provided level playing field and competitive neutrality and prohibited firms from restricting freedom of other firms to do business.

The index of economic freedom, which measures the degree to which the policies and institutions of an economy are supportive of economic freedom, has substantially improved for India since the 1990s. The outcome has been astounding. The average growth rate in the post reforms period since 1992 has been more than double of that of the pre-reforms period. Today, India is the fastest-growing trillion-dollar economy and the sixth largest in the world.

The Indian economy moved from socialism with limited entry to '*marketism'* without exit, leading to substantial cost of impended exit[3]. After having commenced business, a firm in a market economy fails to deliver in two broad circumstances:
(a) The firm belongs to an industry where business is no more viable for exogenous reasons (changes in technology, policy, trade, society, and economy). In such cases, the firm is in economic distress. The only option available is to redeploy the assets of the firm in viable businesses and release the entrepreneur to pursue emerging opportunities; or
(b) The firm belongs to an industry where other firms in the industry are doing well, but the firm in question is not doing well for endogenous reasons (poor organisation, inefficient management, malfeasance, etc.). In such cases, the firm is in financial distress. It is necessary to rescue the firm well in time from the clutches of current management and put it in the hands of credible and capable management to avoid liquidation.

In either situation, the resources at the disposal of the firm are underutilised and the management / entrepreneur has failed. Where a firm remains in such a state for long, its balance sheet gets stretched. Such failure by many firms, particularly large ones, impacts the balance sheets of creditors, particularly banks. This reduces the availability of funds with the creditors limiting their ability to lend for even genuinely viable projects and restricting credit growth. The impact is pronounced where firms deliberately fail to repay loans. Thus, what emerged in the middle of this decade is popularly referred to as the '*Twin Balance Sheet'*[4] problem, where both the banks and firms were reeling under the stress of bad loans, thereby, hindering overall economic growth.

[2] A term coined by C. Rajagopalachari for bureaucratic system of granting licences and permits for new commercial ventures.
[3] Economic Survey, 2015-16, Ministry of Finance, Government of India.
[4] Economic Survey, 2016-17, Ministry of Finance, Government of India.

Given that the resources are scarce, and failures are routine in a dynamic market economy, India needed a codified, structured, and market mechanism to put the underutilised resources to more efficient uses continuously and free entrepreneurs from failure. The Code provides such a market mechanism for (a) rescuing a failing, but viable firm, and (b) liquidating a failing and unviable one and releasing the resources, including entrepreneur, from failing firms for competing uses, and thereby provides the freedom to exit, the ultimate freedom.

The Insolvency and Bankruptcy Code, 2016

The Code is the mandate of the nation.[5] It prevails over every other law in case of any inconsistency between the two. The objective of the Code is time bound reorganisation and insolvency resolution of firms for maximisation of value of assets of the firm concerned to promote entrepreneurship and availability of credit and balance the interests of all its stakeholders. The first order objective is resolution. The second order objective is maximisation of value of assets of the firm and the third order objective is promoting entrepreneurship, availability of credit and balancing the interests. This order of objectives is sacrosanct[6].

Let me explain how the corporate insolvency resolution process (CIRP) under the Code pursues its objectives. A threshold amount of default entitles a stakeholder to trigger CIRP of the firm and if triggered, the firm moves away from 'debtor-in-possession' to 'creditor-in-control'; management of firm and its assets vest in an insolvency professional (IP), who runs the firm as a going concern, and a committee of creditors (CoC) is constituted to evaluate options for the firm. The IP invites feasible and viable resolution plans from eligible and credible resolution applicants for resolution of insolvency of the firm. If the CoC approves a resolution plan within the stipulated time with 66% majority, the firm continues as going concern. If the CoC does not approve a resolution plan with the required majority within this period, the firm mandatorily undergoes liquidation.

The Code makes an attempt, by divesting the erstwhile management of its powers and vesting it in a professional, to continue the business of the firm as a going concern until a resolution plan is drawn up. Then the management is handed over under the plan so that the firm can pay back its debts and get back on its feet. All this is done within a period of 6 months with a one-time extension of up to 90 days or else the chopper comes down and the liquidation process begins.[7] The strategy under the Code includes the following elements.

A. The Code is a behavioural law. It has strong focus on prevention. It requires that only credible and capable persons can submit resolution plans. This means that persons having any of the specified ineligibilities cannot submit resolution plans. India has a unique concept of promoter who also controls management. Some of them may have specified ineligibilities and hence may not be eligible to submit resolution plans. Even if one is eligible, it may not submit the most competitive plan or the CoC may opt for liquidation. In such cases, the existing promoter and management may lose the firm for ever. Thus, ownership of firm is not a divine right anymore.

The credible threat of a resolution process that the control and management of the firm may move away from existing promoters and managers, most probably, for ever, deters the management and promoters of the firm from operating below the optimum level of efficiency

[5] Order dated 10th April, 2017 of the NCLT in the matter of DF Deutsche Forfait AG and Anr Vs. Uttam Galva Steel Ltd.
[6] Judgement dated 14th November, 2018 of the NCLAT in the matter of Binani Industries Limited Vs. Bank of Baroda & Anr.
[7] Judgement dated 31st August, 2017 of the Hon'ble Supreme Court in the matter of M/s. Innoventive Industries Ltd. Vs. ICICI Bank & Anr.

and motivates them to make the best efforts to avoid default. Further, it encourages debtor to settle default with the creditor(s) at the earliest, preferably outside the Code. We have witnessed thousands of instances where debtors have been settling their debts voluntarily or settling immediately on filing of an application for CIRP with the Adjudicating Authority (AA) before the application is admitted. There are also settlements after an application is admitted. The Code has thus brought in significant behavioural changes and thereby redefined the debtor-creditor relationship. With the Code in place, the defaulter's paradise is lost[8]. Repayment of loan is no more an option; it is an obligation.

On the other hand, the creditor knows the consequences of default by a debtor, if insolvency proceeding is not initiated or the insolvency is not resolved. It is motivated to resort to more responsible (meritocratic) lending to reduce incidence of default. Further, although a creditor has the right to initiate a proceeding under the Code as soon as there is a default of the threshold amount, it is not obliged to do so at the first available opportunity, if it has reasons for the same. It cannot, however, defer the initiation of proceeding indefinitely, allowing ballooning of default. It needs to explain to itself and its stakeholders why it initiated an insolvency proceeding or why it did not, in case of a default. Consequently, there would never be a high value default if this law exists on the statute book. This is another dimension of prevention.

The scheme of incentives and disincentives under the Code has brought in behavioural changes which would minimize the incidence of default in the days to come. Going forward, to me, the best use of the Code would be not using it at all.

B. The Code envisages a market mechanism to rescue a failing, viable firm as it may not always be possible to prevent honest failures in the face of C&I despite the best efforts and the most desirable behavioural changes.

(i) The primary focus of the Code is **revival** and continuation of the firm by protecting it from its own management and from liquidation[9]. If there is a resolution applicant who can continue to run the firm as a going concern, every effort must be made to try and see that this is made possible[10]. The Code envisages resolution of insolvency and not a recovery proceeding to recover the dues of the creditors.[11] It does not envisage sale or liquidation of the firm for recovery of loan.[12] In fact, it attracts penalty if the process under the Code is abused for purposes than the purposes of the Code.[13]

(ii) The Code endeavours resolution of insolvency **at the earliest,** preferably at the very first default, to prevent it from ballooning to un-resolvable proportions. In early days of default, enterprise value is typically higher than the liquidation value and hence the stakeholders would be motivated to resolve insolvency of the firm rather than liquidate it. Therefore, it entitles the stakeholders to initiate CIRP as soon as there is threshold amount of default.

(iii) The Code mandates resolution in a **time bound manner**, as undue delay is likely to reduce the enterprise value of the firm. When the firm is not in sound financial health, prolonged uncertainty about its ownership and control may make the possibility of resolution remote. Time

[8] Judgement dated 25th January, 2019 of the Supreme Court of India in the matter of Swiss Ribbons Pvt. Ltd. & Anr. Vs. Union of India & Ors.
[9] Ibid.
[10] Judgement dated 4th October, 2018 of the Supreme Court of India in the matter of Arcelor Mittal India Private Limited Vs. Satish Kumar Gupta and Ors.
[11] Order dated 18th August, 2017 of the NCLAT in the matter of Prowess International Pvt. Ltd. Vs. Parker Hannifin India Pvt. Ltd.
[12] Judgement dated 14th November, 2018 of the NCLAT in the matter of Binani Industries Limited Vs. Bank of Baroda & Anr.
[13] Order dated 18th May, 2017 of the NCLT in the matter of Unigreen Global Private Limited.

is the essence of the Code. It provides a mandatory timeline of 180 days for CoC to conclude CIRP, extendable by a one-time extension of up to 90 days.[14] The regulations provide a model timeline for each task in the process, which needs to be followed as close as possible.[15]

(iv) The Code envisages resolution of the firm as a **going concern**, as closure of the firm destroys organisational capital and renders resources idle till reallocation to alternate uses and make the posibility of resolution remote. It, therefore, facilitates continued operation of the firm as a going concern during CIRP. It makes available a cadre of competent and empowered IPs to manage the affairs of the firm under resolution as a going concern, to protect and preserve the value of its property, help in retrieval of value lost through fraudulent and preferential transactions and assist the CoC to arrive at the best resolution plan. It mandates the firm, its promoters and any other person associated with its management to extend all assistance and cooperation to the IP. It envisages information utilities to make available authentic information required for completing the process expeditiously. It enables raising interim finances and includes the cost of interim finance in insolvency resolution process cost which has super priority. It envisages moratorium on institution or continuation of suits or proceedings against the firm during the resolution period. It prohibits suspension or termination of supply of essential services to the firm to keep it going. It prohibits any action to foreclose, recover or enforce any security interest during CIRP and thereby prevents a creditor(s) from maximising its individual interest.

(v) The Code envisages a **collective mechanism** for resolution of insolvency. It enables any financial creditor (FC) to initiate CIRP even when the firm has defaulted to another FC. This prevents the debtor from granting preferential treatment to a more vocal creditor while ignoring the less vocal ones. It does not envisage termination of the process even if claim of the creditor concerned is satisfied. Once admitted into CIRP, other creditors have a right to file their claims. Thereby, the nature of insolvency proceeding changes to a representative suit and it is no more a lis between a creditor and the firm.[16] Therefore, they alone do not have the right to withdraw the insolvency petition even if the dues of the creditor concerned have been settled. The law, however, allows withdrawal with the approval of the CoC by 90% of voting power.

(vi) The Code calls for a **team effort** to resolve insolvency. There are many players having defined, complementary roles for completion of the process. It is a team responsibility to complete the process in time, though one has the prime responsibility for a task in the process. The insolvency proceeding is not an adversarial proceeding. There is no pleading or defending party, and the terminologies like petitioner, respondent, plaintiff, and defendant are not present under the Code.[17]

(vii) The Code provides for the **best sustainable resolution**. It requires the IP to provide complete, correct and timely information about the firm to resolution applicants for design of resolution plans and to detect avoidance transactions. It envisages any credible and capable person to propose competing, viable and feasible resolution plans and empowers the CoC to choose the best of them. It envisages limitless possibilities of resolution through a resolution plan. A resolution plan may entail a change of management, technology, or product portfolio; acquisition or disposal of assets, businesses or undertakings; restructuring of organisation,

[14] Judgement dated 1st May, 2017 of the NCLAT in the matter of JK Jute Mills Company Limited Vs. M/s. Surendra Trading Company.
[15] Judgement dated 4th October, 2018 of the Supreme Court of India in the matter of Arcelor Mittal India Private Limited Vs. Satish Kumar Gupta and Ors.
[16] Order dated 29th May, 2017 of NCLT in the matter of Parker Hannifin India Private Limited.
[17] Order dated 10th April, 2017 of the NCLT in the matter of DF Deutsche Forfait AG and Anr vs. Uttam Galva Steel Ltd.

business model, ownership, balance sheet; strategy of turn-around, buy-out, merger, acquisition, takeover; and so on.

(viii) The Code segregates **commercial aspects** of insolvency resolution from judicial aspects and empowers the stakeholders of the firm and the AA to decide matters within their respective domain expeditiously. It puts the entire process at the disposal of the stakeholders and motivates them with incentives and disincentives to complete the process at the earliest. The consideration of resolution plans and approval of the best of them requires two abilities, namely, the ability to restructure the liabilities and the ability to take commercial decisions. In contrast with the operational creditors (OCs), who may pursue immediate realisation of their dues, the FCs generally have the resilience to wait for realisation of their dues post reorganisation. They have also the ability to determine if a resolution plan will achieve the objectives of the Code. In view of their abilities, the CoC comprises FCs. The commercial decisions of the CoC are not generally open to any analysis, evaluation or judicial review by the AA or the appellate authority.[18]

(ix) The Code **balances the interests** of stakeholders in the resolution process. It assumes significance as the firm undergoing CIRP may not have enough at the commencement of CIRP to satisfy the claims of all stakeholders fully. It provides specific balances, such as minimum payment to OCs in priority over FCs. It aims to balance the interests of all stakeholders and does not maximise value for FCs.[19] Since it does not envisage recovery during CIRP, it does not provide for a waterfall in distribution of recovered amount among the creditors, as it provides the order of priority for distribution of proceeds from sale of liquidation assets. It, however, incorporates the principle of fair and equitable dealing of OCs' rights.[20]

(x) The Code requires the resolution in **compliance with all applicable laws** of the land. The resolution plan needs to be consistent with the laws of the land and it must be implementable. The IP needs to certify this, and the AA needs to be satisfied. Otherwise, the plan may not be implementable, and the purpose of resolution is defeated. The Code provides severe penal consequences if an approved resolution plan is not implemented.[21]

C. The Code facilitates creative destruction. For a market economy to function efficiently, the process of creative destruction should drive out failing, unviable firms continuously. It was not happening hitherto in the absence of an effective mechanism. Quite a few firms got stuck up in '*chakravyuaha*'[22] of unsustainable business or with idle assets and no business. The Code now provides a mechanism whereby a failing, unviable firm exits with the least disruption and cost and releases idle resources in an orderly manner for fresh allocation to efficient uses.

Although a default of a threshold amount enables initiation of resolution process, it does not imply that the firm has failed, or that it is unviable. There is no precise mathematical formula to identify a firm as an unviable one. The market may wrongly punish a viable firm, by mistaking it as unviable and vice versa because of market imperfections. Accordingly, it may push a viable firm to closure and conversely, allow an unviable firm to survive. Rescuing an unviable firm may not be of great concern as it would be a matter of time before it is closed. Closing a viable firm, on the other hand, is of grave concern as it impacts the daily bread of its

[18] Judgement dated 5th February, 2019 of the Supreme Court of India in the matter of K. Sashidhar Vs. Indian Overseas Bank & Ors.
[19] Judgement dated 14th November, 2018 of the NCLAT in the matter of Binani Industries Limited Vs. Bank of Baroda & Anr.
[20] Judgement dated 25th January, 2019 of the Hon'ble Supreme Court of India in the matter of Swiss Ribbons Pvt. Ltd. & Anr. Vs. Union of India & Ors.
[21] Order dated 13th February, 2019 of the NCLT in the matter of Corporation Bank Vs. Amtek Auto Ltd. & Ors.
[22] Economic Survey, 2015-16, Ministry of Finance, Government of India. It is a mythological multi-layer formation from where it is difficult to get out.

stakeholders and it cannot be revived later. Similarly, there is no mathematical formula to identify a resolution applicant as credible and capable and a resolution plan is viable and feasible. Based on this premise, the Code has adopted a very cautious approach and provides an opportunity to market to rectify a mistake where it has wrongly assessment or decision.

The Code provides for initiation of a process for resolution; it does not enable initiation of liquidation process directly. It promotes resolution over liquidation.[23] After CIRP is initiated, if the market discovers that the process should not have been initiated, the Code allows termination of process with the approval of the CoC by 90% of voting power (a) before constitution of CoC, (b) after constitution of CoC but before invitation of Expression of Interest, or (c) after invitation of Expression of Interest in exceptional cases, on an application made by the applicant.[24] During the process, the stakeholders endeavour to rescue the firm through a resolution plan. Liquidation process commences only on failure of resolution process to revive the firm.

Even after an order for liquidation is issued, the law enables compromise or arrangement based on an application of a member, a creditor or the Liquidator. In several matters, the NCLAT has directed to attempt compromise or arrangement.[25] Many recent orders of the NCLAT have directed the liquidators to make efforts to sell the firm as a going concern or the business of the firm as a going concern to protect the interests of stakeholders.[26] On failure of compromise or going concern sale, the liquidator may proceed to sell the assets in bits and pieces.

Progress so far

The swiftness of enactment and implementation of the Code in India perhaps has no parallel anywhere else in the world. The implementation commenced on a clean slate: there was no legacy issue nor was there any supporting institution required for insolvency reforms. The entire regulatory framework in respect of corporate insolvency, both resolution and liquidation, and the entire ecosystem for corporate insolvency were put in place by the end of the year 2016, and corporate insolvency process commenced on 1st December, 2016.

Matured over the last two years, the ecosystem now comprises 15 benches of AA, 2500 IPs, 3 insolvency professional agencies, 50 insolvency professional entities, one information utility, 1200 registered valuers and 11 registered valuer organisations. The professionals and market participants are learning on the job and are evolving best market practices. Debtors and creditors alike are undertaking corporate processes. About 1900 corporates, some of them having very large non-performing assets, have been admitted into corporate process. About 600 of them have completed the process either yielding resolution plans or ending up with liquidation. Another 400 firms have commenced voluntary liquidation.[27]

The AA, the NCLAT and the Courts have been in the forefront of the implementation of the Code. They have settled several conceptual and contentious issues with alacrity and imparting clarity to the roles of various stakeholders in the resolution process. They have delivered several landmark orders, bringing in clarity as to what is permissible and what is not, and streamlining the process for future. The Supreme Court of India has been deciding cases in matters of days

[23] Preamble to the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2018.
[24] Judgement dated 25th January, 2019 of the Supreme Court of India in the matter of Swiss Ribbons Pvt. Ltd. & Anr. Vs. Union of India & Ors.
[25] Order 27th February, 2019 in the matter of Y. Shivram Prasad Vs. S. Dhanapal & Ors.
[26] Order dated 14th January, 2019 in the matter of Edelweiss Asset Reconstruction Company Ltd. Vs. Bharati Defence and Infrastructure Ltd.
[27] IBBI Insolvency and Bankruptcy News, January - March, 2019.

and settling the law. The insolvency now boasts of probably the single largest body of case laws.

The Government has led from the front and has demonstrated the highest commitment to the insolvency reform. It has subordinated its dues to claims of all stakeholders except equity. Also, in a leap of faith, it has pushed very large corporates with very high NPAs very early into resolution process. It made changes in several laws - banking law, revenue law, company law, etc. to facilitate the processes under the Code, in addition to two major legislative interventions[28] to amend the Code. A standing committee, namely, the Insolvency Law Committee is continuously monitoring the implementation of the institutional framework to identify the issues impacting implementation of the Code and suggest measures to address the same.

The regulators have done their bits too: the securities market regulator (Securities Exchange Board of India) has exempted resolution plans from making public offers under the Takeover Code; the central bank of the country (Reserve Bank of India) has allowed external commercial borrowing for resolution applicants to repay domestic term loans; and the competition regulator (Competition Commission of India) has devised a special route for swift approvals for combinations envisaged under resolution plans. There have been over a dozen regulatory interventions from the Insolvency and Bankruptcy Board of India in the last two years. These have helped in bringing the processes to conclusion expeditiously.

Outcome

The resolution plans have yielded about 200% of liquidation value for creditors. They are realising on an average 43% of their claims through resolutions plans under a process which takes on average 300 days and entails a cost on average of 0.5%,[29] a far cry from the previous regime which yielded a recovery of 25% for creditors through a process which took about 5+ years and entailed a cost of 9%. It is important to note that this realisation, not being an objective of the Code, is only a bi-product of revival of failing firms. Beyond revival of firms, the Code change ushered in significant behavioural changes resulting in substantial recoveries for creditors outside the Code and improving performance of firms.

We are still in early days. The work relating to individual insolvency, cross border insolvency, group insolvency, and valuation profession has begun in right earnest. As the process matures in the days to come, we can expect the insolvency regime to impact not only 'ease of doing business', but also overall economic growth. The Code would boost economic growth through three main routes:

a. The failure of business dampens entrepreneurship if it is onerous for an entrepreneur to exit a business. As explained earlier, by rescuing viable businesses and closing non-viable ones, the Code releases the entrepreneurs from failure. It enables them to get in and get out of business with ease, undeterred by failure. As more and more potential entrepreneurs recognize this, the **Code would promote entrepreneurship.**

b. As a firm defaults, the availability of funds with the creditor declines, limiting thereby its ability to lend for even genuinely viable projects. On the other hand, low and delayed recovery pushes up the cost of lending, and consequently, credit becomes available at a higher cost at

[28] The Insolvency and Bankruptcy Code (Amendment) Act, 2018 and the Insolvency and Bankruptcy Code (Second Amendment) Act, 2018.
[29] IBBI Insolvency and Bankruptcy News, January - March, 2019.

which many projects become unviable. Through provision for resolution and liquidation, the Code reduces incidence of default, and enables creditors to recover funds from either future earnings, post-resolution or sale of liquidation assets. It incentivises creditors - secured and unsecured, bank and non-bank, financial and operational - to extend credit for projects and thereby **enhances availability of credit.**

c. Default typically reflects relative under-utilisation of resources at the disposal of the firm as compared to other firms in the industry. The Code ensures optimum utilisation of resources at all times by (a) preventing use of resources below the optimum potential, (b) ensuring efficient use of resource within the firm through a resolution plan; or (c) releasing unutilised or under-utilised resources through closure of the firm and thereby maximising the value of the firm. The resources, that are currently unutilised or underutilised or rusting for whatever reason can be put to more efficient uses, the growth rate may well go up by a few percentage points.

By liberating the entrepreneur from failure and releasing resources from *chakravyuha* of inefficient defunct firms for continuous recycling, coupled with improved availability of credit, the Code has changed the narrative from '**Hopeless End' to 'Endless Hope'**. I welcome all of you to join this exciting journey of endless hope.

I thank GRR once again for the opportunity to talk to you and thank you for a very patient hearing. I would be happy to take a few questions. Thank you.