

ADDRESS BY THE HON'BLE MINISTER SHRI PIYUSH GOYAL

Chief Guest at 5th Foundation Day of IIIPI on 25th November 2021



Shri Piyush Goyal

Hon'ble Union Minister
Ministry of Commerce & Industry
Consumer Affairs, Food & Public Distribution,
& Textiles

Shri Piyush Goyal (57) is the Minister of Commerce & Industry (2019-present), Consumer Affairs, Food & Public Distribution (2020-present), Textiles (2021-present), and Leader of the Rajya Sabha (2021-present). He was earlier the Minister of Railways (2017-21). In his tenure, Indian Railways achieved the best ever safety record of zero passenger deaths in accidents and also launched first indigenous semi-high speed train Vande Bharat Express. He is also recipient of 4th Annual Carnot Prize in 2018 for pathbreaking transformations in India's energy sector.

Shri Goyal has had a brilliant academic record – all-India second rank holder Chartered Accountant and second rank holder in Law in Mumbai University. He was a well-known investment banker and has advised top corporates on management strategy and growth. He also served on the board of India's largest commercial banks such as the State Bank of India and Bank of Baroda.

On the 5th Foundation Day of IIIPI, he graced the event as Chief Guest and shared his view on various aspects of the IBC regime. *Read on to know more....*

Happy to meet with the professionals like you. We have been reading about all your works for the last few years since IBC, 2016 came into operation. It is probably the first time I am meeting all of you as a group, and I am glad that you have the Indian Institute of Insolvency Professionals of ICAI (IIIPI), which I believe engages in knowledge sharing, training, skill-development, understanding each other's issues, and problems, and therefore, the need of such a body is truly important.

It is the fifth foundation day of IIIPI, you have covered a lot of ground over the last few years. We are seeing a lot of large accounts getting resolved. Of course, we also had a lot of criticism in the last phase in terms of delayed resolutions, in terms of processes which could not be completed in the stipulated timeline. However, the good part is that we have always had a dialogue and learnt a lot in the past five years of the IBC implementation. It has been obviously a game changing reform because from the days when insolvency would take probably decades, we have come to a situation where we can reasonably expect resolution to happen within a stipulated timeline with an occasional delay. But the resolution is happening. That is a reality. I must compliment all of you for the work that you have done. It is also very redeeming to see that IBC has also reached five years of completion earlier this year in May 2021.

Five years is a good amount of time to understand the nuances of a new law. Based on your experiences, we have been making amendments wherever required and called for. I do believe, we will be able to see significant positive action in terms of what is good for the banking system, credibility of India, and our financial architecture that persons who do not pay back will be taken to task. Insolvency had happened in the past also. We had several efforts such as BIFR (Board of Industrial and Financial Construction), SICA (Sick Industries and Companies Act), and SARFAESI. But possibly the IBC has been the most successful so far. If you look at the level of recovery or timelines of recovery or any other aspect of the performance of IBC, the work that the Resolution Professionals (RPs) have done, is truly praiseworthy.

This legislation was also important from the perspective of Ease of Doing Business because confidence in the system that people can be forced to pay back their dues is important if you want to attract investment and business. From that extent also, it has been quite a game changing law by putting the creditor back in the driver's seat. Otherwise, there was a time when people would borrow from banks or take material from companies and then decide as per their whims and fancies on when and how they want to pay. In that regime, the resolution mechanism was so weak that more often we only saw ever-greening of credits rather than truly an effort to recover them. Since the enactment of IBC, India's ranking in resolving insolvency in the World Bank's Ease of Doing Business (WBEDB) saw meteoric rise of 84 places, and I truly believe all of you had a role to play in this success story.

It is the 5th Foundation Day of IIPCI. IBC has also reached the 5-year milestone. Going forward we will be able to see positive action in terms of what is good for the banking system & the credibility of India.

The recovery rate has also improved, dramatically. I am told that earlier it used to be only 26%. Now, we are currently looking at 60% to 70% recovery with much shorter timelines which is also valued because if the interest meter stops earlier, you resolve the faster and get your money back. Besides, you are also saving in terms of time value of the money. There are consequential advantages for banks as well which do not need to price their loans very high because they are not worried about default and the long-time taken in recovery. This will help in bringing down cost of credit.

More importantly, what we have achieved through IBC and with your effort, has been the shift in the attitude of people - both of lenders and the borrowers. It has acted quite an effective deterrent against the unscrupulous behaviour of borrowers who hardly looked upon it as a duty that they have to repay the debt. It has also helped in terms of giving the bankers – (a) a cautionary note that do not indiscriminate lending and apply due diligence well, and (b) the confidence that in case of any unforeseen circumstances they can recover their money. If, after proper due diligence and good effort, the entrepreneur fails to make his business successful, s/he has been given the confidence that money can be recovered. However, the

most important aspect of the IBC is that it has freed up a lot of capital blocked up in the banking system which will help us to save companies & businesses – many of which would have otherwise gone down the tube or closed. Obviously, in the process the IBC has saved jobs which is probably one of the most important elements of our work.

During Covid-19, the government took the proactive step of suspending IBC from March 2020 to March 2021 which was a relief because it was truly a tough period for all businesses. We have also come out with schemes to support businesses through liquidity particularly for the MSMEs sector or smaller businesses. All of which have helped India bounce back much faster and much better. The economic recovery that we are seeing all around is truly phenomenal particularly in terms of speed with which the recovery is coming back to normalcy. We are looking at good growth prospects of the economy. Next 5-10 years seem to be very-very bright.

I remember the time when I was much younger in the profession, it was jokingly said that bankruptcy is the state of things which exist when a man is unable to pay his debts and his solicitor and accountant divide his property between them. So, once an entrepreneur defaults and is not able to pay back, the matter is between the lawyers and the accountants while the entrepreneur becomes irrelevant. Now, at least we see that process is becoming faster and entrepreneurs being concerned about losing their businesses. There is more serious effort towards resolution which is good news for all of us.

The Insolvency and Bankruptcy Code legislation was very important in terms of ease of doing business. It was a game changer.

Although, at this stage I would also like to raise a little cautionary note. As a Resolution Professional, I think, very large and fiduciary duty is cast on you. We are the trustees of the capital employed in the business that any failed bank account or creditor needs to recover. I do hope that all of us realise how onerous is the responsibility cast on us. Even if a few or some of us do not perform duty with honesty, integrity and in the best interests of the debtor, this can truly cause a lot of harm to the entire profession. It is important that all of us recognise this.

It is equally important that as an institute, IIPCI also plays its role in regulating the work of the resolution

professionals, remaining vigilant, monitoring the integrity of professional members, and ensuring that due justice is given in case any of them faces any difficulty or pressure, threat, or other challenges to get the highest value for the creditor. In such cases, the duty is cast upon the institute to support the IP. So, the institute really has a double role to play - ensuring that our professionals do their job well and ensuring that no harm or nothing wrong comes or happens to any of the professionals in the honest discharge of his/her duties. Of course, please do not start protecting somebody who is not doing his job well or not doing his job to the best of his abilities and with full integrity. So, IIIPI as a frontline regulator is expected to contribute very highly and immensely in strengthening the IBC regime. I believe you have four pronged roles – regulatory, executive, capacity building and quasi-judicial. I am given to understand that today, it is the largest Insolvency Professional Agency (IPA) in India with almost 63% of the IPs are members. So, it's your responsibility to make the IBC and the entire process successful. Furthermore, working to the best of the abilities to get maximum return, is very large upon the leadership of IBBI, IIIPI, and all the professionals who are assembled here or otherwise your members. I do believe a number of Chartered Accountants, Lawyers, Cost & Management Accountants, Company Secretaries and other professionals, who have gone through the training program, have become insolvency professionals and are working towards making this entire process a big success. I do believe that all of us understand that what we are doing is national service. What we are doing is reviving the confidence in businesses and entrepreneurship in the country. Therefore, please do not look at it only as an assignment, only as a job, or only as something which is a mechanical exercise with timelines.

We have achieved a change in the attitude of people both lenders and borrowers because of IBC and your efforts. It has given the confidence that the money can be recovered.

We need to apply our mind and put in our best effort. While running a company, during the resolution period you have to exercise complete due diligence and do the job extremely carefully as if you are the owner of that company or that business. Because in some sense as an RP you are almost foisted on an organisation and become the de facto Managing Director running the show. Thus, a lot of confidence has been placed on you. As professionals



we all understand that greater the power, bigger is the responsibility on each one of us. So, while you exercise your power as resolution professionals, you will have to also demonstrate the same level of responsibility in the work that you carry out.

Your work also has a big impact on saving jobs, and once you save those jobs and revive a company you actually become a change agent to generate new employment. As you save the banks from large NPAs, you are providing resources to create new banking opportunities and new investments. Therefore, with this combination of employment, financial ability, and making the investment available you help the economy growing forward. Now, can you imagine the big job that is at hand and that each one of you is carrying! It is not only about saving jobs or saving investment or economy but also promoting new jobs and promoting investments. This gives a big push to economic growth in the country. As professionals and citizens of India, I am sure each one of you will continue to work in this profession as the change agent for a better future for those millions of people who have still not got an opportunity, the kind of education and working that each one of us in the room has been privileged to have in our lives.

As professionals, if I may venture to suggest, you should look at five guiding principles in our work. At the top of the line, I will consider integrity which is the most important guiding principle that should determine the way we work. Objectivity - whatever work we are doing, we should do it with a sense of understanding, knowing what we are set out to do. Are we doing the job in a systematic matter? Are we setting out the timelines or plans effectively? Obviously with our experience, studies, and knowledge we are expected to display the highest level of professional competence. We have to be really competent

in our work. Fourthly and very importantly, confidentiality. Are we truly maintaining the highest levels of confidentiality in our work? That's very critical. We are privy to a lot of confidential data. Fifthly, transparency. Is our work documented well? Are we ensuring that anything we do, does not raise suspicion tomorrow on our intent? Are our activities truly for the benefit of the outcome that we are set out to do. If we follow all these five principles, that could truly be the kind of professional behaviour that is expected of professionals assembled in this room – members of the IIPI, that is truly what professional ethics is all about. Therefore, the summation of these five principles would in a way be professional ethical behaviour, professional ethical management of our work.

To shield the businesses from distress in COVID19, Govt took the proactive measure to suspend the insolvency proceedings arising from default during March 2020 to March 2021, other support schemes by the Govt. in terms of liquidity have helped India bounce back.

Many of us also do valuation of assets or get our assets valued day in and day out. That's also an area which requires a lot of application of mind which can be done smarter and more sensibly. If we set very low benchmarks or do not assess the liquidation value of a company correctly or any one of us tampers with the valuation or influences the valuation by not disclosing fully all the assets or all the potential values of the asset which is under consideration or under sale, then we are doing an injustice to our work.

I think we could use technology in a big way for these works. Whether it is evaluation or resolution, when we are speeding up the resolution of bad loans, I think technology can play a big role, and I would urge IIPI to focus and see what kind of tools we can develop for our professionals to help them in their work, and I will tell you how small things through technological innovation can make a difference. For instance, a simple thing like creating benchmark. When you benchmark assets, may be with replacement value or other assets which have been sold in recent past, comparable quality of assets or the value of assets if they were to be sold piecemeal or whole (which is better), various mechanisms can be deployed. If put transparently, may be some small easy-to-use software can

What the IIPI is doing is national service. It is reviving the faith in entrepreneurship and businesses. It has a big impact on saving jobs by reviving a company. It becomes a change agent to create new job opportunities.

help us understand values of an asset with different formulas, and help us truly arrive at a good understanding of what we can recover from an asset. Therefore, I would urge IIPI to look at capacity building, upskilling of our professionals regularly so that we can be abreast with what's have been newer developments, study the best international practices, if possible. Nowadays banks have started doing out-of-court settlements for faster resolution. Need is to ensure that it is not being misused but is done in a way which is truly fair in the interest of the banking system or in the interest of the debtor and creditor both.

Let us work together. It is time for the IIPI to see how we can go to the next five years of this new law in a much more efficient, professional, and outcome-oriented fashion. We need to look at new innovative ideas to see how we can save financial institutions or processes from failing and ensuring that your work gets the true recognition. Wherever something wrong is happening, we are the ones who should get that better or faster resolved than anybody else can. Since, we can keep a peer-reviewer's watch on what the work all our professional brothers and sisters are

5 guiding principles must determine the way resolutions professionals should work: Integrity, Objectivity, Professional Competence, Confidentiality and Transparency.

doing, we can ensure the sanctity and integrity of our profession, along with building the credibility of the work that we are doing.

My best wishes to all of you on completion of five years, I wish you success in the work, in the years ahead, and pray for you and your family's good health and good future.

Thank you.