

Disintegrated Nature of The Standalone Information Technology Platforms is the Major Bottleneck for the Insolvency Ecosystem: Smt. Anita Shah Akella, Joint Secretary, Ministry of Corporate Affairs, Government of India

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Smt. Anita Shah Akella
Joint Secretary,
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Smt. Anita Shah Akella belongs to the 1996 batch of Indian Audit and Accounts Service (IAAS). She is presently Joint Secretary in the Ministry of Corporate Affairs, Government of India. On July 05, 2022, she was nominated as Ex-Officio Member in the Governing Board of IBBI, as a representative of the MCA.

Smt. Akella has held several important positions during her service including as Director General in C&AG Office, Delhi; Internal Financial Advisor, Department of Atomic Energy, Mumbai; Internal Financial Advisor and Member Secretary, Nuclear Recycle Board (NRB)/Bhabha Atomic Research Centre, Mumbai; India's Finance Representative in Square Kilometer Array Project; Financial Advisor and Chief Accounts Officer, Tirumala Tirupati Devasthanam Board. She has also been the Auditor for UNICEF.

She holds an MBA degree, with specialization in Finance from ICFAI University, Hyderabad. She is a certified Internal Auditor from the Institute of Internal Auditors, Florida. She holds B.Sc. in Botanical Genetics from St. Ann's College, Osmania University, Hyderabad and was awarded a Gold Medal for the same.

*In an Exclusive Interview with IIIPI for The Resolution Professional, Smt. Akella shared her views on the journey of the IBC regime in India so far and the way forward. **Read on to know more....***

IIIPI: Over past seven years of operation, Insolvency regime in India has come of age with the Insolvency and Bankruptcy Code, 2016 (IBC) having been recognized as a game changer in resolving stress and promoting ease of doing business. Request you to take us through some of the highs and lows of the journey so far, especially in terms of achievement of objectives that the IBC was set out for.

Smt. Akella: India's Insolvency Framework Post-Implementation of the IBC has made significant strides. There have been pivotal achievements and transformative impact on the debtor creditor relationship, post implementation of the code.

Reflecting upon the enhanced recovery through IBC, the RBI's Trend and Progress of Banking in India for the year 2022-23 report as released on 27th December 2023, highlights that scheduled commercial banks have recovered ₹1,25,587 crores through various channels, with the IBC channel alone contributed ₹53,968 crore, which is 43% of the total recoveries.

The provisions of the IBC have prompted debtors to take early action in distress situations, marking a positive shift in their behaviour. There's a noticeable improvement in credit discipline, with 27,514 cases settled prior to admission, covering underlying defaults worth ₹9.74 lakh crore till October 2023.

The Corporate Insolvency Resolution Process (CIRP) under the Code has successfully resolved 887 cases as of December 2023, unlocking over ₹3.19 lakh crore in realizable value. The average realization against admitted claims stands at 32%, with an impressive 168% against liquidation value.

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surpassing the 160 resolutions recorded in 2022. The year 2023 saw a realization of approximately ₹67,000 crore, a significant increase from the ₹20,860 crores in 2022.

The year 2023 also witnessed slew of regulatory interventions aimed at enhancing procedural efficiency. Notable improvements include the establishment of more structured cooperation from Corporate Debtor personnel and a streamlined process for the Resolution Professional to manage the debtor's assets. These amendments aim at promoting efficiency, transparency, and stakeholder inclusivity.

IIPI: With jurisprudence around the key provisions of IBC having been settled, the regime is gearing towards the next phase of evolutionary journey. The frameworks which were not preferred in the initial phase viz. Cross Border, Group insolvency and full-fledged insolvency may see the light of the day soon. Request you to deliberate upon the road map that lies ahead.

Smt. Akella: The IBC is an economic legislation and continues to evolve. There is a growing clamor for Group Insolvency and Cross Border Insolvency. The recommendations of the Committee formed for studying the way forward on this are under consideration. These will be green flagged when the time is right.

IIPI: The stakeholders often highlight avoidable litigations and long pendency of cases with adjudicating authorities as the key reason for delays in proceedings. How would you like to assess the situation on the ground and highlight any measures that have been taken or are in pipeline to address such concerns.

Smt. Akella: We must look at marginal improvements to achieve gains which aggregate to a larger whole. The NCLT is moving towards hybrid courts and is becoming technologically advanced by going full-fledged on the e-Court System. The filing is nearly 100% electronic. NCLT has recently issued a circular recognizing that the Record of Default issued by NeSL is sufficient to admit an account

into CIRP. This will significantly reduce the time taken for admissions. NCLT is also in the process of designating an exclusive Admission Bench to expedite admissions. The Government on its part has filled up the vacancies in the years 2022 and 2023. And has provisioned all the support for improving the infrastructure of NCLT and NCLAT.

IIPI: Like the Achilles heel, the stress resolution in the real-estate sector poses unique challenges, given the underlying public interest and peculiarities of the sector including perceived overlaps with RERA law. Request you to summarize the efforts being taken or proposed to alleviate the house allottees' concerns.

Smt. Akella: The Government had constituted a Committee under Shri Amitabh Kant to recommend measures to bring the legacy stalled process out of the glut they had got into. The Committee, which also had Secretary MCA as a member, has already given its report. The recommendations have been acted on by UP Govt. This should alleviate the issues to a large extent.

IBBI has also proposed certain changes to their regulations to facilitate resolution of Real Estate Companies.

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IIPI: Technology can be seen as a force multiplier by removing information asymmetry, enhancing transparency, and bridging the digital divide. How well is IBC ecosystem geared to adopt the technology in a meaningful way and in this context what steps are afoot to ensure seamless interface across the pillars of IBC?

Smt. Akella: There are five pillars of the IBC being:

1. Adjudicating Authorities (NCLT & NCLAT),
2. Insolvency and Bankruptcy Board of India (IBBI),
3. Information Utility (IU),
4. Service Providers under the Code like Insolvency Professionals, etc. and
5. Ministry of Corporate Affairs (MCA).

These pillars have their separate fragmented technological platforms and work in silos. This disintegrated nature of the standalone information technology platforms is the major bottleneck for the insolvency ecosystem.

The interactions between the institutions still happen through traditional routes and outside the technological systems. The Insolvency Professionals (IPs) carry out the processes of IBC and report back to the NCLT/IBBI etc., periodically, with there being a time lag in reporting. These are fraught with risk of loss of accuracy and are high consumers of resources and time. The systems are disparate and do not talk to each other.

A comprehensive IT platform is being proposed by the MCA. This would be more of a case management system, which would run through the pillars of the Code, drop and pick up data as needed. This would reduce duplication of efforts and have a single source of truth. The time spent on compliances would be reduced, plus enable monitoring of delays at the requisite levels. It would improve outcomes under the Code, both in terms of reducing delays and improving realizations. It also has the potential to enhance transparency of the processes under the Code.

IIPI: Insolvency profession being a newer evolving profession in India, called a profession of professionals and is often compared to healthcare profession being able to rescue corporate lives. What words of wisdom and guidance would you like to offer to IPs for becoming a successful professional and being able to serve effectively and fearlessly?

Smt. Akella: The Insolvency Professionals are actually the rescuers of a CD. They have our highest regard for the tough job they do, with utmost dedication and sincerity.

The mantra of POISE, P for Professionalism, O for Objectiveness, I for Integrity, S for Security and Confidentiality and E for efficiency and effectiveness will stand the IPs in good stead. Due to the ever-evolving nature of the IBC and the complexities involved in rescuing Distressed Companies, Continuous Professional Education, Peer Review and Self-regulation is a must for Insolvency Professionals.

Satyamev Jayate.

