

PRESS RELEASE

IIPI releases Study Group Report on Developing Market for Stressed Assets in India

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Indian Institute of Insolvency Professionals of ICAI (IIPI) on Friday released a publication on “Developing Market for Stressed Assets in India” based on the Report of a Study Group constituted by in this regard in the presence of Chief Guest, Shri Atul Kumar Goel, Chief Executive, Indian Banking Association (IBA) & Former MD, Punjab National Bank (PNB) and other dignitaries, during a web-conference on the same subject. On this occasion, Shri Jitesh John, Executive Director- Insolvency and Bankruptcy Board of India (BBI), CA. Dhinal Shah, Insolvency Professional (IP), Dr. Ashok Kumar Mishra, Chairman-IIPI and CA Rahul Madan, MD-IIPI were also present.

“The number of Resolutions under the Insolvency and Bankruptcy Code, 2016 (IBC) is less than that of Liquidation due to the lack of appropriate market for stressed assets. For instance, even though India needs energy, but some hydropower projects could go into liquidation for want of such market. If we focus on developing market for stressed assets, the number of resolutions would increase automatically,” said Shri Goel underscoring contributions made by the IBC in improving banking and overall economy of the country.

The Study Group comprising experts including experienced Insolvency Professionals (IPs) under the Chairmanship of CA. Dhinal Shah, Past Central Council Member-ICAI, and IP, also examined international experience from USA, UK, Japan and Singapore, and made recommendations to develop a robust market for stressed assets in India. The Report has made various recommendations in the direction of developing and strengthening the market for stressed assets under and around the IBC ecosystem in India.

“Developing a market for stressed assets is important for an emerging economy like India where the corporate bond market is under penetrated and market participants are heavily reliant on loans from banks. The need of the hour is to have a well-

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developed stressed assets market to offload, manage, or recycle the NPAs of the banks effectively” said Dr. A. K. Mishra, Chairman-IIPI, Former Member NCLAT & NCLT, and Professor of Practice-Law & Management - Jamia Hamdard University. He also highlighted the need to involve academia for more inputs in developing the stressed assets market in India.

The Inaugural Session was followed up with Technical Session in which CA. Jayesh Sanghrajka - IP, Mr R. K. Bansal - Former CEO, Edelweiss ARC Ltd., Mr. Shivakumar Sharma, Sr Advisor IBA, CA Rajiv Chandak, IP shared their perspectives.

The report makes several recommendations that may provide valuable insights to policy makers for necessary thrust. Recommendations include the following:

- IBC may be amended to ensure mandatory cooperation from promoters, clarity on payment of government dues, dissenting financial creditors, and Provident Fund (PF).
- Relax RERA compliances for real estate developers while they are in CIRP.
- Integrated/seamless connectivity with IBBI and IU portals (including case management software) for virtual filing, retrieval of records/orders and hearing.
- Court orders may be finalized/drafted based on pre-determined short format templates rather than lengthy ones.
- Encourage Out-of-Court Settlements, Alternative Dispute Resolution (ADR) and promote use of technology at all levels.
- Introducing legal framework on Cross Border Insolvency, Group Insolvency, a full-fledged Pre-Pack Insolvency and a full-fledged individual insolvency.
- Government schemes such as Special Window for Affordable and Mid-Income Housing (SWAMIH) may also allowed to utilize as interim finance under the IBC.
- Litigation funding can be a game-changer in resolving stressed assets under the IBC and otherwise.
- There may be Company Voluntary Arrangement (CVA) between the company and its unsecured creditors. It allows the company to repay its debts either partially or fully over a set timeframe.

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- Acquisition of stressed public listed companies through IBC, through reverse merger route, may offer unique value proposition to acquirer and in turn provide easy exit option for stressed company and its lenders.
- Private Credit and Debtor in Possession (DIP) financing may be explored.

About IIPI

Indian Institute of Insolvency Professionals of ICAI (IIPI), promoted by the Institute of Chartered Accountants of India (ICAI) is the largest frontline regulator under IBC in India with about 63% of Insolvency Professionals as its Members. IIPI actively works under the aegis of Insolvency and Bankruptcy Board of India (IBBI) to build professionals' capacity and provide policy inputs to regulators.

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