Exclusive Interview of Shri P R Rajagopal, Executive Director, Bank of India

Shri P R Rajagopal
Executive Director
Bank of India

Shri P R Rajagopal has been Executive Director at Bank of India since March 2020. He is a Commerce graduate and Bachelor of Law. Before joining this position, he also served as Executive Director of Allahabad Bank. He has a stellar banking career of over 30 years having also served at various senior positions in Bank of India, Union Bank of India and the Indian Banks' Association (IBA) with exposure to various facets of banking including management of stressed assets.

In an exclusive interview with IIIPI for The Resolution Professional, Shri Rajagopal shared his views on a decade of the IBC regime in India and on various related aspects of the Code. ***Read on to know more…***

IIIPI: With 10th anniversary of the IBC, 2016 approaching, how would you summarize the major achievements of India's insolvency law in resolving twin balance sheet problem of Indian banking?

Shri Rajagopal: Insolvency and Bankruptcy Code (IBC) came into effect in its full form with effect from 1st December 2016. IBC is nearing one decade of implementation. There is no doubt that IBC has marked a paradigm shift in India's approach to resolution of corporate insolvency. The shift from "Debtor in Possession" to "Creditor in Control" is unprecedented. It is unique to India. A lot of credit goes to Insolvency and Bankruptcy Board of India (IBBI) and the Resolution Professionals (RPs) in breathing life and nurturing the law into a living law. NCLTs, NCLATs, High Courts and the Hon'ble Supreme Court have played a pivotal role in effectuating the spirit of law and realizing its objects. There are landmark judgements galore under the law, that have helped IBC to become law that has teeth and not a mere dead letter. IBC has brought a behavioral shift in the borrowers. In the impact study done by IIMB, it was found that overdue to normal in loan accounts transitioned from 344 days on average in 2019 to 30 days in 2024. Further twin balance sheet problem was effectively resolved by creditor led professionally managed Corporate Insolvency Resolution Process (CIRP) reducing the corporate insolvency on one hand and bank loan book distress on the other. It is a matter of record that IBC has rescued 3865 corporates till September 2025. Banks have recovered 32.44% of admitted claims and more than 170.09% of liquidation value. As of date, value maximization, which is the fulcrum of IBC, stood at 93.79% (as proportion to fair value of resolution plans) for corporates in distress.

IIIPI: How do you perceive the key challenges of banking ecosystems which remain unaddressed and which can be tackled by necessary improvements in IBC law, especially when IBC Amendment Bill, 2025, is being debated in the Parliament of India?

Shri Rajagopal: Challenges that banks continue to face are sought to be mitigated in the IBC (Amendment) Bill, 2025. Major challenges are:

i) Delay and uncertainty in timelines for resolution/ liquidation of insolvent corporates.
ii) Lack of clarity, priority or otherwise of Government debts.
iii) Rights of priority of charge holders of Security Interest inter-se which was, hither to, not recognized by IBC.
iv) Group Insolvency is still not covered under the IBC.

v) Liquidation is driven by Liquidator and Committee of Creditors (CoC) has no say.

The IBC (Amendment Bill), 2025, deals with all the above areas comprehensively.

IIIPI: Section 12A of the IBC allows for the withdrawal of a Corporate Insolvency Resolution Process (CIRP) if a settlement is reached. Reserve Bank of India has also allowed banks to negotiate settlement with defaulting borrowers, outside the IBC. What, in your view, are considerations for a lender while choosing between settlement and initiating CIRP, post default is triggered.

Shri Rajagopal: In the case of withdrawal under Section 12A, banks primarily look at Loss Given Default (LGD), aspects such as net worth of borrowers/ guarantors to repay the loans, availability of security, time value of money and value realizable through CIRP vis-à-vis settlement etc. If the lenders, based on circumstances of the case, come to conclusion that settlement is a better value proposition, then lenders go for it. If the borrowers/promotors are not cooperative and value proposition is better through CIRP, then CIRP is resorted to and taken to logical conclusion.

IIIPI: There are increasing calls for deploying mediation mechanisms before initiating CIRP. How do you view the role of such alternative dispute resolution (ADR) methods in the insolvency framework?

Shri Rajagopal: Mediations, under latest Mediation Act is a boon to bankers especially public sector banks, as legal approval can be obtained for restructuring/ work out agreed between the bank and the borrowers by ensuring transparency. Third party validation backed by Mediation Act for the restructuring/work out can insulate Public Sector Bank executives from vigilance probes.

IIIPI: Insolvency professionals often raise concerns that bank representatives participating in Committee of Creditors (CoC) meetings are often not adequately trained and tend to refer every decision back to higher authorities, potentially slowing down the resolution process.

Mediations, under latest Mediation Act is a boon to bankers especially public sector banks, as legal approval can be obtained for restructuring/work out agreed between the bank and the borrowers by ensuring transparency.

There is also a growing demand for clearer guidelines and oversight on CoC functioning. What are your perspectives on the same?

Shri Rajagopal: I agree that there are genuine apprehensions on the part of Resolution Professionals (RPs) in the functioning of CoC and the process followed in the banks for decisions in CIRP matters. Amendments proposed under the IBC (Amendment) Bill 2025, wherein the IBBI is proposed to be empowered for formulating rules for CoC, would help in resolving these issues.

IIIPI: Subject to the oversight and commercial wisdom of CoC, Insolvency Professionals (IPs) play pivotal roles in any CIRP or liquidation process. A teamwork between these two pillars is *sine-qua-non* for any successful outcome. What wisdom and expectations from IPs, you have to share in the direction of strengthening the equation among these two pillars?

Shri Rajagopal: As has been stated already, IBBI has done commendable work in formulating guidelines in enhancing synergy between the RP and the CoC. IBBI continues to monitor and persuade the Banks to follow guidelines on conduct of CoC members. It will be further strengthened through statutory backing under proposed amendments to the IBC.

IIIPI: Interim finance is often cited as a major challenge in ensuring going concern status of CD, with Insolvency Professionals finding it difficult to arrange it during CIRP. What are your suggestions for addressing this issue, and how can banks and other stakeholders support adequate interim funding?

Shri Rajagopal: When solvency of borrower is in question, interim finance is a challenge. However, there is a commendable improvement in this regard and Banks are not now baulking at the proposals, as was the case initially. In my view, Bankable business case for interim finance should be strong and should have robust outcomes in terms of value preservation/ value maximization. The RP should prepare the business case with the help of service providers who have unimpeachable reputation.

> ***In my view, Bankable business case for interim finance should be strong and should have robust outcomes in terms of value preservation / value maximization.***

IIIPI: How do you envision the evolution of the IBC and the broader distress resolution framework over the next 3 to 5 years, particularly in terms of legal reforms, systems, and processes?

Shri Rajagopal: With almost a decade-long implementation of the IBC, it is now evident that the IBC has brought a behavioral shift in borrowers and banks. Excesses of evergreening under CDR/ others erstwhile schemes are now left behind the banks. The stakeholders now appreciate aspects like preservation of value and maximization of value in distress resolution. Willingness to actively participate in the resolution process instead of seeing the IBC as a mere recovery tool has taken strong roots. In that backdrop, I see framework for distress resolution evolving into mature institution in all its aspects – legal, system and processes.