Financial Foresights

FICCI

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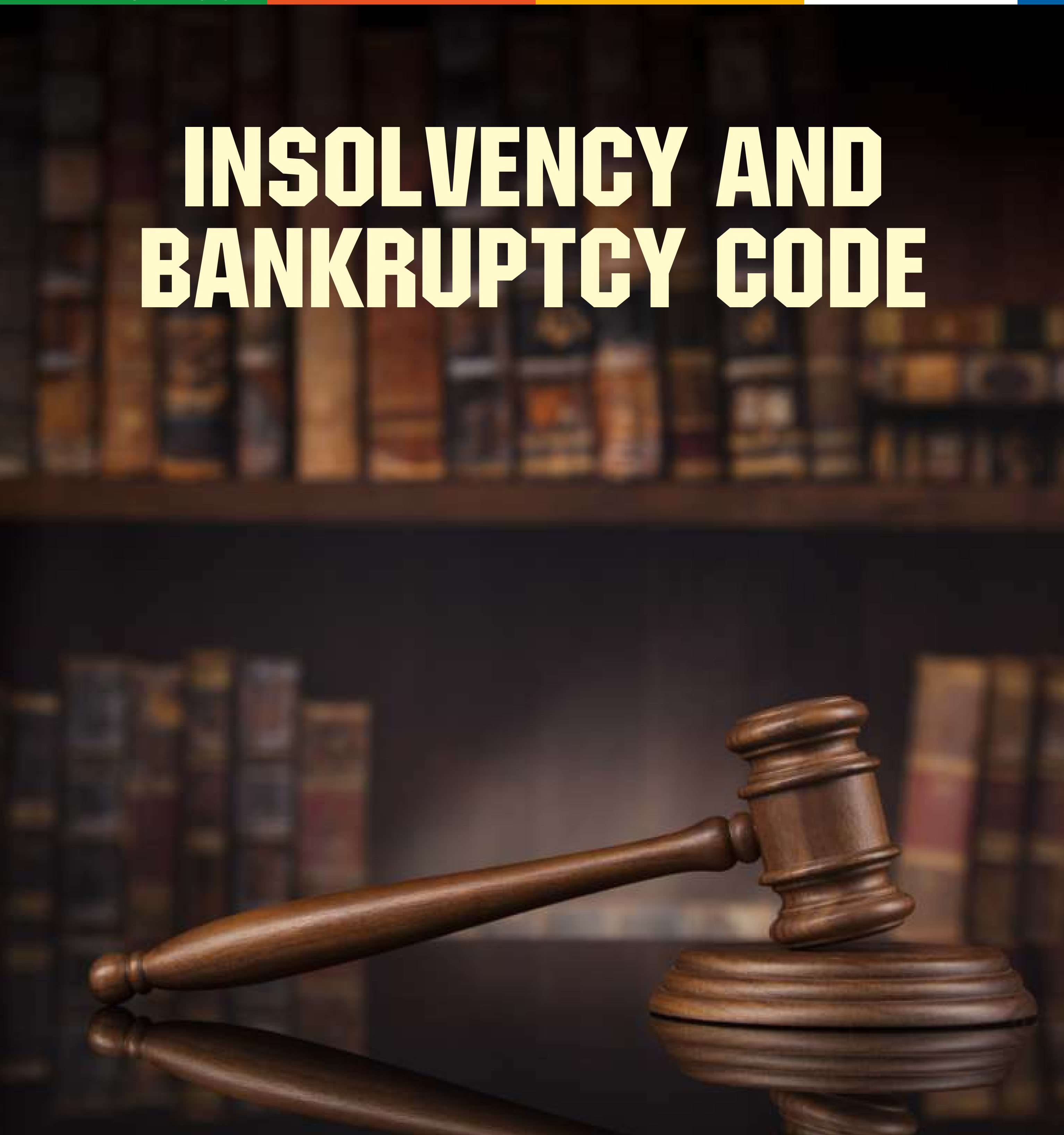
INSOLVENCY AND BANKRUPTCY CODE



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Insolvency and Bankruptcy: Will the Recovery Game Change in India?

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Introduction

The process of corporate bad loan recoveries in India has been very long and often extending up to 15 years, as historical data suggests. According to World Bank, India takes over 4 years to declare a promoter or a company insolvent which is more than twice the time taken in China and USA. Consequently, Indian banks have been observed to recover only 25 cents to a dollar compared to 36 cents in China and as much as up to 80 cents in USA.

The Insolvency and Bankruptcy Board of India (IBBI) is the country's attempt to safeguard creditor interests and builds a framework that will introduce specialist recovery agents as soon as an event is triggered. Now widespread in most prominent economies, the 'in -place' system will aid speedy resolutions of bad debt as India evolves into a full-fledged market economy.

The rise of insolvency and bad debt

Bad loans are estimated to be nearly 8.4% of Indian GDP and are estimated to rise moderately in the short term. It may be argued that such bad loans are a side effect of rapid expansion, which the Indian economy underwent during its growth phase of 2004-09. As profitability and revenues were on the rise in almost every sector, corporates anticipated future demand and rapid capacity augmentations became a norm. The story however didn't end well - post the 2009 financial crisis, the return on investments were nowhere to be seen. With slowing exports and subdued domestic demand, corporates sat on excessive capacities and utilization levels languished at near 65% levels. Further, regulatory changes in certain sectors such as power, coal and telecom had also led to stress in several loans. The most hit were large borrowers (corporates), with larger exposures. Since most slippages were in exposures of the Rs. 200 million category and over, lenders comprising mainly of commercial banks and bond holders found themselves at risk. Public sector banks were the most vulnerable and were holders of nearly 75% of these loans and therefore potentially $60-$100 billions of loans are in systemic lock out.

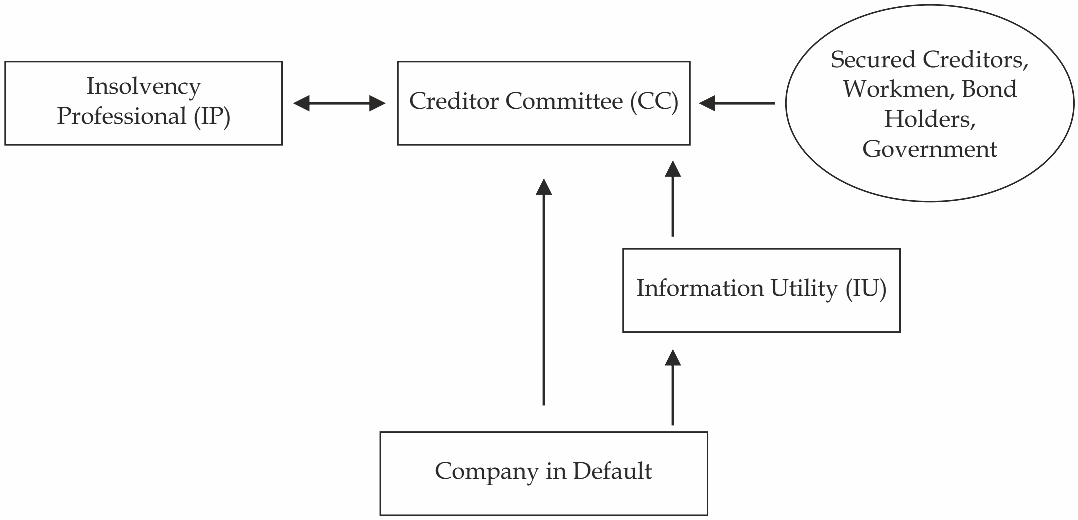
Rehabilitation of these so called Non Performing Assets (NPAs) has been tedious as debtors continued to hold the controlling power and were unable to make progress on the resolution process. The Government of India and the RBI introduced several initiatives to expedite the resolution and restructuring of bad debt, however this too was not successful with recoveries averaging less than 20%. Initiatives such as Joint Lender Forums (JLF) on the other hand were formed to get all lenders on one platform but it was plagued by regulatory complications. Also, multiple lenders to one account made matters complex as resolution of every NPA account with multiple lender parties required an approval constituted by at least 60% by number and 75% by quantum. Lending banks therefore continued to accumulate non-performing assets without any resolutions, over heating their balance sheets. The provisioning made for such accounts mounted additional pressure on bank Net Interest Margins and caused lending resources to diminish. In the scenario, without NPA resolutions, banks have become increasingly conservative in their lending operations adversely impacting offtake.

The initiation of Insolvency Resolution Process (IRP)

The introduction of the Insolvency and Bankruptcy laws is expected to restore the control to the creditors and hence is an attempt to safeguard their interests. The Government's vision is to build a framework that will introduce specialist actors as soon as an event is triggered. Now widespread in most prominent economies, the in - place system will aid speedy resolutions of bad debt as India evolves into a full-fledged market economy. Under these laws, an Insolvency Resolution Process (IRP) is triggered by a creditor as soon as a default event occurs. The process starts with an intimation sent by any creditor to the defaulted entity, the National Company Law Tribunal (NCLT) then authorizes the process and gives a go ahead to the IRP. This is followed by the creation of a Creditor Committee (CC) that decides upon the fate of the failing company. Notably, the Creditor Committee composes not only of the large secured creditors (namely commercial banks) but also workmen (employees) whose dues are outstanding along with bond holders. Also, worth mentioning is the fact that Government's share in the debt outstanding is considered junior to all other obligations. Within the new waterfall mechanism, the former's share is classified as subordinated and follows private parties and workmen. This is done to encourage unsecured parties and deepen India's bond markets.

Once the IRP is initiated, the CC is given 180 days for the debt resolution, if no decision is reached within the timeframe, the committee will receive an extension of 90 days beyond which liquidation will be initiated. The entire process will be under the supervision of a registered Insolvency Professional (IP), who will be appointed by the IBBI. The IP will also oversee the liquidation of the company in an event when the CC has been unable to reach a decision within the stipulated 270 days of the proceedings. Furthermore, dedicated Information Utilities (IU) will be appointed to assist the IRP. These IUs will be specialist information archivers, which will facilitate the proceedings through supply of credible financial information pertaining to the company in question. It must be noted that the period for which the IRP is in place, there will be a moratorium, within which no claims will be settled. Proceedings will culminate into a dispute resolution encompassing all parties involved.

The IRP Process Diagram



Benefits

- Transfer of control to creditors
- No disparity between secured and unsecured creditors
- Introduction of a specialized framework and actors
- Speedy resolution (provision of 180 days and maximum of 270 days)
- Government dues treated as junior debt within the water fall mechanism

Systematic insolvency and bankruptcy proceedings for individuals on the other hand will also reduce the time involved and offer an alternate path. Importantly, for individuals with annual income of less than Rs. 60,000, the IBBI provisions a 'Fresh Start' that basically allow entrepreneurial spirits to continue.

Conclusion

We believe that the IBBI will eventually subsume most bankruptcy and insolvency instruments such as SARFAESI Act, RDDBFI Act, S4A and SDR and allow more transparency and accountability. The impact of the IBBI will be far reaching and will help reform defaulter apathy towards creditors. With a dedicated standardized process in place that involves specialized actors committed to resolve a default scenario in a time bound fashion - we expect significant impact on the very perception of default. As things stand today, even though it is still too early to assess the real changes that will be brought about by the IBBI, it is clear that debt restructuring or eventual liquidation will be a speedier exercise and hopefully less frustrating for the stakeholders. ■

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At SMERA, Sankar is leading SMERA's transformation from being world's first SME focused credit rating agency to a technology and innovation driven global knowledge company. SMERA has completed rating of over 47,000 entities. To know more about SMERA click here.

Prior to SMERA, Sankar has worked for CRISIL, Centre for Monitoring Indian Economy (CMIE) and Capital Market Magazine. He was part of the founding team of CRISIL Research and CRISIL's Bank Loan Rating businesses. He was also deputed to S&P's Tokyo office in 2006.

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Sankar aims to assist businesses make informed and better decisions to achieve profitable growth, and to help bring in transparency to financial transactions, through independent & unbiased opinion. He firmly believes that trust, innovation, excellence and service are the four values of a rating agency which is going to keep it relevant and meaningful in the coming decades.

Evolution of I&BC - Initial Impressions

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In one year, Insolvency & Bankruptcy Code (IBC) has come a long way with 2,434 fresh cases being referred to NCLT. The Economic Survey 2017-18 tabled in the last week of January 2018, described IBC as a mechanism which is being used actively to resolve NPA problem of the banking sector. IBC has been cited as one of the most significant reforms introduced by the current government. Government has also been proactive in introducing various amendments strengthening the bankruptcy framework. The real impact of the code will be seen upon completion of the resolution process of the first twelve cases where insolvency proceedings were filed by banks mid - last year. However, early positives have been seen in World Bank's ranking where India's position in ability to handle insolvency cases improved by 33 places to 103rd position. This jump contributed significantly in India's ease of doing business ranking by 30 places to join top 100 countries club.

One of the main attractive features of the IBC is its **time bound nature** where cases have to be resolved within 180/270 days, failing which the corporate debtor will have to undergo liquidation. Prior to the code, it used to take multiple years for creditors to resolve NPA. IBC has also been instrumental in **consolidating multiple debt resolution/ recovery** platforms such as DRT, SICA, SARFAESI and High Court. Now creditors have a clear guideline to follow that clarifies details till last mile including the **manner of distribution of recovery proceeds.**

IBC brings about a paradigm shift in recovery/ resolution process by introducing the concept of **creditor in control** from debtor in possession. This encourages value enhancement of the corporate debtor as once this process start, the board cedes control of the company and insolvency professional along with the help of professional advisors start managing the company.

Post admission of 12 largest NPA cases, banks have been gearing up to refer majority of cases from RBI's second list of 28 accounts, which is under progress. Magnitude of usage of IBC can be estimated by simply looking at the data provided by Lok Sabha. Since the introduction of IBC, 2,434 new cases have been filed before NCLT and 2,304 winding up cases have been transferred from High Courts across India as of 30th November, 2017. These numbers clearly show that IBC has become the preferred route to resolution for the creditors. Also, the rate at which NCLT is either accepting or rejecting applications is commendable as it encourages more and more creditors to take this route for efficient NPA resolution.

Key amendments and their likely impact

After the introduction of this Code, it was felt that promoters may be able to bid for their businesses / assets and possibly get back at a heavy discount through participation in resolution process and start afresh with clean balance sheet. As this was something undesirable, government came up with a major amendment to the Code which has made it extremely difficult for defaulting promoters to participate in the resolution process of the corporate debtor. In case such promoters want to participate in the resolution process, they must repay their dues in a month time. Post this amendment, many people have debated if such a restriction will **reduce competition among bidders**. Similarly, MSME that are relatively smaller in size, might not attract any bidders. Such a scenario would increase the haircut for the creditors or worse, a large number of cases would end up in liquidation causing loss of jobs and destruction of enterprise value. The jury is still out on the impact of this amendment on resolutions under the code.

On the other hand, in order to ensure large pool of investors, amendment brought relief by allowing asset reconstruction companies, alternative investment funds (AIFs) including private equity funds to participate in the bidding process.

While NCLT will keep on working towards improving the Code, it is important that industry participants who are involved in the process also provide their feedback and suggestions which they are doing through IBBI. IBBI has been proactively engaging with Insolvency Professionals to collect reports of and feedback on ongoing cases. We feel that there are certain areas in the Code that can be modified for more clarity and smooth transaction process.

- There might be cases where creditors do not submit claims or claims which have been submitted are under dispute. Code should explore clarifying treatment of such cases to ensure that all legitimate creditors are considered in the resolution plan. Additionally, **clarification with respect to handling past liabilities, contingent liabilities and ongoing material litigations** will also be a big positive for interested applicants.

- The Code does not provide for the **management of the corporate debtor during the period between NCLT approval and transfer of ownership**. Post NCLT approval, the successful bidder has to perform various transaction related activities in addition to obtaining approvals from multiple regulatory bodies and other authorities. During this significantly long period, the Code should detail out the environment in which the company will operate. An example in this regard is the moratorium period that ceases to have any effect once NCLT approval is obtained. However, change of control in the company happens much later. Also, what is the role of the Insolvency professional and under what terms do they get engaged during this period, if at all.

- There is a major challenge currently present in completing the ownership change due to **various approval conditions**. In most cases successful resolution applicant has to take approvals from bodies such as SEBI, RBI, NSE, BSE, CCI and others. However, these bodies are not bound by NCLT and an approval from NCLT might not result in an approval from mentioned regulatory bodies. Accordingly, it is suggested that Code clarifies highlighting that such grants and requests made by the successful resolution applicant are heard and closed in a time-bound manner.

- Corporate debtor might have third party agreements that might be detrimental to the company. It is felt that Code should empower successful resolution applicant to **modify such agreement in best interests of the company** without facing any penalties that might be applicable as per previous agreements.

- NCLT's objective of completing resolution and keeping liquidation as a last resort should also reflect in the voting requirement. Currently, requirement of 75% votes for approval of plan (i.e. resolution) means that a small **percentage (25%) of votes can take the company to liquidation**.It is felt that a requirement like this results in high probability of liquidation which is not ideally desirable. In order to derive maximum value from the corporate debtor, it will be in best interests of all stakeholders if voting criteria is revisited. Reducing the percentage based on value and also introducing a concept of percentage by number could be more equitable.

- With the framework evolving, role of Insolvency Professional (IP) is also becoming more challenging. One major issue faced by IP is that the **claims are to be collected within a fixed specified period**. As per our experience, this is a difficult task as claims keep on coming during the entire life of process that makes list of creditors dynamic in nature. So far, we have seen slow developments in the formation of information utilities. In a year's time, only one information utility has come into existence. We can expect a few more of such entities coming up which would be a big plus for claim verification and will be of significant assistance to the IP.

- NCLT should also identify bodies that can provide **security to IP** in case company officials do not cooperate due to which IP is unable to take control of the company or visit the premises.
- It is unclear how transactions will unfold what terms identified during **lookback period review**. Also, given the short time frame for corporate insolvency resolution process, level of detailing in 2 year lookback review is debatable. The public sector banks who are under the scepter of CVC/CBI are also reluctant to initiate/progress such audits. One suggestion could be that transactions above a certain threshold (for example, transaction amount as a % of turnover) should only be looked.

IBC can present itself as a friendlier environment for all the stakeholders by focusing on above mentioned areas. Clarifications are likely to keep coming as current cases come to a close and set precedents for future. While IBC has provided creditors with a new tool to manage their relationship with debtors, its impact on improving future credit scenario in India and on avoiding bad debts going forward is yet untested. However IBC has the potential to be a game changer for the Indian economy. Not only would it help banks release capital which is locked-in in NPAs, it will also instill credit discipline among bank officials. Promoters also will have a higher sense of responsibility and companies are expected to be identified as stressed at an early stage. This framework also presents a huge opportunity for Indian debt market where majority of investments are private in nature. With debt resolution picking pace, Indian debt market has the potential to become vibrant with increasing share of public investments. ■

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Sanjeev worked with PwC Stockholm for a period of 20 months between 1998 and 2000 where he gained exposure in working with financial investors and also worked with numerous strategic investors. Apart from India and the Scandinavian countries, he has worked on deals in United States, United Kingdom, Continental Europe, Indonesia, Bangladesh, Japan, Thailand and Middle East.

He is the Private Equity leader of PwC India and does a lot of work for private equity clients in India, and also co-ordinates and leads efforts regarding outbound transactions. Some of his private equity clients include Apollo, AION, Apax, JP Morgan, Carlyle, Sequoia, Advent, AMP, CVC, GIC, Providence, Macquarie, TA Associates, amongst others. Sanjeev works with clients from a cross-section of industry segments.

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Role of ARCs in the post IBC era

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Introduction

The trigger for the enactment of the SARFAESI Act in 2002 and for the Insolvency and Bankruptcy Code in 2016, is the same - the need to resolve the problem of the ever mounting non-performing and stressed assets in the banking system. In the fourteen years that have passed between the two enactments, much has been done to improvise the remedies available to banks and financial institutions. While the legislature has amended the existing laws like the Recovery of Debts due to Banks and Financial Institutions Act, (RDDB) and the SARFAESI Act, the Regulator has introduced new schemes like the Strategic Debt Restructuring (SDR) and S4A to fight the menace. Much recovery has happened owing to the above initiatives, but certainly not enough to give the bankers, the government and the regulator a sound sleep.

Asset Reconstruction Companies (ARCs), at the time of their birth in 2002 were seen as a panacea for the resolution of the NPA problem. ARCs were conceptualized as specialized companies with the onerous responsibility to not only clean the NPAs off the bank's books but also to turnaround the sick units to the path of profitability. While the principle of the enactment was laudable, and ARCs have indeed emerged as a viable option for banks to clean their books, the results have been well short of expectations and the volume of stressed assets in the books of banks has only increased over time. The stories of turnaround post restructuring by ARCs have been few and far in between. While the purpose of this article is not to discuss the reasons for the above, factors such as the capital crunch with ARCs, the issue of price expectations between ARCs and seller banks, the lack of a favorable legal environment to support recovery efforts have been some of the contributing factors.

Why is the IBC a game changer?

Just like when the RDDB Act and the SARFEASI Act were introduced in 1993 and in 2002 respectively, many have raised doubts as to how the IBC will be successful in doing what those Acts have not been able to do. While much has been written and discussed on the uniqueness of the IBC, the biggest change that the IBC seeks to bring to the table is to instill a sense of discipline amongst trade and industry regarding the need of timely payments by providing the unpaid vendor with an effective remedial tool. It also aims to bring the essence of 'time'amongst lenders, judicial fora and professionals - a quintessential factor for preserving the value of an enterprise which is on the verge of bankruptcy. The swiftness with which the Government, the Regulators (IBBI, RBI and SEBI) and the judiciary are acting, is unprecedented and sets the tone for all else to emulate. Whether they like it or not, decision making in the banking system right from the branches to the head offices, will need to be quick, as delays can be fatal. Consensus and solution oriented approach amongst the creditors sitting on the committee is yet another factor which banks will have to deal with - as deadlocks will lead to liquidation.

Why the IBC is also a game changer is because, while it builds upon the laudable aim of rehabilitation just like the Sick Industrial Companies Act, this new law is circumspect of the pitfalls that SICA faced and is thus decisive on the outcome of a failed attempt of restructuring and that too within a time limit.

ARCs in the IBC era?

Over the past fifteen years, the number of ARCs has increased to 24 and there are more awaiting regulatory clearances. Many of these are backed by strong domestic and international financial institutions and have developed capability to turn around ailing industrial undertakings. As banks look at IBC favorably as an effective means to recover their dues, thus pops the question whether ARC - the child of SARFAESI - would continue to remain relevant? The answer is a clear yes, and is based on three fundamental principles - The IBC is primarily intended to be a means of reviving and rehabilitating units at the verge of failure and not a recovery tool. The business of banks is banking and not recovery; ARCs are meant to be strategic restructuring specialists and not extended hands of banks for recovery.

Given the above principles, ARCs have a very unique and important role to play in the IBC regime.

- **Provisioning woes of banks and debt aggregation ability of ARC**

  A good sale is when you can negotiate amongst competing multiple bidders. Lack of multiple bidders means you are forced to put up with a limited few and sell in a buyers' market. No bidders mean you write off a loss. Unfortunately, most of the small and medium ticket accounts that have been taken to the NCLT fall in the second or third category - lack of or no bidders. Given that banks have to provide 50% provisioning in their profit and loss account once an account is referred to the NCLT, the pinch is painful especially where the resolution plan is dependent upon the sale to bidders. It is even more painful given the fact that provisioning increases to 100% in case the resolution plan fails for want of bidders or otherwise and the debtor goes into liquidation. A bank is, therefore, in a catch 22 situation where if it accepts to sell to the bidder it has to suffer a huge haircut and if it doesn't and allows the account to go into liquidation, then it stands to lose a larger portion of the money lent.

  This paradox throws open two opportunities for ARCs. One, not all lenders to the debtor would have felt the need to initiate the insolvency process. Initiation of IBC proceedings by some other financial or even operational creditor would mean forced 50% provisioning by each lender bank. Commercially, it may make sense for the bank to assign the loan to an ARC than to commit 50% provisioning and then wait for its money to be recovered upon success of a resolution plan. This is especially true for SMA category of accounts (which are not yet declared as NPAs), where little cushion exists in the form of provisions and there is enough value still existing in the asset.

  Second, the ARC, having bought the account at a discount from the original lender bank, is in a better position than that bank to negotiate a competitive deal with a prospective bidder. ARCs' ability to aggregate the debt also favorably assists it to gain a majority voting share on the Committee of Creditors and drive the resolution plan.

- **Interim financing**

  The IBC defines 'interim finance' as any financial debt raised by the resolution professional during the insolvency resolution process. From where the resolution professional shall raise this finance is not specified and hence is open to all who may be willing to provide. It is unlikely that a bank, with its loan unrecovered on the one hand and the burden of provisioning on the other, would want to risk additional funds by way of interim financing to a borrower undergoing corporate insolvency process. ARCs can fill this vacuum and provide the much-needed finance required to fund the operations. However, in the event of liquidation of the debtor, interest payable on such interim financing should not be restricted to the liquidation commencement date. Clarity from the RBI would perhaps help whether interim financing by ARCs, especially when they are not a financial creditor to the debtor under insolvency, would be in consonance with their permitted activities under the SARFAESI Act.

- **Match making**

  The recent Ordinance followed by the amendment to the IBC has restricted the eligibility as to who can be a resolution applicant. As such, ARCs - given the specialized expertise, industry knowledge and with the backing of their strong financial sponsors, as mentioned earlier, are suitably placed to tie the lose ends and submit a viable resolution plan.

Conclusion

The IBC is a game changing law. The new game demands to be played according to new rules and hence each player will have to either transform or perish. As various stakeholders - trade, industry, banks, insolvency professionals, courts and regulators are undertaking changes within to meet the aims of this new law, ARCs too will have to change and evolve. The IBC is a golden opportunity for the ARCs to assert their unique position and leverage from their experience gained over a decade and a half. They will have to rise to the occasion as the real turnaround experts - a laudable aim that SARFAESI intended but somehow got lost in practical difficulties -because opportunity seldom knocks the door twice.■

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Mr. Kumar has wide experience in the stressed asset sector, having been Advisor, Financial Advisory Services, PwC, Mumbai from 2002 to 2007 wherein he was instrumental in initiating and leading Business Recovery Services (Distressed Debt Advisory) practice of PwC in Mumbai. He was actively involved in advising ARCs on positioning strategy, formulation of business plan and operationalization strategy and in developing policies and procedures.

Mr. Kumar has served on several Expert Groups set up by the Reserve Bank of India and Government of India. He was a Special Invitee nominated by RBI on the in-house working group set up to examine issues pertaining to development of market for asset securitization and for high level meeting convened by Government of India in January 2002 on setting up the first Asset Reconstruction Company. He was the member of the PwC team for undertaking a study on behalf of Asian Development Bank and Government of India to suggest regulatory changes for creating an enabling environment for successful functioning of Asset Reconstruction Companies in India.

Mr. Kumar was the member of Key Advisory Group set up by the Government of India to study and recommend measures to improve the functioning of ARCs. He was also Member of Ministry of Corporate Affairs Working Group on operationalization of the Insolvency & Bankruptcy Code. He is currently Member of FICCI's Core Group on Insolvency Laws & Chairman, Association of ARCs in India.

Asset Reconstruction under IBC regime - Advantage ARCs

Jaisry Mani
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The idea of Asset Reconstruction Companies (ARCs) was conceived during the previous banking crisis under the SARFAESI Act, 2002. The powers conferred on the ARCs under the legislation to repossess secured assets and sell without the intervention of courts worked well in the initial phase. However, over the past 15 years, its effectiveness and efficiency seem to be restricted to small mortgage loans and SMEs where asset stripping is the primary resolution strategy. Asset reconstruction or any meaningful resolution in medium and large assets, particularly manufacturing assets relatively has not been possible due to multiplicity of laws and judicial forums under the prevailing legal framework which hindered effective recovery, revival or liquidation.

In the above backdrop, Insolvency and Bankruptcy Code, 2016 (IBC/Code) has emerged as a pragmatic law conceived with the primary objective of facilitating time bound resolution failing which liquidation. Recognizing that reforms in the insolvency and bankruptcy regime are critical for improving the business environment, the Government has taken concrete measures to prove that with the successful implementation of the Code, there will be a greater impact on the economy and the financial sector of the country which will promote entrepreneurship & revival of sick units. This law along with all the underlying rules, regulations and various amendments have paved the way for setting up of 11 National Company Law Tribunals (NCLTs) across the country before whom cases for Corporate Insolvency Resolution Process could be filed by a Financial Creditor/ Operational Creditor/ Corporate Debtor itself. The Code also laid the path for individual/partnership insolvencies provisions of which are yet to be notified. The Insolvency and Bankruptcy Board of India (IBBI) being the sole regulator was set up on 1st October, 2016 under the Code which regulates the profession of Insolvency professionals and the transactions under Corporate Insolvency Resolution Process. It has the power to frame and enforce rules relating to corporate insolvency resolution, corporate liquidation, information utilities, individual insolvency and bankruptcy.

Post- IBC- shift in approach

Time bound resolution is the key objective of the Code. IBC seeks to promote entrepreneurship and availability of credit for revival. The Code also seeks to promote re-organisation of the company in a systematic manner, failing which the liquidation of the concerned entity is invited. The Code envisages a "Creditor in Control Regime" with the Committee of Creditors (CoC) playing a vital role in the whole process. The Code envisages that any action with respect to the corporate debtor under the Code needs the consent/vote of at least 75% of the voting share of the financial creditors/ CoC. The CoC comprising of financial creditors are in a position to identify early insolvency symptoms of a borrower.

Enhanced role and relevance of ARCs post the IBC Code

ARCs as assignees of secured debt of banks/financial institutions including NBFCs are at an advantageous position due to their ability to aggregate debt from all or majority lenders with necessary expertise as well as focus to turn around stressed and distressed assets or companies. With such expertise along with majority debt holding and the willingness / appetite to take additional exposure by way of priority loans in select cases, ARCs would be able to chalk out an appropriate resolution plan for revival of stressed/distressed industries where by interest of every stakeholder is considered on equitable grounds and adequately protected.

Journey so far under the Code

As on date more than 500 cases have been admitted under Corporate Insolvency Resolution Process (CRIP); 115 cases are admitted under Voluntary Liquidation Process and about 38 cases under Liquidation. Out of these cases, resolution plan for insolvency resolution of the corporate debtors have been approved by NCLT in many cases. Preponderance of liquidation cases in the initial phase of IBC Code is probably on account of large number of erstwhile BIFR cases which got filed under the Code and hence may not be a true pointer of the trend of things to unfold in future. Legal and administrative issues continue to be ironed out by the capable jurisprudence of the NCLTs including the Hon'ble Supreme Court and the Hon'ble High Courts. The receptiveness of all the stakeholders including the Government, regulators, the judicial system, and secured creditors augur well for a smooth implementation of the Code.

Key challenges faced under the Code

- **Related party under Section 5(24) of Code:** Inclusion of Banks, FIs, ARCs who have converted part of Debt into Equity in the definition of 'Related party' disentitles them to be a part of the CoC if the equity held by these Banks, FIs and ARCs is more than 20%.
- **Amendment Bill & Ordinance**: Prohibition of all promoters from Bidding and not allowing genuine and bona-fide promoters to bid may result in reduction in the number of competitive bids and may also lead to liquidation if no Resolution Applicant comes forward.
- **Statutory approvals:** A Resolution Plan may provide for application for fresh statutory approvals; which in a given case may be difficult and time consuming thereby resulting in the delay of implementation of the Resolution Plan.
- **Multiple Resolution Plans:** It is possible that the Resolution Plan voted by the CoC may not go through and if the second plan is not kept alive, then the CoC will not have a fall back mechanism and the company will go into liquidation, therefore multiple Resolution plans should be allowed.
- **Recourse against the guarantors:** Normally a Resolution Plan would envisage haircuts and would entail release of guarantees by demand or by implication. However if the Resolution Plan fails, the recourse to the guarantors would be lost, therefore the Creditors must be allowed recourse against the Guarantors in case the Resolution Plan fails.
- **Group restructuring:** Presently no provision under the Code and/or regulations contemplates a common resolution plan being implemented in respect of multiple entities within the same group.
- **Cross border insolvency:** These sections though notified, these by itself may not be enough for the actual implementation of an efficient and feasible cross-border insolvency regime.

- **Liquidation value due to dissenting financial creditors:** As per Regulation 38 of the CIRP Regulations, Liquidation value due to dissenting creditors needs to be paid prior to any recoveries by consenting creditors. The Corporate Debtor/ Resolution Applicant may not have funds to pay these dissenting financial creditors immediately.

- **Challenges in obtaining interim finance:** Presently there are many challenges in obtaining Interim finance from existing banks due to provisioning and asset classification norms. Also it is not clear whether the interim finance provider can charge interest on the interim finance after the commencement of liquidation.

- **Markets for interim finance:** The Corporate Debtor usually do not have adequate liquid assets to continue its operations, in that case, it may reduce the enterprise value of the corporate debtor and may fail to attract good or viable resolution plans.

- **Funding of the resolution plans:** A Resolution Applicant may have a suitable plan to help the Corporate Debtor come out of the CIRP process, but it may be possible that such a Resolution Applicant requires funding for such Resolution Plans.

Journey ahead

The positivity around the implementation of the Code shown by the regulators and the Government is not only reassuring but is also sending a clear message that resolving the NPA problem faced by the country is certainly the top most priority and Insolvency and Bankruptcy Code is the law by which this problem can be addressed in a systemic and in a time bound manner. With the option of providing Interim Finance to such Corporate Debtors, the Companies can immediately start to function as a going concern. With the CoC in control, the turnaround of the Company if found viable will be the foremost step taken by the CoC for maximization of value of the assets. Early identification and corrective actions on the part of various authorities will help make the Code a robust law to tackle the malaise of NPA early. After the amendment of the ordinance, many borrowers/companies are desperate to make at least some payments to the banks to be stopped from being classified as NPAs. Exciting times lie ahead for all lenders, ARCs, borrowers, potential resolution applicants, professionals and experts to experience and work together to make the most practical and consolidated law a success for many years to come. This is expected to place India in the race of countries for 'ease of doing businesses. Although the law is still in its nascent stage, the overall feeling of the stakeholders is that the Insolvency and Bankruptcy Code, 2016 is a game changer and a paradigm shift in the laws relating to Insolvency.■

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Insolvency & Bankruptcy Code
A Brief Analysis on Recent Market Trends

Abhishek Pandey
Managing Director
Duff & Phelps

IBC: The much awaited reform?

The Insolvency and Bankruptcy Code has been in force for more than a year, and given its ambitious objectives and impact, it continues to make front page news. Following the footsteps of bankruptcy laws in developed economies like the UK and USA, IBC provides an excellent single framework to deal with insolvent and bankrupt firms. The most important function served by the Code is that it makes a clear distinction between insolvency and bankruptcy, the former being a short-term inability to meet the firm's liabilities, and the latter being a long-term view of the firm's ability to meet its liabilities. Since insolvency is a short-term situation, it is extremely important to distinguish it from bankruptcy and provide a chance to the business to turn around. So far, more than 500 companies have been brought to court by banks under IBC, leading to what is possibly the largest NPA cleanup exercise in India's history. The Corporate Insolvency Resolution Process ("CIRP") in a nutshell is as follows:

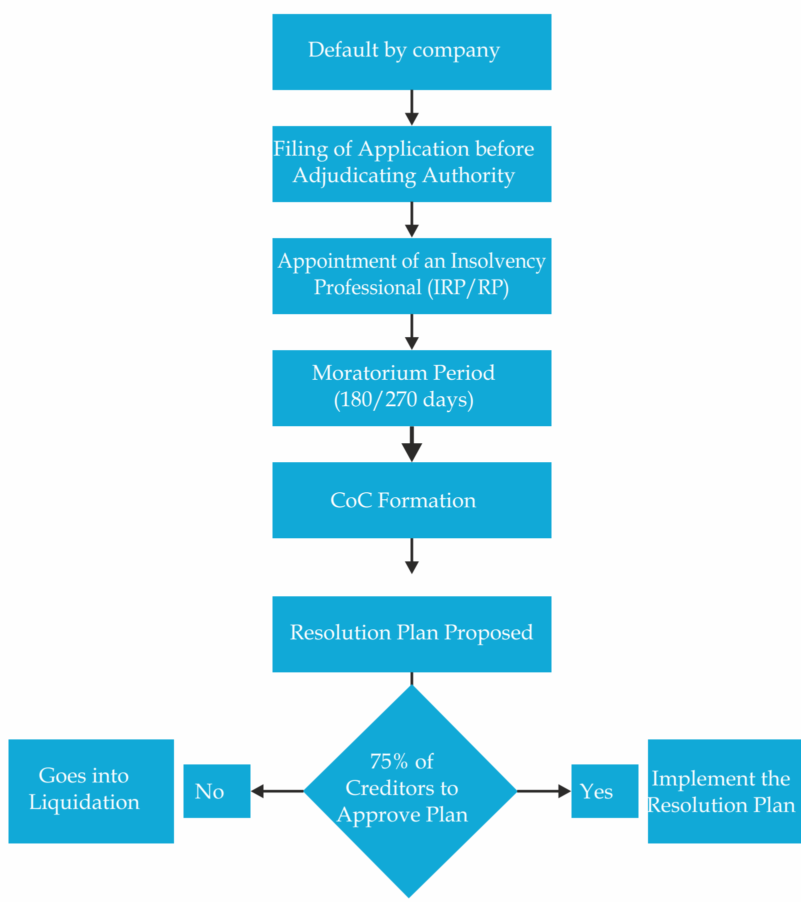

Figure 1: Brief Description of CIRP under IBC, 2016

The Code was also hailed for addressing the problem of delays in the system by prescribing a clear timeline for the process.

If the corporate resolution plan is not complied with within the moratorium period of either 180 days or 270 days as the case may be, the corporate debtor is liquidated as per the orders of the NCLT. This aspect of the process makes it look like an attractive route for recovery of bad debts. The official timeline of the process can be seen below:

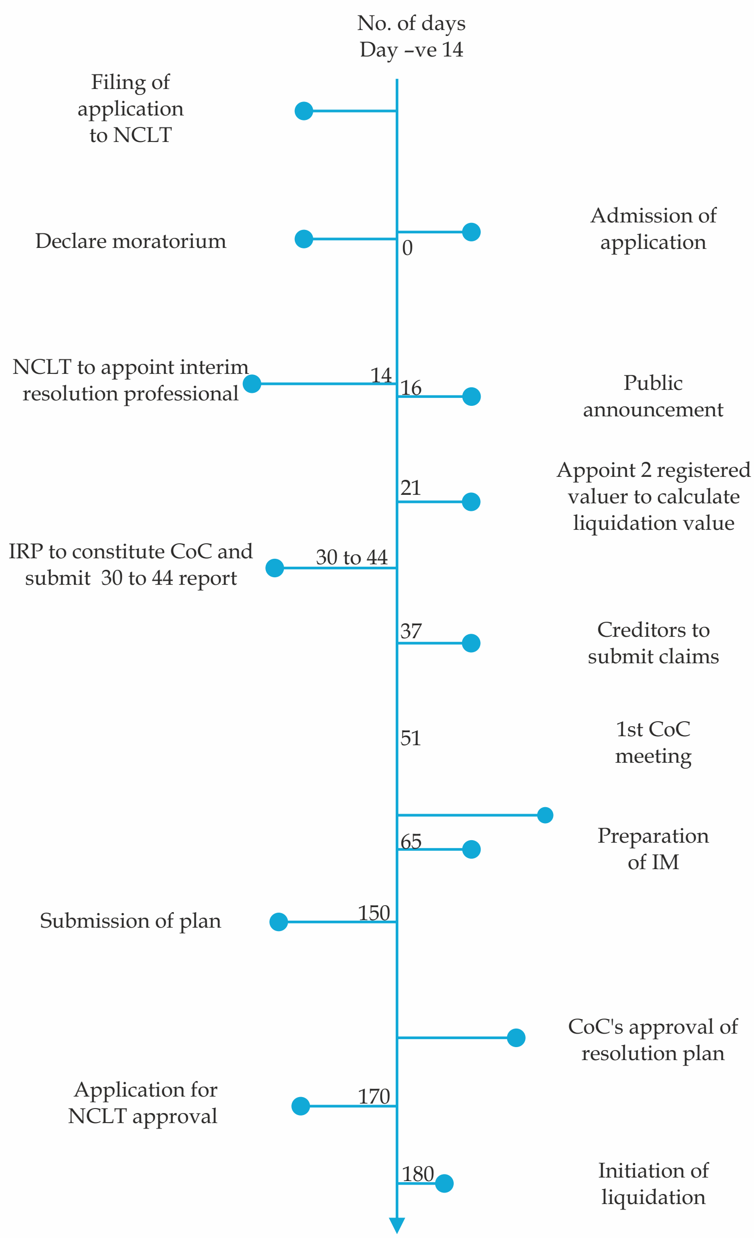

Figure 2A: Timeline of CIRP under IBC, 2016

However, it is interesting to note that as per a recent article by Hindustan Times, a fifth of all IBC cases have already crossed the 180-day deadline. The article mentioned that out of 525 cases admitted in NCLT so far, resolution plans had only been approved for 10 companies and liquidation orders were passed only for only 30 companies. None of the big fish out of the first list of 12 companies singled out by Reserve Bank of India have reached a conclusive stage so far. It appears as if the initial heat around IBC is beginning to wane and it might not end up providing the time- bound relief to creditors. However, it would interesting to wait and watch the progress over the next year and the banking sector cleanup continues.

IBC: Standards of value

As per section 35 (1) of the Insolvency and Bankruptcy Code, 2016 ("IBC"), "Liquidation Value is the estimated realizable value of the assets of the corporate debtor if the corporate debtor were to be liquidated on the insolvency commencement date". Further, section 35 (2) of IBC requires the valuer to determine liquidation value using internationally accepted valuation standards.

According to the International Valuation Standards ("IVS") 104, "Liquidation Value is the amount that would be realized when an asset or group of assets are sold on a piecemeal basis, that is without consideration of benefits (or detriments) associated with a going-concern business".

According to the Indian Banks' Association (IBA), "Liquidation Value describes the situation where a group of assets employed together in a business are offered for sale separately, usually following a closure of the business".

An orderly liquidation-based value is the one that could be realized in a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an "as-is, where-is basis".

The reasonable period of time to find a purchaser (or purchasers) depends upon asset type and market conditions. Forced sale describes a premise where a seller is under compulsion to sell and that, as consequence, a proper marketing period is not possible. The price that could be obtained in these circumstances will depend upon a number of factors such as available time for disposal, market depth, etc. It may also reflect the consequences for the seller on failing to sell within the period available.

As such, the premise of Liquidation Value for the said purpose is Liquidation Value of the assets on a standalone basis (in most cases) or in some cases group of assets in an orderly sale.

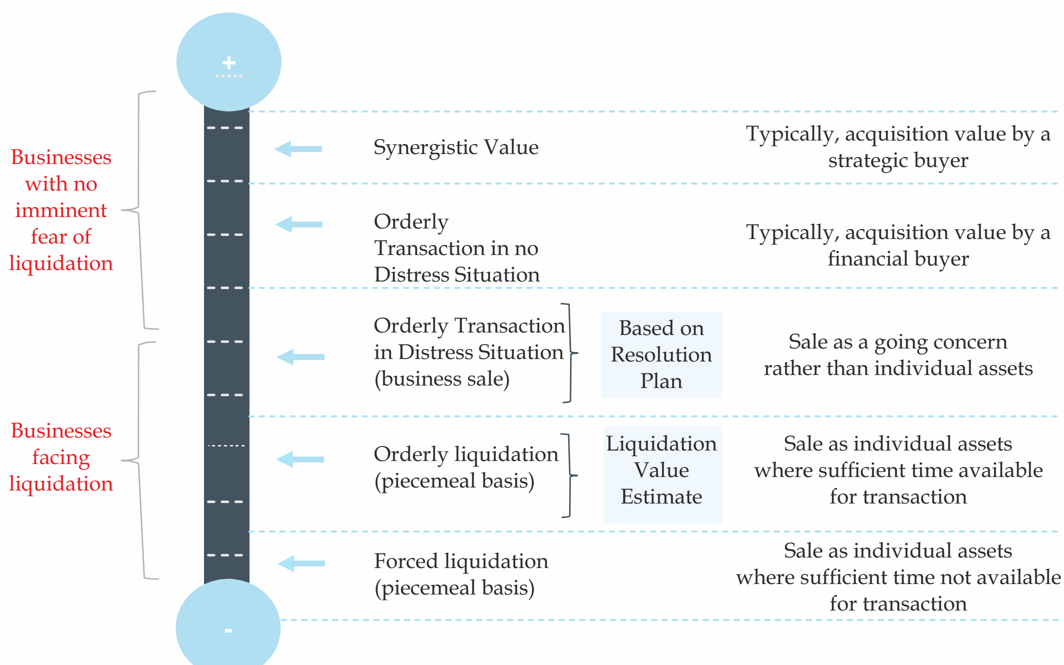

Figure 2B: Brief Description of Standards of Value under IBC, 2016

Breaking down the glut – who's going bankrupt?

Real estate, construction and engineering segment made up about 21.8 percent of all publicly listed companies by asset value with combined asset size of approximately INR 91,260 Crore ("Cr") as of December 31, 2017. This points towards the cooling real estate market and its impact on the associated industries. Delayed implementation of projects due to land acquisition and environmental clearances further adds to their obstacles to generate revenue.

The Metals industry (17.3 percent) has also been significantly affected with a total asset size of all defaulters (public companies only) being approximately INR 95,600.0 Cr as of December 31, 2017. Downturn in the commodities markets, coupled with low international competitiveness of Indian firms in the global market has made it difficult for this industry to revive. In cases like Bhushan Steel, significant capacity expansion was undertaken at the peak of the commodity price cycle, leading to investments which never generated enough return.

The Technology industry (1.8 percent) saw the least number of defaults, primarily due to lower financial leverage requirements in the industry, resulting in lower cases filed with NCLT. This, however, may change as the industry is going through significant downsizing.

Key trends

16.2 percent of all publicly listed defaulters filed for insolvency/ bankruptcy with NCLT fall in the range of less than INR 100.0 Cr., including companies like Kalyanpur Cements Limited, Amit Spinning Industries Limited and Jenson & Nicholson (India) Limited. 5.4 percent of all publicly listed defaulters filed for insolvency/ bankruptcy with NCLT fall in the range of INR 50,000.0 - 1,00,000.0 Cr, including companies like Bhushan Steel Limited and Lanco Infratech Limited.

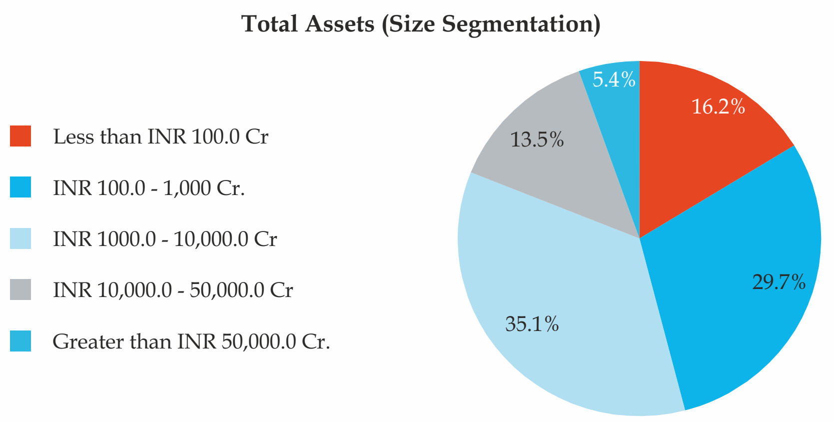

Figure 3: Range of Total Asset values of public companies filed with NCLT under IBC, 2016

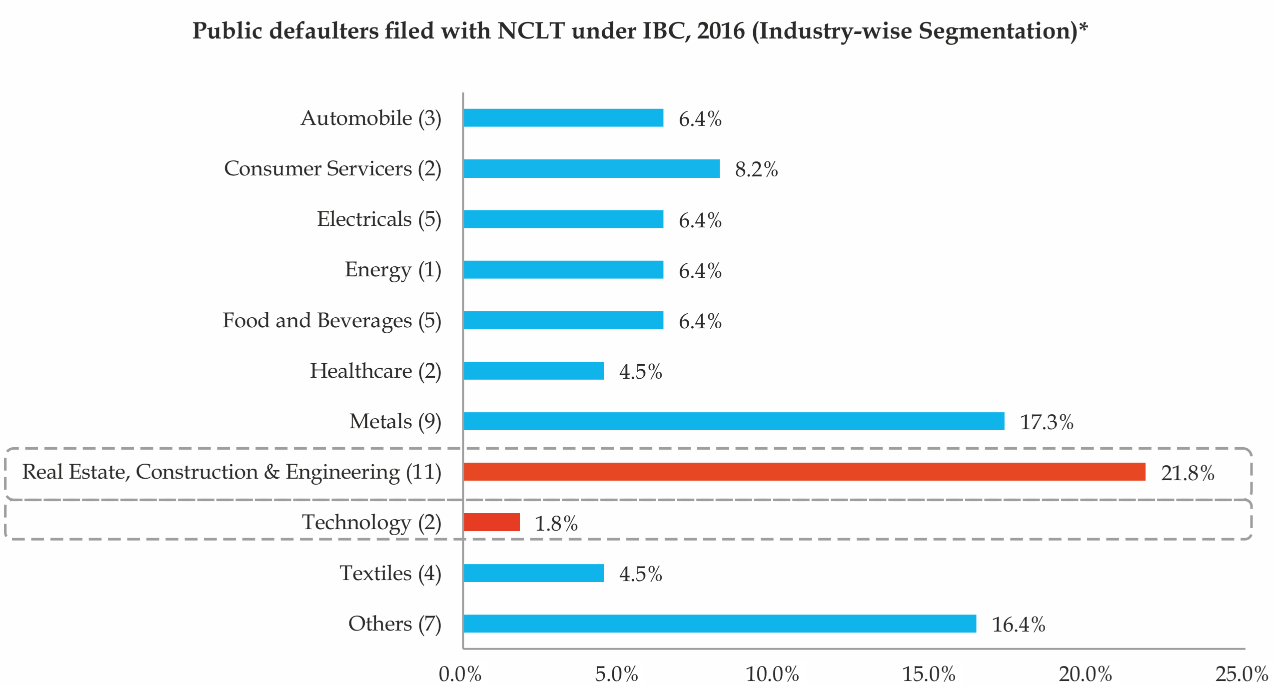

Figure 4: Industry-wise Segmentation of public companies filed with NCLT under IBC, 2016
**Number of public companies considered under each industry are indicated in brackets.*

Stock price analysis – How is the market reacting?

We tried to analyze the impact of bankruptcy proceedings on stock price of the defaulting companies. Ideally, the market should price in the probability of default and give an indication of liquidation value of the companies. To weed out the effect on infrequent trading prices, we excluded the thinly traded stocks as well as companies with less than INR 100 crores of market capitalization. Our final sample size consisted of 37 companies.

Comparing the stock price of each stock as of the date of admission into NCLT with its price 6 months prior, we computed the discount for each stock. We observed an average and median discount for all defaulters to be 25.7 percent and 23.2 percent, respectively. Interestingly, some of the prominent defaulters like Bhushan Steel, Jaypee Infratech, Jyoti Structures, Monnet Ispat & Energy and S.A.L. Steel, actually observed an increase of about 30.0 percent in their stock price. Incidentally, these companies also attracted significant buyer interest at the resolution stage. It appears as if the market does not expect these companies to go into liquidation despite the high leverage.

Healthcare and Electricals Industry accounted for the highest median discount of 54.1 percent and 43.0 percent, respectively. Interestingly, this includes Inox Wind, which was dragged to court for claims worth INR 56 lakhs and the share price tanked despite the company issuing clarifications. Companies in the metals industry recorded the least median discount of 1.6 percent despite comprising the highest proportion of defaulters.

We also tried to understand the trend of discounts based on the total asset size of the companies. Although no clear trend emerged for the analysis, the highest median discount was recorded by

Discounts on stock prices (Asset-wise Segmentation)

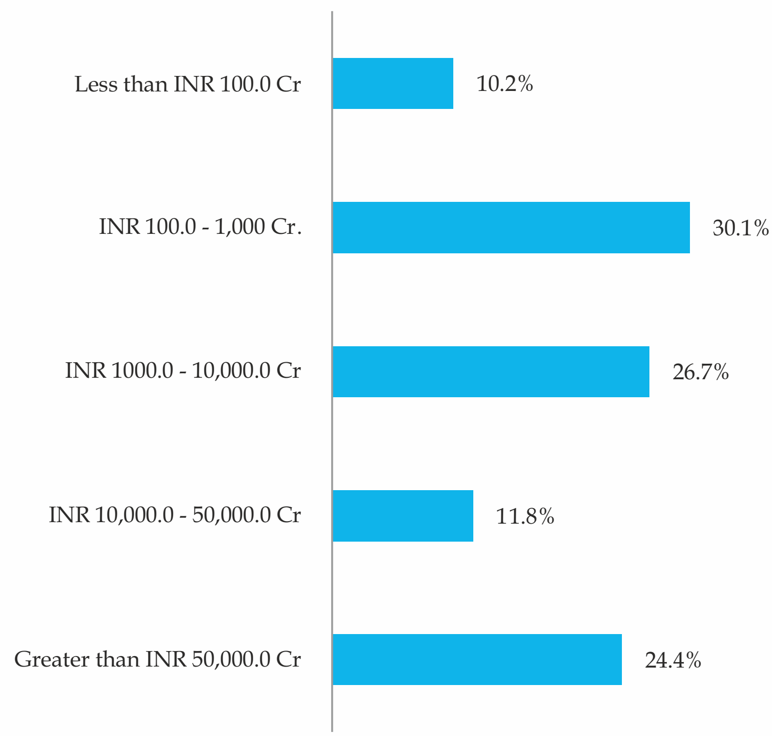

Figure 5: Stock Price discounts of public companies filed with NCLT under IBC, 2016 (Asset-wise Segmentation)

companies in the range of INR 100.0 - 1,000.0 Cr at about 30 percent.

We can infer that firms that have not seen major decline in stock prices/ marginal increase in stock prices reflect their potential to be acquired by a market participant in the near future. ■

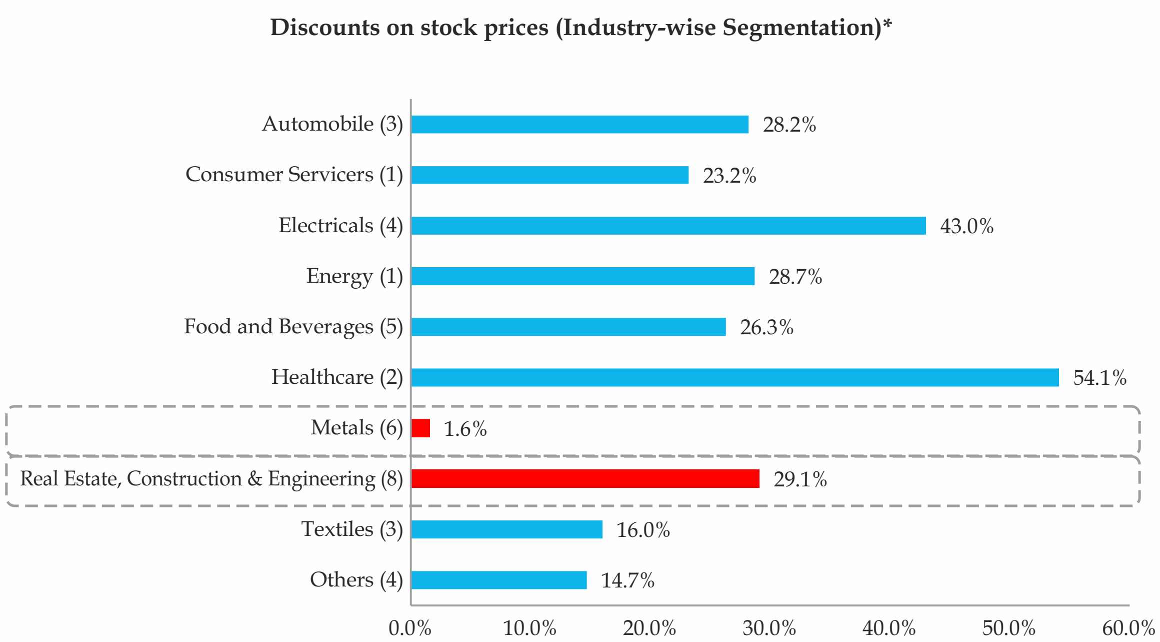

Figure 6: Stock Price discounts of public companies filed with NCLT under IBC, 2016 (Industry-wise Segmentation)
**Number of public companies considered under each industry are indicated in brackets, differs from previous page due to thinly trading analysis and consideration of public companies only above market capitalization of INR 100.0 Cr.*

***Abhishek Pandey** is the managing director at Duff & Phelps and is based in Mumbai Abhishek is part of the national management in India. He is responsible for overseeing key engagements, relationships and strategic initiatives for the Indian operations. He is also responsible for driving M&A advisory in India.*

He has more than a decade long experience in managing a range of financial advisory engagements across various industries. He has provided financial advisory to clients for purposes including, mergers and acquisitions. Negotiations, In the area of valuation settlement of disputes, accounting and tax reporting, and strategic assessment. He has also helped companies to develop business strategies for expansion and pricing, and in evaluating possible financial strategies.

Abhishek has managed assignments such as swap ratio determination, portfolio valuation, equity valuation, valuation of financial instruments (such as complex convertible instruments, ESOPs and other hedging instruments), purchase price allocation and impairment assessment (per IFRS, US GAAP and Indian income tax). He has handled several complex cross border engagements where teams from multiple countries were working simultaneously. Abhishek has advised on transactions in Consumer, Technology and Industrials vertical.

Abhishek has been speaker at conferences organised by forums such as ASSOCHAM and VC Circle on valuation and M&A related topics. Abhishek's prior work experience include stints with corporate finance and advisory division of Deloitte and Grant Thornton. At Deloitte he was part of Industrial M&A team.Abhishek holds a Master of Business Administration degree from INSEAD (France).

This article has been written with valuable contributions from Aviral Jain, Director, Ayushi Sharma, Senior Consultant & Sarvang Sawalka, Trainee from Duff & Phelps team.

Insolvency and Bankruptcy Code – Resolution Applicant's Perspective

Babu Sivaprakasam
Partner & Head - Banking & Finance Practice
Economic Law Practice (ELP)

The National Company Law Tribunal **("NCLT")** was notified to be the relevant adjudicating authority under the Insolvency and Bankruptcy Code,2016 **("IBC")** with effect from December 01, 2016. In the past year, there have been over 5000 corporate insolvency resolution applications across the NCLT benches. There have been 515 companies (as on January 25, 2018) for whom public notices have been issued after admission of the application for corporate insolvencyre solution process **("CIRP")**. Apart from the IBC legislation and its rules, there have been over forty regulations, circulars and notifications that have been issued by the authorities till date. An ordinance was earlier issued to introduce amendments, which has now been superseded by the Insolvency and Bankruptcy Code (Amendment) Act, 2018 **("Amendment Act")**. Separately, there have been several circulars and clarifications issued by other regulatory authorities like the Reserve Bank of India **("RBI")**, Securities and Exchange Board of India **("SEBI")** and Central Board of Direct Taxes **("CBDT")** on issues surrounding IBC. The legislators are actively and swiftly trying to address issues that may be cropping up in the legislation and ensure that there is efficient utilization of the newly introduced processes.

In addition, the country has seen an enormous amount of judicial activism. All forums ranging from the NCLT to the Hon'ble Supreme Court of India have recognized and recorded that time is the essence of proper implementation of IBC.

IBC is not just any other law- it's the stick that promoters should fear and a ray of hope for the creditors that presents the sea of opportunity for people looking to acquire stressed assets. The legislative and judicial activism is helping in ensuring effective implementation.

In all cases under CIRP there is a requirement for financial assistance and in most cases, the existing financial creditors would have exhausted the resources available. Accordingly, 'resolution applicants' looking to bring in the required financial assistance, become the most essential entities for successful completion of the CIRP.

This article elaborates on some of the issues being faced by resolution applicants during the bidding process for a company undergoing CIRP.

1. Eligibility

(i) The Amendment Act stipulates that a "*resolution applicant" means a person who individually or jointly with any other person, submits a resolution plan to the resolution professional pursuant to the invitation made under clause (h) of sub-section (2) of Section 25." Therefore, only a person that receives an invitation from the resolution professional will be entitled to submit a resolution plan.*

Section 25 (2) (h) suggests that in order to be invited as a resolution applicant, the entity is required to "fulfil such criteria as may be determined by the resolution professional with the approval of the committee of creditors, depending upon the complexity and scale of operations of the business of the corporate debtor, and such other conditions as may be specified by the Board (i.e., the Insolvency and Bankruptcy Board of India)". This gives rise to the issue of the correctness of the decisions around the criteria to be fulfilled. Further, there are no guidelines for prescribing such criteria and therefore, this gives rise to arbitrariness. Additionally, such specific and detailed criteria may be important and required for large and corporate debtors, however, for smaller cases (especially for micro, small and medium enterprises), any such criteria may reduce the options for resolution. It is important to have lesser restrictions to attract the maximum possible resolution applicants.

(ii) In pursuance to the third amendment to Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2017 **("Corporate Insolvency Process Regulations")**, the resolution applicant is required to provide information about itself and its connected persons. The definition of 'connected persons' is very broad and there is no clarity on the extent to which such disclosures have to be made. In cases where large conglomerates (having thousands of group companies)are bidders, such disclosures have become a logistical nightmare. It may be important to specify the extent to which such disclosures are required. Such a concept has been dealt with and existent under the know- your-customer regulations issued by RBI.

2. Dissemination of information

One of the biggest issues being faced by resolution applicants has been receipt of adequate information in a timely manner. In the current scenario, the entire process is time bound, within which the resolution professional is first required to procure and collect the data and then share it amongst all the prospective applicants. As per the experience of the initial cases, it has been a herculean task for the resolution professionals to collect the data, sort the same and then provide it to the interested parties. There have been cases where additional information has been provided till the bidding date. With scenarios where resolution plans involve commitment for over thousands of crores, the resolution applicants should have the adequate corporate authorisations to make the relevant commitments.

Separately, the Amendment Act allows certain situations in which promoters of the corporate debtors can also be resolution applicants. In such a scenario, accurate and detailed information becomes essential to ensure that promoters and other resolution applicants are on a level playing field. The experience of the present cases may help formulate guidelines for insolvency professionals for collection and dissemination of information.

3. No counterparty

Another reason why information is important is because a resolution applicant is required to base its entire risk participation on its due diligence. Under the proposals being provided in a resolution plan, the commitments from bidders are required to be firm, at such a time when the board is suspended and the resolution professional is an interim person managing the affairs of the debtor. Therefore, the resolution applicant has no counterparty who would be providing any representations and warranties and would not have any entity to proceed against in case any information provided is incorrect. There is a requirement of seeking adequate facilitators. This may be in the form of (i) insurance (asset insurance or insurance on basic title representations); or (ii) an assurance that either the company, shareholders, obligors or any other party will undertake some portion of the liability; or (iii) right to maintain a portion of the funds in an escrow account, which can be used in case of liability arising out of wrong information or non-sharing of information.

4. Certainty of claims

As per Regulation 12 (2) of the Corporate Insolvency Process Regulations, a creditor who has failed to submit a claim has the right to submit the same till the resolution plan is approved by the committee of creditors. This would effectively mean that at the time of submitting a bid, the resolution applicant or even the resolution professional can never be sure on whether there are any additional claims on the corporate debtor. This merely adds to the risk that the resolution applicant is expected to undertake. Additionally, there is a requirement of clarity of the status of creditors who have not claimed - is there debt written off, are they 'stakeholders' to whom the resolution plan is binding?

5. Additional practical issues

a. ***Statutory claims:*** The resolution plans being proposed encompass haircuts or omission of payments in relation to statutory dues (considered as operational debt). In certain situations this is because the proposed liquidation value of the corporate debtor is negligent and therefore, there is no proposed pay-out to operational creditors. In such scenarios, it would be interesting to understand the treatment being provided by statutory authorities to such write-offs, considering it is to be binding. Further, in case certain payments were due in lieu of license fees, it would be interesting to understand whether statutory authorities would consider continuation of such license.

b. ***Workmen claims:*** Though the IBC provides for employees and workmen to register their claims and there being a moratorium of proceedings, in certain large companies where there are ongoing disputes in various jurisdictions, management of such claims by the resolution professional and clarity over the possible liability of the corporate debtor is very difficult. Accordingly, this makes it difficult for a resolution applicant to analyse the position.

c. ***Offshore assets:*** There is no clarity yet on how offshore assets of the corporate debtor are to be controlled and brought under the process. The resolution professionals in certain cases are adopting certain ad-hoc measures. The IBC mentions that there will be bilateral agreements that will be entered into by India. However, until such time, a resolution applicant will not be clear on how such assets are to be dealt with.

In conclusion, it is safe to say that the implementation process under the IBC has had a strong and efficient start. However, it is also very clear that a lot of development and changes are required to maximize and effectuate the opportunity. There is also a requirement of a shift from using IBC as a tool for recovery to looking at it as a mode of achieving resolution of a debtor. The lessons will be best learnt only after a few cases go through the entire process of approval of the resolution plan and successful implementation of the resolution plan.

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Babu brings with him over 25 years of diverse and rich experience as a legal professional in the Banking & Finance sector. His expertise lies in all forms of Banking & Finance matters including transactional, advisory, governance and compliance. These extend to property and stamp laws; securitization, transfer & management of stressed assets, trade and documentary credit transactions; derivatives, structured & syndicated finance, collateralized debt obligations; commercial real estate, commodities, aircraft and ship finance transactions and advice on banking product development, standardisation of documents and legal risk management. He has extensively advised and worked closely with major public sector banks, many foreign and private banks, non-banking finance companies and top realty firms in India.

Babu started his career in 1991 as a Lawyer practicing in Chennai High Court. His experience as an in-house counsel took-off in 1996 when he joined Bank of Baroda and then moved on to Standard Chartered Bank in 2001 where he worked till 2004. He was also associated with Axis Bank from 2004 to early 2005. Post this stint, he has been a co- founding Partner at SNG Partners, Mumbai nurturing and shepherding their Banking & Finance and Real Estate practice till July, 2014.

Babu is regarded by the clients as a valuable & reliable resource in real estate and banking & finance transactions. As his clients put it "With real business experience as an in-house counsel for various banks and as a seasoned and matured professional, Babu brings with him a desired blend of proficiency and expertise to better understand and appreciate the legal & regulatory risks and other business aspects of financing and a poised and solution-oriented demeanour".

Babu has featured as a Leading Lawyer for Banking & Finance and Real Estate in IFLR1000 Financial & Corporate Guide 2016 & 2018 and as a Leading Lawyer for Banking & Finance in Asialaw Leading Lawyers 2015 to 2017 as well as a Market Leading Lawyer for Banking & Finance and Construction & Real Estate 2018.

The article has been co-authored by Deep Roy. Deep is an Partner in the Banking and Finance practice of ELP. He graduated from the Symbiosis Law School.

Deep's experience includes trade finance, structured finance, acquisition finance, asset finance project finance, restructuring (whether on stressed assets or otherwise), asset reconstruction and other syndicated lending transactions. Such debt transactions include cross border structures including matters dealing with external commercial borrowing regulations, overseas direct investment regulations and their respective security and contractual comforts. He has also been assisting clients with legal advice on their product structuring (including retail products) and providing standard documents in relation to the same. He has gained experience on advising clients in the fintech sector and collaborating with banks and financial institutions in this space. In addition to the banking practice, he has also been providing regulatory advice to clients on exchange control regulations in India and on other regulations issued by the Reserve Bank of India ("RBI").

Deep has over 9 years of experience in rendering corporate and transactional advisory services. He regularly advises banks, corporates (whether as borrowers or investors, including privateequity participants) and non-banking financial companies with regard to the India legal aspects of debt transactions and RBI regulatory issues.

Prior to ELP, Deep was part of the corporate legal team at ICICI Bank Limited. He was initially part of the structured finance team and subsequently part of strategic investment team at ICICI corporate legal department.

Deep Roy has been recommended as an Up and Coming lawyer by Chambers Asia-Pacific 2016 & 2017.

Impact of Insolvency and Bankruptcy Code, 2016

Madhukar R.Umarji
Former Executive Director
Reserve Bank of India

"Consequent upon enactment of the Insolvency and Bankruptcy Code, 2016 all business enterprises doing business with borrowed funds or availing credit from suppliers of goods and services need to note that honouring commitments to pay is the most crucial part of conducting business and any default may expose the enterprise to be taken over by rivals or other interested parties by initiating insolvency resolution process."

In India industrial undertaking sand large commercial enterprises providing employment to people at different levels have always received preferential treatment in the matter of loan defaults and inability to make profits. The policy of the Government always focused on continuation of employment of the work force and for that purpose resorted to passing special laws for take over management of the industrial companies and if that did not work nationalized the undertaking exercising legislative powers. At the state level such undertakings were declared as relief undertakings suspending all debt recovery actions against enterprise. When such steps did not work a new law was enacted for revival and rehabilitation of sick industrial undertakings which provided that on making a reference to the Board for Financial and Industrial Reconstruction (BIFR) all actions for recovery of debt shall stand suspended during the pendency of proceedings before the BIFR. Such provision was also abused by some of the corporate borrowers and as a result government had to enact separate laws for speedy recovery of defaulted loans of the banks and financial institutions.(The Recovery of Debts due to Banks and Financial Institutions Act, 1993 and Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002). In spite of such steps taken by the government the culture of borrowing in excess of the requirements, not accounting for cash flows and other realisations, diversion of the funds and other income for purposes other than the purpose for which loan was sanctioned and also diversion of the realizations for purposes other than repayment of the loans, continued to be adopted by the business community and government had therefore to think of some other drastic measures to ensure that the funds borrowed from the banks and financial institutions are repaid on time. The Insolvency and Bankruptcy Code ,2016 (IBC,2016) is the culmination to meet the challenge of tactics adopted by the business community to delay and defeat all efforts of recovery of borrowed funds, undertaken by lenders.

The IBC, 2016, provides that the trigger for insolvency resolution petition is any default in repayment of any debt or other liability of Rs.1 lakh and above, which results in insolvency resolution order, appointment of Insolvency Practitioner (IP), takeover of the possession of the assets and management of the company by the IP, constitution of the creditors committee consideration and approval of resolution plan that may be submitted by any person within 180 days or extended period up to 270 days, by the Creditors Committee. If no plan is approved within 180 or extended period of 270 days, order liquidation of the enterprise. The new law would require total transformation of the mind sets and well established norms and practices on the part of:

i) business enterprises as borrowers of the banks and FIs;

ii) mercantile community i.e.buyers of goods and services including all public sector undertakings departments of government both state and central as well as local and other public authorities;

iii) the lenders namely banks and financial institutions, investors in debt instruments and all other category of lenders;

iv) the Judiciary;and

v) all professionals who are advisors of business enterprises.

All business enterprises doing business with borrowed funds and availing credit from suppliers of goods and services have to take meticulous steps to ensure that all commitments to make payment are honoured on due dates and there are no defaults committed. To create an environment conducive to prompt payments by the business community, all departments of Central & State Governments, all Public Sector Undertakings, local and other public authorities ,will have to ,as a rule and standard practice honour commitments to pay on due dates so that business enterprises can in turn honour their commitments.

While the business enterprises will have to adopt new policy of making payments on or before the due dates, in cases where liability is in dispute, it will also be necessary to create record by giving notice of any defect in the product or other dispute relating to the quality or quantity of the goods purchased or services availed by the enterprise. Section 9(5)(ii)(d) of IBC,2016, provides for filing information about the dispute with any Operational Creditor ,with the Information Utility. Such a practice will ensure that any petitions for insolvency resolution on account of default in respect of any disputed liability, can be answered suitably.

All the lending banks and financial institutions will have to formulate new policies for dealing with defaults for different categories of loans and borrowers, develop a process for ascertaining viability of the enterprise, consider whether defaulted loan to be recovered by enforcement of security(in cases where value of security is more than loan outstanding) or it is necessary to initiate insolvency resolution process.

As far as the judiciary is concerned , IBC 2016, adopts new principle restricting the judicial discretion, which requires that if the committee of creditors approves the resolution plan the same shall be approved by the National Company Law Tribunal(NCLT). On the other hand, if the resolution plan is not approved by the committee of creditors the NCLT is bound to pass an order for liquidation of the company.

It is clear from the above provisions that if any business enterprise is unable to repay the loans or suppliers of goods or services, whether it can continue to do business and on what terms , depends on the decision of the financial creditors and no other considerations such as the type of product manufactured by the business enterprise or the number of persons employed by the enterprise or any other factors are not relevant and decision whether the enterprise should be allowed to continue its business activity totally rests with the lenders and other creditors. The new law is expected to transform the practices and procedures in the financial market as under:

a) trade and industry will adopt a new policy of making payments on time;

b) misuse or diversion of borrowed funds will stop and borrowings will be restricted to the bare minimum requirement of funds and capacity to repay;

c) loan defaults will decline and problem of NPAs of banks will be manageable; and

d) since insolvency orders are linked to defaults, there will be no other grounds on which the proceedings in the NCLT can be challenged either in the appellate court or in the High Courts by filing writ petitions. The only ground available for defaulting companies would be to propose a repayment schedule to the satisfaction of the creditors. This will result in reducing the number of litigations that are filed in the process of recovery of debts and other liabilities.

While the IBC 2016 will have above positive impacts, it is necessary that certain shortcomings in the provisions of IBC 2016 are corrected so that there are no stay orders or any other of hurdles in implementation of the Code. The amendments required to correct the shortcomings are as under;

i) Interpretation of the provisions of the Code and recent amendments are influenced by cases of wilful defaulters and cases involving diversion of borrowed funds. The object of the Code is to start the process of insolvency resolution immediately after default so that reasons for default are ascertained ,viability of the enterprise is assessed and steps are initiated for insolvency resolution. The ideal case of insolvency resolution will be that debtor company anticipates default, takes creditors into confidence ,makes assessment of viability ,prepares resolution plan in consultation with creditors, files petition for insolvency resolution and obtains approval of NCLT. Amendments made to the Code barring insolvent company from proposing resolution plan need to be revised to facilitate early detection and resolution of insolvency by the debtor company itself.

ii) if in the process of insolvency resolution the debtor company arrives at a settlement with the creditors and other claimants, the NCLT should be allowed to pass orders in terms of the settlement and permit withdrawal of the insolvency resolution petition. In the absence of any specific provision for this purpose the Supreme Court has exercised its discretion afforded under art. 142 of the Constitution to permit withdrawal of insolvency petition. It would not be possible for the litigants to approach the Supreme Court in every case and hence a suitable amendment to the Code is necessary to permit withdrawal of the insolvency petition in the event of settlement.

iii) The Code provides for submission of resolution plan by any person and that such resolution plan may alter the rights of shareholders without the approval of the shareholders. In this regard it is necessary to appreciate that the property rights in the assets of the company vest in the company as well as the shareholders to the extent of their shareholding. Approval of any resolution plan resulting in takeover of the enterprise by any other person in effect adversely affects the property rights of the company as well as the shareholders. As required in terms of article 300-A of the Constitution, it is necessary that deprivation of the property rights of the shareholders and the Company is done in accordance with law which is fair and reasonable. There is a need to amend the Code to provide an opportunity to be heard to the company and its shareholders, before such steps approving the resolution plan are taken. On the other hand such opportunity can also be deemed to have been given if the company and the promoter directors or any other shareholders are permitted to submit the resolution plan which is acceptable to the creditors, as provided in section 10 of the Code. Such opportunity would in effect mean that the company is allowed to submit a resolution plan and retain the possession of assets and management of the company. If it is unable to submit a plan for this purpose the creditors will be free to dispose of the enterprise to any other person. It is necessary to make provisions in the code giving an opportunity to the company and its shareholders to submit a resolution plan or in the alternative a notice to the company to show cause why he the proposal given by any other person for resolution plan should not be accepted.

iv) A provision will have to be added to the Code, declaring that provisions of the Limitation Act, 1963 shall apply to any proceedings to be initiated for insolvency resolution. The code at present is not containing any such provision which will result in a distortion of the existing law which is applicable to other kinds of litigations and proceedings taken in the courts.

v) On passing of the insolvency resolution order it is necessary that the company and its promoter directors are required to declare all their assets liabilities investments in shares and securities and in the subsidiary companies as well as any litigations pending against the company and the directors, other proceedings for violation of any laws such as the Companies Act, FEMA, taxation laws etc. It is also necessary to make very clear provisions in regard to vesting of the assets and liabilities of the company in the person whose plan is approved and to clearly provide for continuation of the pending litigations against the company as well as against the erstwhile directors of the company, if such proceedings are for any non-compliance,or other misconduct on the part of any individual Director.

vi) The IBC 2016 has adopted the model of creditor in possession, as provided in UK law. While this model is going to be effective to ensure that corporates adhere to the time-schedules for any payments to be made, it is possible that insolvency resolution is filed against the company which is a running enterprise and there are good prospects of recovery of defaulted loans and other claims if the company is allowed to operate by remaining in possession of the enterprise. It has to be noted that all companies and promoter directors of the companies may not be willful defaulters who have misused the bank loans or driverted the funds. In cases where the creditors are satisfied about the bona fides of the insolvent company it should be permissible to allow the company to remain in possession, propose a resolution plan and implement the same . A provision therefore needs to be made to allow the company to remain in possession, as an agent of the insolvency practitioner subject to such conditions as may specified by NCLT, during the pendency of the preparation and approval of the resolution plan.

The provisions of IBC, 2016 are stringent and unless as suggested the Code is not modified, it may eventually adversely affect growth of credit extended by banks & F.Is. It is necessary to recognise that a default can be on account of competition in the market, innovations, recession or any other disruption beyond the control of the business enterprise and ensure that all defaults are not treated as wilful or bordering on criminal conduct.

Views mentioned in the article are author's personal views.

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Challenges to the Insolvency and Bankruptcy Code, 2016

Bahram Vakil
Partner
AZB & Partners

Introduction

The Insolvency and Bankruptcy Code, 2016 **("IBC")** was passed by both houses of Parliament in May 2016 and came into effect in December 2016. The IBC replaces in most relevant respects the entire gamut of insolvency laws in India and is applicable to corporate persons (i.e. companies and limited liability partnerships) as well as individuals and partnerships. The IBC, inter alia: (a) empowers all creditors (whether secured, unsecured, domestic, international, financial or operational) to trigger resolution processes; (b) enables the resolution process(es) to start at the earliest sign of financial distress; (c) provides for a single forum to oversee all insolvency and liquidation proceedings; (d) enables a calm period where new proceedings do not derail existing ones; (e) provides for replacement of the existing management during insolvency proceedings while maintaining the enterprise as a going concern; (f) offers a finite time limit within which the debtor's viability can be assessed; and (g) lays out a linear liquidation mechanism.

In the last one year since notification of the IBC, there has been tremendous progress in the insolvency space. Over 1500 insolvency professionals have been registered with the Insolvency and Bankruptcy Board of India **("IBBI")** (including professionals from the Big 4 Accounting Firms i.e. Price water house Coopers, KPMG, Ernst & Young and Deloitte). Over 1500 cases have been filed and more than 500 have been admitted. Most importantly, the courts have not interfered with the IBC process / timeline and stays granted to IBC proceedings have been few. Finally, earlier in 2017, the Reserve Bank of India directed banks to initiate IBC proceedings against twelve of our largest non performing borrowers (NPA) and these cases are due to be resolved over the next few months.

Challenges

Even though the implementation of the IBC has been efficient, there are certain legal uncertainties in the law which requires clarity. Recently, the Ministry of Corporate Affairs **("MCA")** has constituted a high level committee to review the legal challenges in the IBC, review the functioning and implementation of the IBC, identify issues impacting the efficiency of insolvency resolution and liquidation, collate recommendations and address the identified issues.

We have attempted to highlight a few of the pertinent legal uncertainties in the IBC that are being discussed by market participants.

A. Interim finance

The IBC creates several opportunities for lenders looking to invest in distressed assets. One such area pertains to the provision of 'interim finance'. Interim finance refers to short-term loans provided during a corporate insolvency resolution process **("CIRP")** required to keep a company under CIRP running as a going concern.

The IBC allows an Interim Resolution Professional **("IRP")** /Resolution Professional **("RP")** to raise interim finance in order to protect and preserve the value of the property of a corporate debtor and to manage its operations as a going concern.

In the IBC, the term 'insolvency resolution process cost' includes any interim finance raised for a corporate debtor along with the cost of raising such interim finance. The payment towards such costs gets the highest priority in a resolution plan or during liquidation and is paid out prior to any recoveries being made by any creditor. However, since interim finance forms part of such costs, its payment is pari passu to other such costs like fees due to an RP. Similarly, during liquidation, the distribution waterfall provides for the highest priority to be given to insolvency resolution process costs, which need to be paid out of the liquidation estate.

However, once a liquidation order is passed against a corporate debtor, the moratorium that is in place during the insolvency process is lifted. Thus, secured creditors are free to enforce their security interest outside of this process. Typically, in distressed companies, almost all assets of a corporate debtor are encumbered. In such situations, if all secured creditors, individually or separately, enforce their security after the moratorium is lifted, there may not be much left to distribute from the liquidation estate. Although interim finance has the highest priority as per the IBC, lenders risk not being fully paid out as the liquidation estate does not comprise many estates in such situations. The IBC attempts to remedy this by providing that the amount of insolvency resolution process costs due from secured creditors who realize their security interests would be deducted from the proceeds of any realization by the creditors. Such amounts need to be transferred to a liquidator to be included within the liquidation estate. This seeks to address this issue for interim finance providers but does not clarify what can be considered 'due' from the secured creditors.

The intent of the IBC is that to the extent that there is no asset left in the liquidation estate to pay out insolvency resolution process costs, secured creditors enforcing their security outside the liquidation process are obligated to pay out these costs. While jurisprudence on this point is yet to develop, certain concerns still remain, such as the manner in which the share that each secured creditor must pay back to the liquidation estate should be determined, the timing of payouts by such secured creditors to the liquidation estate, the amount of time taken by interim finance lenders or a liquidator to persuade secured creditors to make these payouts and legal costs incurred by the interim finance lenders to persuade recalcitrant secured creditors.

B. The IBC is not a debt recovery tool

Rule 8 of the Insolvency and Bankruptcy (Application to Adjudicating Authority) Rules, 2016 **("Rules")** states that the Adjudicating Authority, i.e. NCLT, may permit withdrawal of application relating to initiation of CIRP on request made by the applicant before the admission of such application. The Rules do not confer any authority on the NCLT to allow withdrawal of a CIRP after an insolvency petition has been admitted.

The Supreme Court in Uttara Foods and Feeds Private Limited vs. Mona Pharmachem recommended that the rules be amended to allow for settlement between an individual debtor and creditor after an insolvency petition has been accepted.

CIRP as a process is intended to be a mechanism for collective resolution of the corporate debtor for the interests of all stakeholders. The IBC is not designed as an alternative tool for recovery of debt owned by a company to any creditor. Debt recovery mechanisms are already covered by the debt recovery proceedings under the IBC of Civil Procedure, 1908, the Recovery of Debts due to Banks and Financial Institutions Act, 1993 (RDDBFI Act) and the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (SARFAESI Act).

Encouraging market practice which promotes the usage of the IBC as debt recovery tool might lead to frivolous applications being filed by creditors as negotiating leverage against the company for repayment of debt. Further, allowing applicants to settle claims with the corporate debtor on a bilateral basis could render the CIRP akin to winding up proceedings leading to perverse incentives which will detract from the objective of the IBC.

It is hoped that the recommendation of the Supreme Court is interpreted in the broader context of the repercussions it will have on market behaviour.

C. Defaulting promoters are restricted from bidding

The recent amendment to the IBC, bars certain category of persons from submitting a resolution plan for a company under CIRP.

This amendment is a holistic effort by the government to prevent a moral hazard where resolution applicants who are deemed inappropriate or undesirable on account of the disqualifications would be seen as deriving a benefit by acquiring the business of the corporate debtor. However, there is some concern that the scope of persons contained in the amendment is over-inclusive given the wide meaning of 'connected persons'. The amendment may not have a notable impact on the resolution of large cases undergoing CIRP since it is quite likely that they will attract strategic and financial bidders. However the government should consider introducing a materiality threshold for the application of certain parts of the amendment to small and medium enterprises where the demand for the corporate debtor from applicants other than the promoters of the corporate debtor is likely to be limited. ■

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Bankruptcy Code: Not a Panacea but Start of a New Era

Rakesh Valecha
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Regulatory reforms are an evolving process in parallel to economic and social progress with varying time horizon. The Insolvency and Bankruptcy Code 2016(IBC 2016) is a colossal change in the area of business practices in India. The dealing of bankruptcy is a complex and multi-layer approach, and success depends on the objective of the framework and the area it encompasses. From the point of view of creditor (both financial and operational), the basic requirements are certainty and predictability in outcomes and the time span.

India being a country of relatively high inflation, the erosion of asset value is also high; hence, the resolution process should be speedy. Moreover, using capital for meeting low productive purposes in a country like India is an injustice to the economy and society as a whole. On the other hand, a country of more than a billion population with large, young workforce, low per capita income and absence of social security mechanism does not allow a framework of hasty close down or a 'westernised' sunset clause for big industries. Hence, a judicious approach is required to develop an ecosystem, where self-correcting mechanisms should ensure resolution at an early stage. It may not be incorrect to say that the best outcome from an efficient bankruptcy resolution framework should create a holistic environment where the stresses would be properly addressed before pushing entities to bankruptcy.

The empirical evidence, although limited, suggests that the code has by and large started addressing critical aspects such as timely resolution, predictability, accessibility and minimal obstacles from other facets of laws. Importantly, an efficient bankruptcy resolution mechanism is not the panacea, as non-performing assets is an endemic problem in the financial system, and the role of a prudent lender and respective regulators is to minimise the magnitude of such delinquencies.

Evolving system for resolving stressed assets

The speedy formation of IBC 2016 was to address large and ballooning stressed assets in the banking system and choking the natural growth of the economy. India Ratings & Research(Ind-Ra) estimates corporate stress in the banking system to be around INR17 trillion, which is 22% of the total banking system credit. Out of this, the recognized(non-performing assets (NPAs) and restructured) are around INR9.5 trillion. Now, the critical challenge is not in just coming up with a resolution mechanism, but who will buy these stressed assets. In simple terms, there are few buyers with many sellers; consequently, the realised value in most cases would have to be at a significant discount. Devising a newly formed time-bound resolution process, which is at the evolving stage and availability of both physical and intellectual capital are the actual challenges.

Agency Problem and Fear of Losing Business

Plausibly the most critical aspect of IBC 2016 is establishing an ecosystem where the fear of losing business control in case of extreme adversity is high. The bankruptcy code addresses agency problems between debt capital provider and managers (or sponsors). During the boom period, managers tend to take more risky projects or expand businesses, influenced by ongoing growth drivers or sometime excessive optimism. An excessively risky project might have a negative impact on the firm's value at the expense of debt holders. The incentive of taking excessive risk is lopsided; sponsors will get rewarded with higher returns. On the contrary, debt holders will get a contractual return. Up till the IBC 2016 code, the sponsors were to a certain extent protected or insulated by the existing resolution framework, that developed a tilted incentive structure for leverage financing and in some cases, excessive leveraging. The IBC 2016 and subsequent amendment are aimed at dis-incentivisinga sponsor from taking excessive financial risk by way of creating fear of losing business in case of considerable default on obligations. The fear of losing business will have far reaching consequences in the ecosystem. This is likely to develop more discipline among the sponsors, which would restrict them from venturing into excessive reliance on debt.

Operational creditor

The IBC 2016 has also brought more power to non-financial or operational creditors, in case of non-payment of dues with added caveats. This is a significant step for the minority stakeholders, given their restricted rights and power. However, the challenging aspect is monitoring or predicting dish on or of such obligations. A firm could be solvent in terms of financial obligations, but may not be equally competent enough to its creditors, although it is not warranted. The current regime of disclosure does not facilitate dissemination of such information, and it is not easy to understand or foresee such events. The rating of an instrument or entities is based on its ability to honor financial obligation(s). The ability or inability (probability of default or PD)is measured by various quantitative as well as qualitative techniques.

Ideally, a rating should reflect the ability of borrowers to repay financial obligations; however, it may or may not truly reflect the fault line between operational debtor and creditors. An incident of a case filed by an operational creditor and being accepted by the authorities could lead to abrupt movements in ratings. As a consequence of a sharp rating downgrade, a price action will lead to a sharp erosion of market value in an extremely short period. The price adjustment is judicious to the event, but the short span of time is unwarranted from the market prudential point of view. The genesis for such abrupt volatility is lack of information availability. This will be challenging for the other stakeholders, given difficulties in understanding regular day-to-day activities.

Resolution is right step, but Trip Wires need to be developed

In reality, nobody can actually see the future; but can only foresee, and such potential risks can be managed, depending on timely identification, and through a proper analysis and effective hedging. In connection to monitoring of credit and information, dissemination should be emphasised. For the purpose of monitoring, covenants as a tool should be properly considered with a renewed interest and fresh approach for ensuring a better future. A covenant is a contractual relation between lenders/investors and borrowers. Covenants are often an improperly managed tool in the Indian context. Anecdotal evidence suggests that covenants are drafted but not properly monitored, not executed at times of breeches; sometimes alterations happen just to avoid necessary actions, or at the worst no covenant has been imposed.

However, a covenant is not a cure. Covenant should not justify an investment in a bad industry or company, or can predict a sudden crash such as the 2008 global financial crisis. In a nutshell, a covenant ensures that if the state of a firm remains 'good', then the equity holder stays in control of the firm and can even collect private profits. On the contrary, if the state of the firm turns 'bad', the partial control shifts to the hands of lenders, and they have the right to recall the debt.

Disclosure and information dissemination

Challenges arise not only at the initial level of structuring proper covenants, but also while monitoring and taking timely actions. Another critical area is disclosure; transparency and disclosure are important aspects of corporate governance. The role of financial statement or disclosure is to reduce information asymmetry between borrowers and lenders. In the US, reporting covenants with a proper disclosure has been established as a practice. On the contrary, this is not a general practice in India even while reporting annual financials. Hence, a discipline could be constituted with enforceability from the regulators. A proper and timely disclosure of covenants not only reduces systemic risk, but also ensures optimal distribution of capital. Finally, any information in public documentation typically supports long-lasting adherence to such mechanisms and this should also strengthen the bankruptcy resolution regime. ■

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FICCI – Data Centre

Equity Capital Markets

- **Indian ECM** volume stood at $30.7bn (via 279 deals) for 2017, up more than three times on the $10.1bn (via 154 deals) raised in 2016. This is also a record yearly volume since 2007, when $33.1bn was raised via 217 deals
- **IPO** volume increased considerably to $11.7bn (via 169 deals) for 2017, compared to $4.1bn (via 94 deals) for 2016. There was one convertible issued ($771m) for 2017 compared to two for 2016 ($310m)
- **Follow-on** volume for 2017 increased more than three times to $18.2bn (via 109 deals) from the $5.7bn (via 58 deals) for 2016
- **SBI's** $2.3bn follow on via book runners **Kotak, BAML, DB, IIFL Holdings, JM Financial and itself** is the largest ECM transaction for 2017

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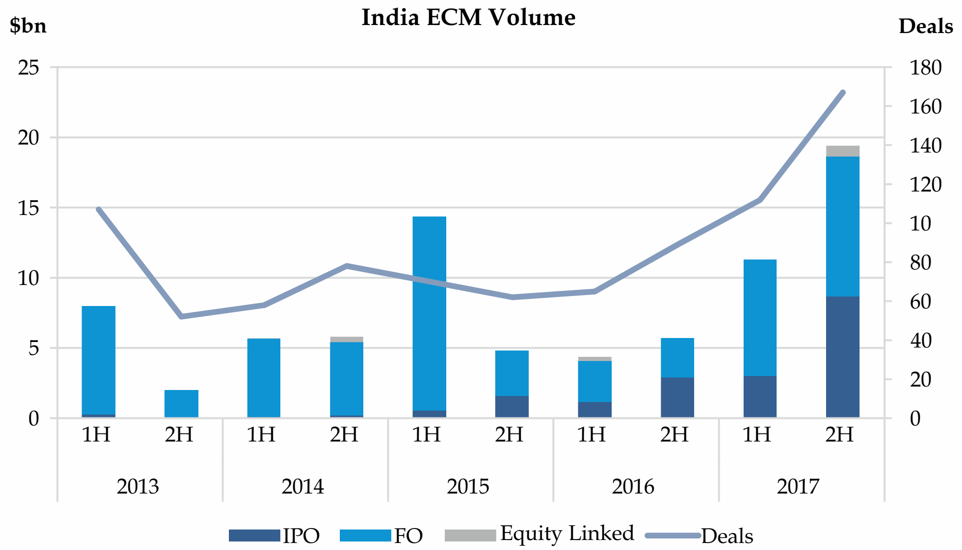
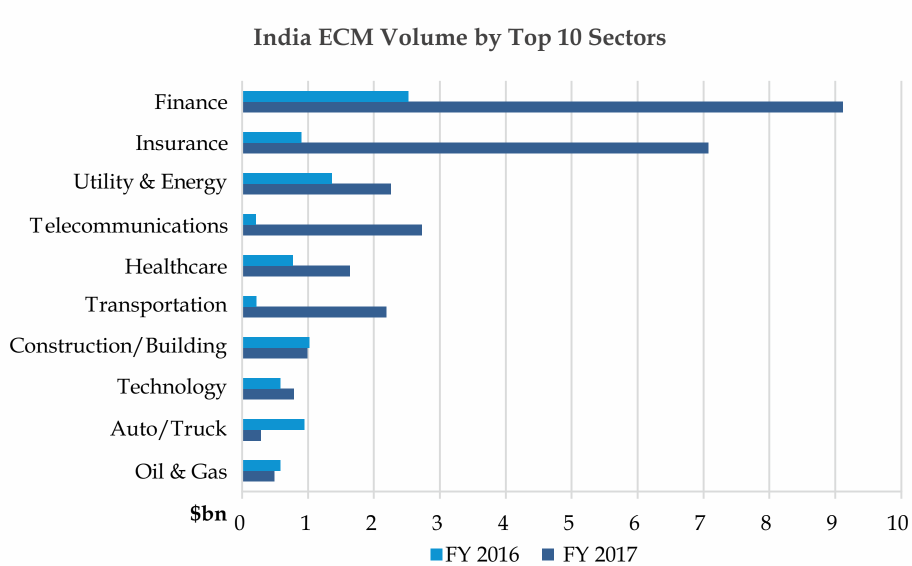




Top 10 ECM Deals - FY 2017					
Date	Issuer	Sector	Deal Type	Deal Value($m)	Bookrunners
8-Jun	State Bank of India	Finance	FO	2,329	KOTAK, SBI, BAML, DB, IIFL, JM FINANCIAL
17-Oct	General Insurance	Insurance	IPO	1,725	CITI, AXIS, DB, HSBC, KOTAK
30-Aug	NTPC Ltd	Utility & Energy	FO	1,522	CITI, JEFF, AXIS, YES
6-Nov	New India Assurance	Insurance	IPO	1,482	KOTAK, AXIS, NOM, IDFC BANK, YES
8-Nov	Bharti Airtel Ltd	Telecom	FO	1,475	UBS
10-Nov	HDFC Standard Life Insurance Co Ltd	Insurance	IPO	1,336	MS, HDFC, CS, CITIC, NOM, EDEL, HAITONG, IDFC BANK, IIFL, UBS
26-Sep	SBI Life Insurance	Insurance	IPO	1,286	JM FINANCIAL, AXIS, BNP, CITI, DB, ICICI, KOTAK, SBI
16-May	Kotak Mahindra Bank	Finance	FO	905	BAML, KOTAK, MS
21-Sep	ICICI Lombard	Insurance	IPO	885	BAML, ICICI, IIFL, CITIC, EDEL, JM FINANCIAL
7-May	IRB InvIT Fund	Transportation	IPO	783	IDFC BANK, CS, ICICI, IIFL

Asia Pacific ECM Volume by Nation FY 2017				
Pos.	Nationality	Deal Value ($m)	No.	% Share
1	China	172,683	981	52.7
2	Japan	51,575	243	15.7
3	India	30,701	279	9.4
4	Australia	19,852	758	6.1
5	South Korea	15,552	179	4.7
6	Hong Kong	8,609	251	2.6
7	Taiwan	7,560	144	2.3
8	Singapore	7,290	76	2.2
9	Thailand	4,207	52	1.3
10	Malaysia	4,030	118	1.2

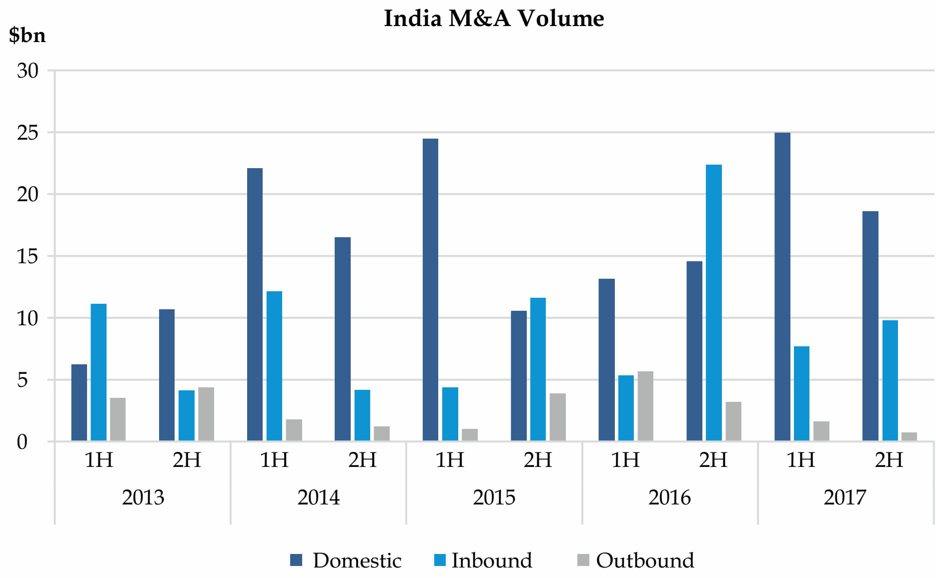
India ECM Volume FY 2017				
Pos.	Bookrunner Parent	Deal Value ($m)	No.	% Share
1	Citi	3,265	22	10.6
2	Kotak Mahindra Bank Ltd	2,858	22	9.3
3	Axis Bank	2,119	26	6.9
4	UBS	2,056	5	6.7
5	IIFL Holdings Ltd	1,586	17	5.2
6	ICICI Bank	1,494	22	4.9
7	Deutsche Bank	1,442	10	4.7
8	Morgan Stanley	1,406	9	4.6
9	JM Financial Ltd	1,394	15	4.5
10	State Bank of India	1,387	26	4.5

India IPO Volume FY 2017				
Pos.	**Bookrunner Parent**	**Deal Value ($m)**	**No.**	**% Share**
1	Axis Bank	1,352	17	11.5
2	Kotak Mahindra Bank Ltd	1,061	9	9.1
3	Citi	816	6	7.0
4	ICICI Bank	787	9	6.7
5	IDFC Bank Ltd	752	8	6.4
6	Edelweiss Financial Services Ltd	670	12	5.7
7	IIFL Holdings Ltd	662	10	5.6
8	Nomura	592	8	5.0
9	JM Financial Ltd	527	8	4.5
10	Credit Suisse	516	5	4.4

India FO and Conv. Volume FY 2017				
Pos.	**Bookrunner Parent**	**Deal Value ($m)**	**No.**	**% Share**
1	Citi	2,449	16	12.9
2	UBS	1,922	4	10.1
3	Kotak Mahindra Bank Ltd	1,796	13	9.5
4	Morgan Stanley	1,157	7	6.1
5	Bank of America Merrill Lynch	1,090	5	5.8
6	State Bank of India	986	18	5.2
7	Deutsche Bank	937	8	4.9
8	IIFL Holdings Ltd	924	7	4.9
9	JM Financial Ltd	867	7	4.6
10	JP Morgan	813	4	4.3

Mergers & Acquisitions

- **India** ranked as the sixth targeted nation in **Asia Pacific region** for 2017 with $61.1bn, up 21% on the $55.0bn announced for 2016
- India **Outbound M&A** volume dropped considerably to $2.4bn for 2017 compared to $8.9bn for 2016
- India **Inbound M&A** volume dropped 37% to $17.5bn for 2017 from the $27.7bn for 2016
- **Domestic M&A** volume increased 57% to $43.6bn for 2017, compared to $27.7bn for 2016
- **Vodafone India Ltd.**'s merger with **Idea Cellular Ltd**. in a $14.4bn valued transaction is the largest announced M&A transaction for 2017

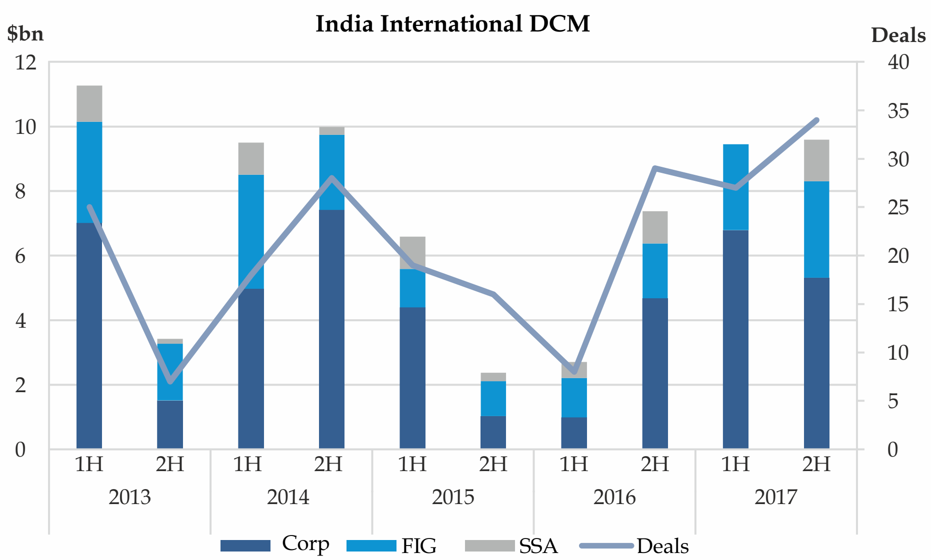


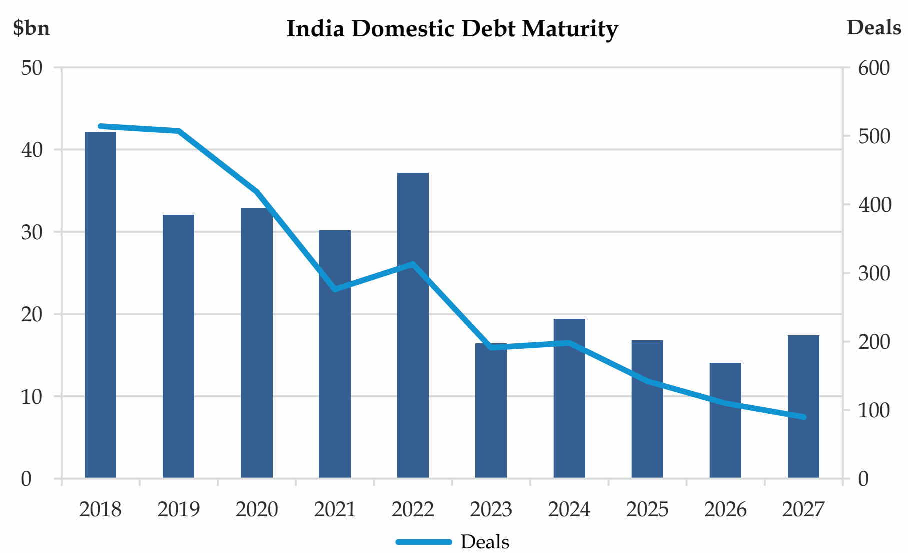
India Announced M&A Advisory Ranking FY 2017				
Pos.	Advisor	Value $m	# Deals	% Share
1	Goldman Sachs	21,013	6	34.4
2	Morgan Stanley	20,089	7	32.9
3	Axis Bank	16,649	8	27.3
4	Kotak Mahindra Bank Ltd	16,033	8	26.3
5	Bank of America Merrill Lynch	15,603	3	25.5
6	Rothschild & Co	15,406	5	25.2
7	UBS	14,993	3	24.6
7	Robey Warshaw LLP	14,993	2	24.6
9	Citi	8,432	6	13.8
10	JP Morgan	6,303	5	10.3

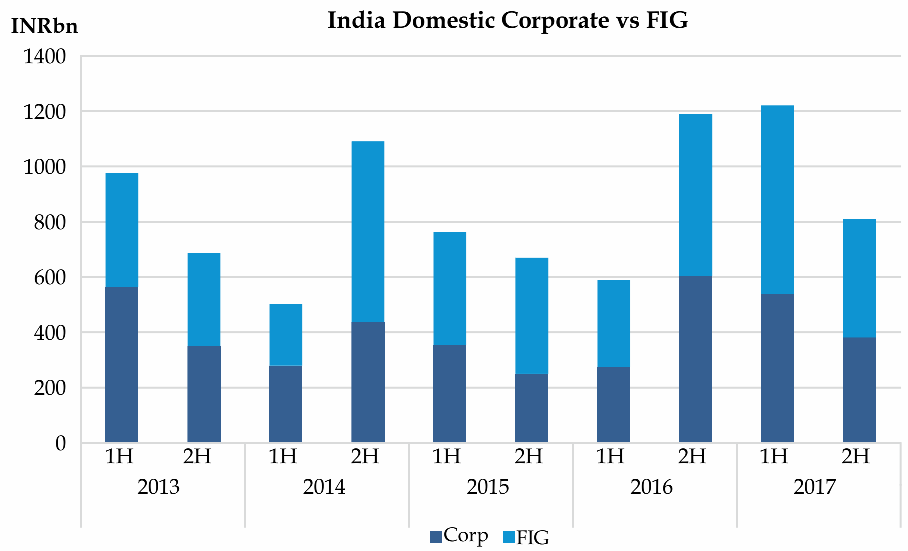
India Announced M&A Attorney Ranking FY 2017				
Pos.	Attorney	Value $m	# Deals	% Share
1	AZB & Partners	30,634	50	50.2
2	Bharucha & Partners	15,603	3	25.5
3	S&R Associates	15,581	3	25.5
4	Vaish Associates Advocates	14,993	2	24.6
4	Slaughter and May	14,993	2	24.6
6	Cyril Amarchand Mangaldas	7,591	12	12.4
7	Khaitan & Co	3,669	4	6.0
8	Shardul Amarchand Mangaldas & Co	3,631	12	5.9
9	Davis Polk & Wardwell LLP	3,595	1	5.9
10	O'Melveny & Myers	884	3	1.5

Debt Capital Markets

- **India DCM** issuance for 2017 hit an all time record of $60.3bn (via 496 deals), up 40% on the $43.1bn (via 474 deals) raised in 2016
- **Corporate IG** and **Agency** bonds accounted for 63% and 18% of the total DCM volume with $38.2bn and $11.1bn, respectively for 2017
- **Volcan Investments** led the offshore issuer table for 2017 with a 10.5% share, while **Power Finance Corp Ltd**. topped the domestic issuer ranking with a 11.9% share
- India **Domestic DCM** volume reached INR2.68tr for 2017, up 21% on the INR2.21tr raised in 2016. Activity decreased to 435 deals during 2017 from the 437 recorded for 2016
- **International** issuance for 2017 reached $19.1bn, up 89% on the 2016 volume of $10.1bn. Activity increased to 61 deals compared to 37 deals for 2016

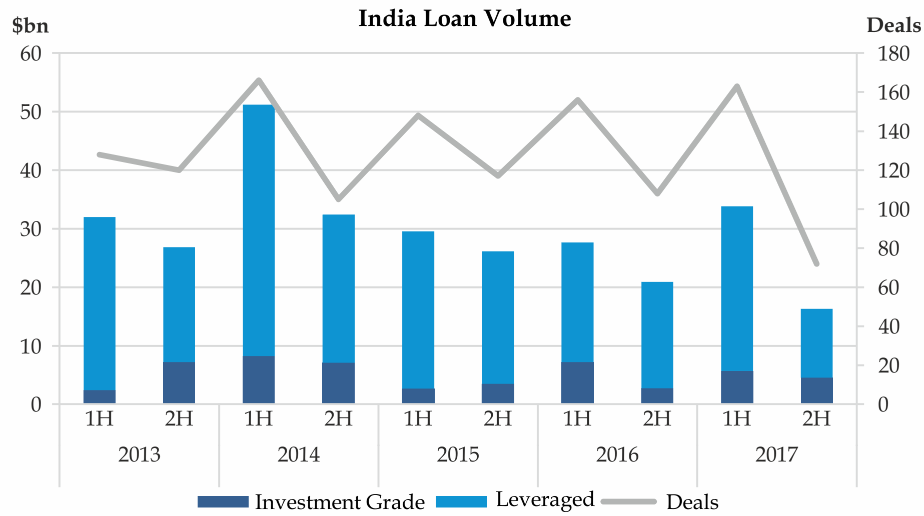


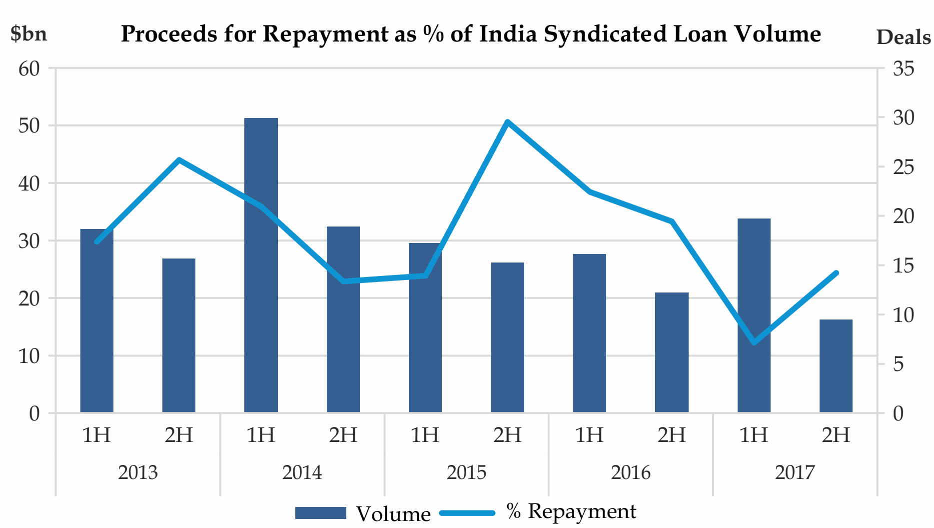


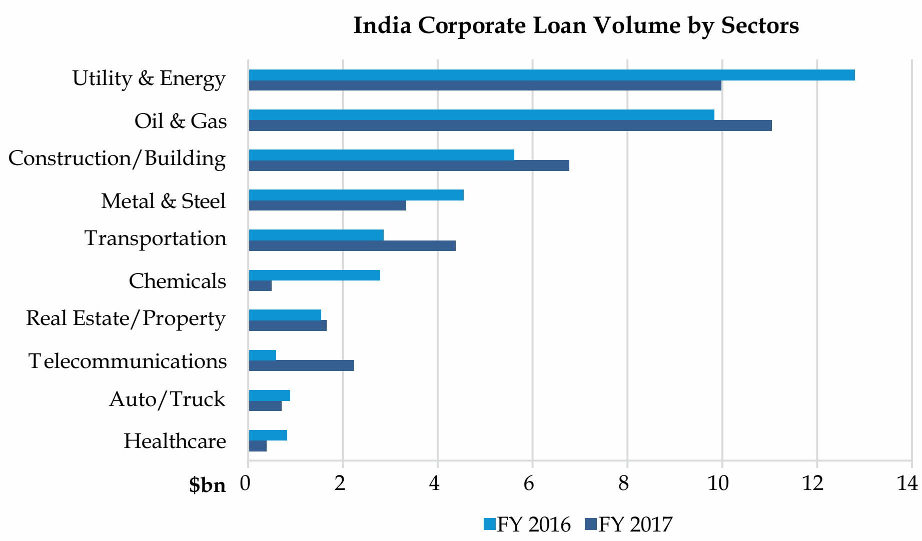

INRbn
India Domestic Corporate vs FIG
1400
1200
1000
800
600
400
200
0
1H
2H
2013
2014
2015
2016
2017
Corp
FIG

Loan Markets

- **India loan** volume reached $50.1bn (via 235 deals) for 2017, up 3% on the $48.5bn (via 264 deals) for 2016
    - **Leveraged** loan volume increased 3% to $39.8bn via 215 deals, compared to $38.6bn (via 243 deals) for 2016
    - **Investment grade** loan volume increased 3% to $10.3bn (via 20 deals) versus $10.0bn (via 21 deals) for 2016
- Among the corporate borrowers, **Oil & Gas** sector topped the industry ranking for 2017 ($11.0bn) with a 25.1% share
- **BHL's** $2.1bn leveraged deal in November, arranged by **SBI** is the largest loantransaction for 2017






India Corporate Loan Volume by Sectors
Utility & Energy
Oil & Gas
Construction/Building
Metal & Steel
Transportation
Chemicals
Real Estate/Property
Telecommunications
Auto/Truck
Healthcare
$bn
0
2
4
6
8
10
12
14
FY 2016
FY 2017

Project Finance

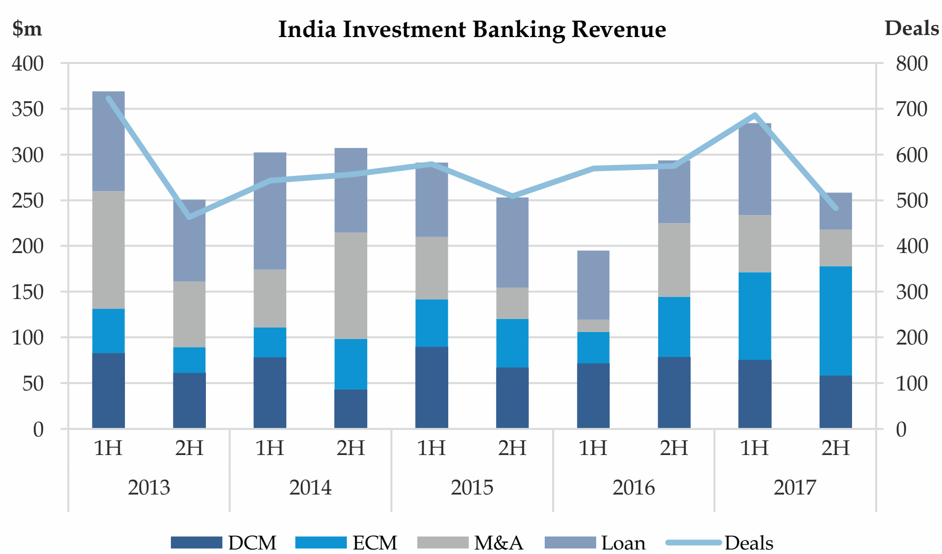
India Project Finance Loans Ranking FY 2017				
Pos.	Mandated Lead Arranger	Value $m	# Deals	% Share
1	State Bank of India	11,403	35	55.9
2	Axis Bank Ltd	3,060	14	15.0
3	ICICI Bank Ltd	2,682	13	13.2
4	Yes Bank Ltd	715	9	3.5
5	Bajaj Consultants Pvt Ltd	439	2	2.2
6	HDFC Bank Ltd	346	9	1.7
7	L&T Finance Holdings Ltd	280	11	1.4
8	IDFC Bank Ltd	240	4	1.2
9	Union Bank of India	164	3	0.8
10	Bank of Baroda	141	1	0.7

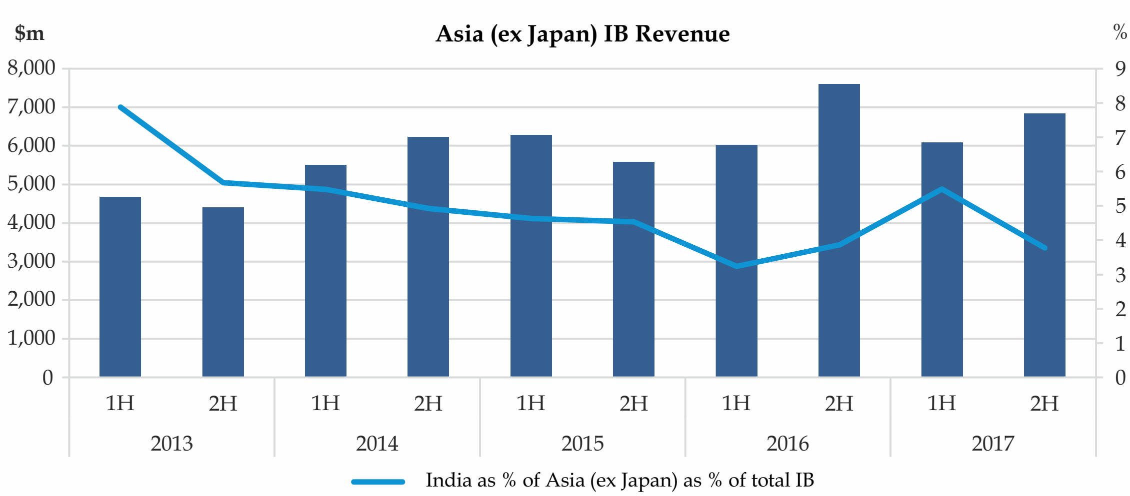
India Sponsor Ranking for Project Finance FY 2017				
Pos.	Sponsor	Value $m	# Deals	% Share
1	Hindustan Petroleum Corp Ltd	1,740	2	4.5
2	Aditya Birla Management Corporation	1,736	1	4.5
3	Mittal Energy Investment Pvt Ltd	1,562	1	4.1
4	Bajaj Hindusthan Sugar Ltd	1,450	7	3.8
5	Adani Group	1,336	13	3.5
6	Jindal Steel & Power Ltd	1,137	1	3.0
7	GMR Infrastructure Ltd	1,064	2	2.8
8	Hinduja Energy (India) Ltd	913	1	2.4
9	Sembawang Capital Pte Ltd	845	7	2.2
10	Indian Oil Corp Ltd	824	2	2.2

Top 10 Indian Project Finance Deals FY 2017				
Financial Close Date	Borrower	Project Name	Sector	Value $m
26-May	HPCL-Mittal Energy Ltd	HPCL Mittal Refinery Additional Financing	Petrochemical/ Chemical Plant	3,123
6-Nov	Lalitpur Power Generation Co Ltd	Lalitpur Coal-Based Thermal Power Project Restructuring	Power	2,142
27-Jun	UltraTech Cement Ltd	UltraTech Acquisition of Jaiprakash Group Cement Business	Processing plant	1,736
31-May	Mumbai International Airport Pvt Ltd	Mumbai International Airport Modernization PPP Refinancing	Airport	1,413
29-Mar	Jindal Steel & Power Ltd	Angul 1.8MTPA Direct Reduced Iron Project Cost Overrun Financing	Steel mill	1,137
10-Oct	Hinduja National Power Corp Ltd	Hinduja National Power Plant Refinancing 2017	Power	913
23-Feb	GMR Chhattisgarh Energy Ltd	GMR Chhattisgarh Power Plant Project Additional Financing	Power	874
22-Jun	MB Power (Madhya Pradesh) Ltd	Anuppur 1200MW Thermal Power Project Refinancing	Power	767
24-Mar	GSPL India Gasnet Ltd	Mehsana Bhatinda Jammu Srinagar Pipeline Project Refinancing	Gas pipeline	713
10-Feb	IndianOil LNG Pvt Ltd	Kamarajar LNG Terminal Project	Oil Refinery/LNG and LPG Plants	646

Investment Banking Revenue

- **India IB revenue** reached $593m for 2017, up 21% on 2016 ($488m). However, revenue second half of 2017 was down by 12% compared with 2H 2016 ($294m)
- **Syndicated Loan fees** accounted for 24% of total India IB revenue for 2017 with $141m which is down by 2% on the $144m for 2016
- **DCM revenue** accounted for 23% of total India IB revenue for 2017 with $134m which is down by 11% on the $150m for 2016
- **M&A fees** accounted for 17% of the total India IB revenue for 2017 with $102m which is up by 9% on $94m for 2016
- **ECM fees** accounting for 36% of the total India IB revenue, increased 115% to $215m in 2017 from the $100m for 2016





Financial Sector Engagements

FICCI Business Delegation to Saudi Arabia accompanying Finance Minister Arun Jaitley

FICCI President Rashesh Shah and other senior industry leaders with Finance Minister Arun Jaitley for a meeting at Council of Saudi Chambers to discuss economic cooperation possibilities between India and Saudi Arabia.

A high-powered business delegation led by Mr. Rashesh Shah, President, FICCI and Chairman and Chief Executive Officer (CEO) of the Edelweiss Group accompanied Finance Minister Mr. Arun Jaitley on his visit to Saudi Arabia on February 18 and 19 , 2018 to enhance bilateral economic relations between the two countries. Saudi Arabia is India's fourth-largest trading partner besides being a major energy supplier to India. The volume of trade between the two countries exceeded $25 billion in 2016-17.

On this occasion Mr. Jaitley said Saudi Arabia was a key partner for India in the long run, adding that the two countries could explore ties in various sectors. Mr. Arun Jaitley also underlined that India has core competence in Pharmaceuticals, Healthcare, IT, Tourism, Hospitality, Automobiles sectors etc.

Mr. Rashesh Shah highlighted that India needs huge capital investments to execute various infrastructure projects in the country. He added that there is a growing interest of global investors in this area and it presents an opportunity to Saudi companies to actively participate in these large infrastructure projects and in projects creating mega-industrial manufacturing corridors, downstream energy projects and smart cities, as well as the Digital India and Start up India programs. Investments in these projects are expected to generate huge returns for the investors.

Mr Shah further highlighted another area where there has been an increased focus in last few years and that provides immense opportunities for private investments - which is railways infrastructure. He added that railways sector is now opened up for foreign equity and 100 per cent FDI is allowed in several areas including construction, operation and maintenance of suburban corridors through PPP, high speed train projects, dedicated freight lines, rolling stock including trains sets and locomotive/coaches manufacturing and maintenance facilities, railway electrification; signaling system; freight terminal; passenger terminal and mass rapid transport system.

Mr Shah opined that there is a solid foundation on which bilateral relations between India and Saudi Arabia can build on and scale new heights. The two countries further agreed to constitute a Joint Working Group on the trade and investment issues. ■

Interaction with Mr. Subhash Chandra Garg, Secretary, DEA, Ministry of Finance

A closed door Session was organised with Shri Subhash Chandra Garg, Secretary, Department of Economic Affairs, Ministry of Finance on November 10, 2017 at Delhi. Mr Praveen Garg, Joint Secretary, Ministry of Finance and other senior officials from the Ministry of Finance were also present during the interaction.

The agenda included discussions around the macro-economic environment, outlook for the capital market, various initiatives of the Government to promote domestic and foreign investments, capital raising through equity and debt were discussed. Members gave detailed suggestions on leveraging technology for regulation of market and its constituents, implementation of Insolvency & Bankruptcy Code, platform for trading debt paper, masala bonds, fast tracking mergers, etc.

Other than the members of the Capital Markets Committee, senior members of FICCI representing the NBFCs, corporate laws and fintech sector participated in the interaction. ■

L to R: Mr Praveen Garg, JS (FM), DEA, Ministry of Finance, Mr S C Garg, Secretary, DEA, Ministry of Finance, Mr Sunil Sanghai, Chairman, FICCI Capital Markets Committee, Ms Jyoti Vij, Deputy Secretary General, FICCI

Meeting of BRICS Business Council Financial Services Working Group with Mr. Subhash Chandra Garg, Secretary, DEA, Ministry of Finance

Ms Naina Lal Kidwai, Chairperson of the BRICS Business Council Financial Services Working Group called on Shri Subhash Chandra Garg, Secretary, Department of Economic Affairs, Ministry of Finance on January 16, 2018 to share details on the work being carried out under the aegis of the BBC-FSWG for promoting cooperation amongst members of the financial sector from the BRICS countries.

Ms Kidwai shared details on the discussions held and progress made in areas such as BRICS Rating Agency, New International Payment Card System and BRICS Insurance Support Framework. The importance of MSMEs in all the BRICS countries was also highlighted and how financial institutions from these countries are helping the same in engaging more deeply via trade and investment flows was also mentioned. ■

Interaction with Ms Madhabi Buch, Whole Time Member, SEBI

A closed door Session was organised with Ms Madhabi Buch, Whole Time Member, SEBI on January 17, 2018 in Mumbai. Senior officials from the SEBI were also present during the interaction.

The agenda included discussions around Delisting; OFS; New products including REITS and InvITs; Measures to improve market depth; Debt trading platforms; Insider Trading Regulations etc. Members gave detailed suggestions on the issues discussed and detailed notes on the suggestions would be submitted for consideration of the Regulator. ■

Meeting of FICCI Insurance Committee members with Mr. T S Vijayan, Chairman, IRDAI

A closed-door meeting of members of FICCI Insurance Committee was held with Mr. T S Vijayan, Chairman, IRDAI on January 19, 2018. During the meeting the members reviewed the performance of the sector and it was agreed that the insurance sector has made significant contribution to various aspects of economy such as contribution to the infrastructure development, employment creation, skill development etc. Several issues were also discussed including those related to ownership, product innovation, partnership eco-system, industry wide data platforms and the need for a balance between consumer and shareholder's interest in the long run. ■

FICCI's 19th Annual Insurance Conference - FINCON 2018

L to R: Ms. Jyoti Vij, Deputy Secretary General , FICCI, Mr. Rashesh Shah, President, FICCI and Chairman & CEO, Edelweiss Group , Mr. T S Vijayan, Chairman, Insurance Regulatory and Development Authority of India (IRDAI), Mr. Amitabh Chaudhry, Chairman, FICCI Committee on Insurance and Managing Director & CEO, HDFC Standard Life Insurance Co Ltd , Mr. V K Sharma, Chairman, Life Insurance Corporation of India and Mr. Alpesh Shah, Senior Partner and Director, The Boston Consulting Group.

Year 2017 was a breakthrough year for Indian insurance sector in many ways. Not only the sector saw several leading insurers listing their IPOs, but rapid adoption of the novel technology advancements like blockchain, telematics, artificial intelligence, entrance of new players in the market etc all have created a positive wave for the industry.

However, now is the time to cash in on this positive outlook and chart our ways through to enhance the sector in manifold way. The industry players will have to now work on few other areas like what should be the value management in the post-listing phase, how could the new digital insurers help in enhancing the insurance penetration levels or what new channels of distribution can be adopted by the insurers in this changing phase of insurance etc.

Therefore, to seek solutions to some of these questions, FICCI held its 19th Annual Insurance Conference - FINCON 2018 in Mumbai, which saw industry leaders and experts deliberate and discuss in a day long riveting sessions.

Inaugurating FINCON 2018, the 19th Annual Insurance Conference, Mr. T S Vijayan, Chairman, Insurance Regulatory Development Authority of India (IRDAI) said that India is poised to become a local reinsurance hub going ahead.

Mr. Vijayan, outlined a roadmap for the next wave of growth in the insurance sector in the country. According to Mr. Vijayan, business wise, the 2017 was indeed a productive year as new premiums on life industry have gone up 20 per cent, non-life around 17-18 per cent, standalone more than 42 percent.

Besides this, Mr. Vijayan suggested that 'sum assured' policies, even if they are long term, should be linked with price indexes. Mr. Vijayan continued by saying that even though its challenging, but it is possible today. He also felt that apart from product design, technology should be harnessed so that insurance can also be made more accessible.

He called upon FICCI to help create awareness about insurance among the people. "Efficiency is not just collecting premium. How much has the insurance industry integrated various analytics to understand the customer? This is where the next wave of growth and efficiency will come from," Mr .Vijayan said.

Further, he said, distribution of policies in the times of fast-changing technology will play a key role for growth and any organisation that has access to customer data will have an edge. He felt its key for the industry to be aware about these changes as that's where the next wave of growth will be. The person with large number of customer data will have an edge, he cautioned.

Earlier, in his welcome address, Mr. Rashesh Shah, President, FICCI, and Chairman & CEO, Edelweiss Group, welcomed the delegates and lauded the industry for the progress it has made. Mr. Shah felt that insurance industry has grown to newer heights under the able guidance of Mr. Vijayan.

Speaking on the key trends witnessed by the industry, he said listing of insurance companies will bring greater transparency and higher level of corporate governance which will help the industry garner more trust from the policyholders. He further added that this will help in deepening and broadening the level of insurance penetration in India. Besides this, with more companies entering the capital market, the retail investors too stand a chance to find a new investment avenue in insurance. Mr. Shah pointed that the usage of advanced technology has reduced the time taken in claim settlement from several days to only a few minutes.

Speaking on the key trends to increase the pace of growth, Mr. Shah reckoned with India's aging population, which will have 350 million people over the age of 50 by 2030, the prospects are looking

good for the sector. Other trends included listing; changing risk patterns; demanding customers; Government initiatives; and the arrival of insurtechs. He predicted that there will be greater specialisation in the industry. Entities with access to customers and data will enter the fray and pull away market share. And insurers will be forced to think about customers.

Similarly, insurers are using telematics to help the consumers understand their driving behaviour in terms of fuel efficiency and are exploring the idea of linking motor insurance premium with an individual's driving performance.

The arrival of foreign reinsurance companies into the country, the establishment of hubs such as Gift City in Ahmedabad and the Government programmes like 'FasalBimaYojana', are very positive signs for the industry, Mr. Shah observed.

Mr. V K Sharma, Chairman, Life Insurance Corporation of India, delivering the Special Address announced that the next 10 years will be the "decade of insurance". He further added that it will in a way, lead the financial services sector and lift the total economy in many ways." He credited the Government's reforms for the upsurge in the insurance industry but at the same time also recognized the importance of digital distribution for the next phase of development.

Mr. Sharma recalled how, 61 years ago, on 19 January 1956, an ordinance brought about the nationalisation of 245 companies. "At that time there was space for 245 companies, and today we are grappling with 24-25 companies!" he added.

Mr. Amitabh Chaudhry, Chairman, FICCI Committee on Insurance and Managing Director and CEO, HDFC Standard Life Insurance Co Ltd, delivered the theme address. This year's theme, he said, is a logical continuation of last year's theme that revolved around the changing face of Indian insurance. Digital has impacted insurance greatly. The focus will move towards the product side, and changes can be expected across the product cycle. Standard products have become outdated with the arrival of 'do-it-yourself' models. "Technologies such as the internet of things, artificial intelligence and telematics can change a back office completely." This, he said, will personalise insurance and help in creating a conducive environment for insurance companies.

Mr. Alpesh Shah, Senior Partner and Director, The Boston Consulting Group made a 'Theme Presentation' on 'India Insurance - The next wave of growth and efficiency'. The insurance industry has just come of age, he declared. In the last 18 years, the premium has grown about 13-15 times. "The most visible part in the last six months is listing," he said, pointing out that the six listed insurance companies are among the top 100 companies listed on the market. "Insurance is now a very significant part of India's growth."

Ms. Jyoti Vij, Deputy Secretary General, FICCI, proposed Vote of Thanks at the end of the session. ■

Meeting of FICCI Fintech Committee Members with Mr Ratan Watal, Principal Advisor, NITI Aayog

FICCI Fintech committee members had an interactive session with Mr. Ratan Watal, Principal Advisor, NITI Aayog at NITI Aayog office, New Delhi on 24 January 2018 on the subject of Promoting Digital Payments.

The meeting was attended by a diversified group that included banks, fintech companies, e-commerce players and technology companies. The session began with a brief introduction from all the members.

Mr. Watal mentioned that NITI Aayog has been closely monitoring the digital payments data through RBI and other sources and the progress made in this space has been quite encouraging. He further added that NITI Aayog is open to inputs that help in furthering digital payments in the country and that the inputs should be inclusive and broad-based.

This was followed by was a brief presentation made by Mr. D. A. Tambe Chief General Manager - IT, State Bank of India that helped members to understand the payment ecosystem better.

Mr. Sudhakar Ramasubramanian, Co-Chair, FICCI Fintech Committee and MD and CEO, Aditya Birla Idea Payments Bank mentioned that digital transactions can be divided into three parts i.e regular monthly expenses (mobile bills, electricity bills etc); travel (conveyance) and merchant payments. Some of the suggestions that members of the FICCI Fintech Committee made for promoting digital payments included:

1) Making all transportation tags interoperable across all highways and tolls and also interoperable with UPI, wallets and accounts;

2) Facilitating open API initiatives among State and Central

Government departments to enable digital payments;

3) Encouraging development of Software PoS industry standard to allow proliferation of acceptance points;

4) Making merchant onboarding process easier;

5) Providing greater clarity on reimbursement of transaction MDR (subsidy) and continuing with the same based on ecosystem evolution;

6) Rationalising B2B gateway pricing for payment processing;

7) Promoting MFI loan disbursement and collection through banking channels and

8) Setting up a multi-stakeholder Digital Payments Board for driving a National Digital Payments Policy. ■

Seminar on Role of Information Utility under Insolvency Law

FICCI in partnership with National e-Governance Services Ltd (NeSL) and Indian Banks Association (IBA) organized a Seminar on Role of Information Utility under Insolvency Law on February 09, 2018 at its office in Delhi.
Under the Insolvency and Bankruptcy Code, 2016, all corporate debtors are now obligated to provide financial information to the Information Utility (IU) at par with financial and operational creditors. Information Utility (IU) would play a key role as a repository of financial information pertaining to debts and defaults of registered users. National e-Governance Services Ltd (NeSL) would be India's first licensed information utility (IU) for bankruptcy cases. As a data repository it would specialize in procuring, maintaining and providing financial information to businesses, financial institutions, adjudicating authority, insolvency professionals and other relevant stake holders.

The database and records maintained by them would help lenders in taking informed decisions about credit transactions and the credit information available with the utility, could be used as evidence in bankruptcy cases before the NCLT.

During the workshop detailed insights were shared on the functioning of Information Utility and how it would affect businesses. Corporates from across sectors, banks, financial institutions, legal and consulting firms joined the interactive discussion as delegates.

The key speakers at the seminar were Mr Sidharth Birla, Past President, FICCI and Chairman, Xpro India Ltd, Mr. V G Kannan, Chief Executive, Indian Banks Association and Mr. S. Raghunathan, Executive Director, National E-Governance Services Ltd.

L to R: Ms Jyoti Vij, Deputy Secretary General, FICCI ; Mr Sidharth Birla, Past President, FICCI and Chairman, Xpro India Ltd, Mr. V G Kannan, Chief Executive, Indian Banks Association and Mr. S. Raghunathan, Executive Director, National E-Governance Services Ltd.

Financial Sector Policy Recommendations

- **Industry feedback on RBI Master Directions on Issuance and Operation of Prepaid Payment Instruments**

  The RBI released its Master Directions on the Issuance and Operation of Prepaid Payment Instruments (PPIs) on October 11, 2017. Though the guidelines have incorporated public consultation recommendations, there were a few areas where industry made suggestions for consideration by the regulator. It is important to note that the Government has set a target of 25 billion digital transactions for the current year and PPIs i.e. wallets are a significant tool to encourage adoption of digital means for low-value, low-risk and high frequency transactions, making them an important tool to effect real behavioural change. Moreover, the convenience offered by PPIs, has the potential to convince users to move away from previously preferred paper based transaction instruments, in particular cash.

  Feedback received by FICCI from its members indicates that some of the conditions in the present regulations could pose obstacles potentially inhibiting digital payments uptake for low-value, high-frequency transactions, a stated priority of both the RBI and the Indian Government. The issues that were listed for consideration for RBI included extension of December 31, 2017 deadline for full compliance with the Master Directions besides others.

- **FICCI-IBA Survey of Bankers**

  FICCI released the report of the sixth round of **FICCI-IBA Survey of Bankers**, which is a bi-annual survey. The survey was carried out for the period July to December 2017. A total of 19 public sector, private sector and foreign banks participated in the survey, which represent 59% of the banking industry by asset size. The survey throws some interesting insights on the performance of banking sector in the second half of 2017. As regards the trend in NPAs, 58% of the respondent banks reported a rise in NPAs, which is significantly lower than 80% reporting so in the previous round of the survey, indicating possible stability in credit environment. While the key sectors with high level of NPAs continue to be infrastructure, metals, iron and steel, engineering goods, real estate, food processing and textiles, some of the sectors like metals, iron & steel and textiles are seeing a downward trend in NPAs.

  The survey results also show that following repo rate reduction of 25 basis points by the RBI in Aug 2017, almost 84% of the respondents have reduced their MCLR.

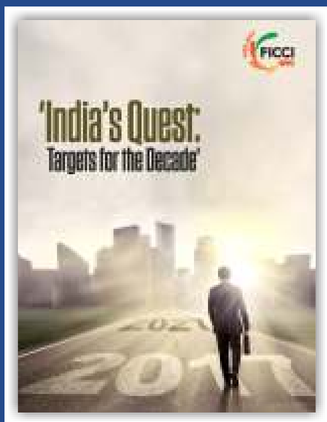
  On digital transactions participating banks mentioned that there has been significant progress in digital transactions over the last one year, across all channels (cards, UPI, Aadhar Pay, etc). Banks also reported that users of digital payments have gone up in the last one year. In-fact, banks suggested greater incentives for promoting digital transactions for merchants and users, as well as creation of dedicated fund for digital payments infrastructure.

- **FICCI submission to the Ministry of Corporate Affairs on the Insolvency and Bankruptcy Code**

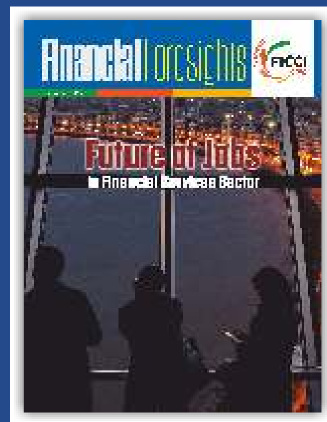
  Last year the Ministry of Corporate Affairs had constituted the Insolvency Law Committee chaired by Mr Injeti Srinivas, Secretary, MCA to examine suggestions made by stakeholders on the Insolvency and Bankruptcy Code. Mr Sidharth Birla, Past President, FICCI and Mr Rashesh Shah, President, FICCI are members of the Committee.

  In order to provide precise, meaningful suggestions to the MCA Committee, FICCI had constituted a Core Group on Insolvency Laws under the chairmanship of Mr Sidharth Birla. Based on detailed deliberations at the meetings of the Core Group as well as stakeholder's consultations, detailed suggestions have been made to the MCA. ■

Economic Affairs & Financial Sector Publications



'India's Quest:
Targets for the Decade'
December 2017



Financial Foresights : Future of Job
in Financial Services Sector
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Productivity in Indian Banking 2017:
Hidden Treasure- How Data Can Turn
The Fortunes For Indian Banks
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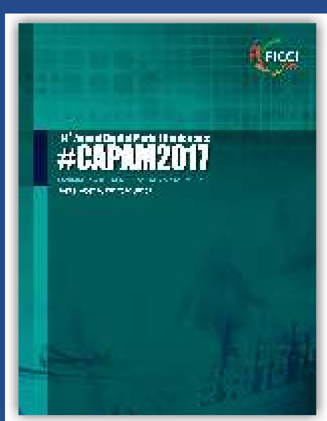

CAPAM Knowledge Paper: The Experts'
Voice - A compendium of articles
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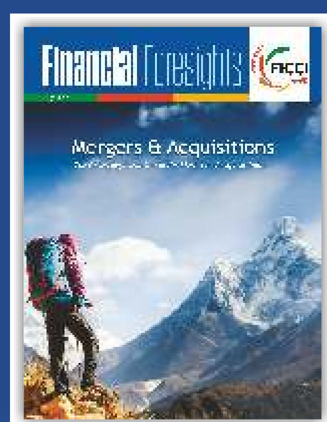

Financial Foresights : Mergers &
Acquisitions The Changing Paradigm in
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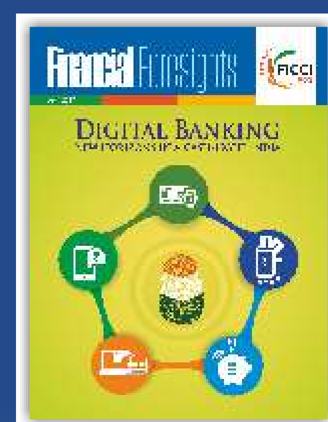

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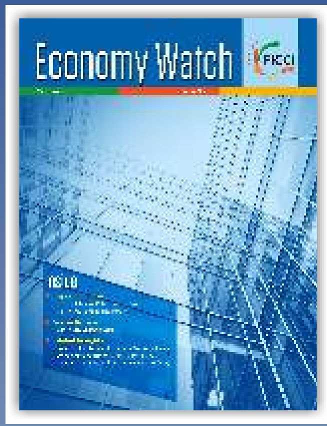
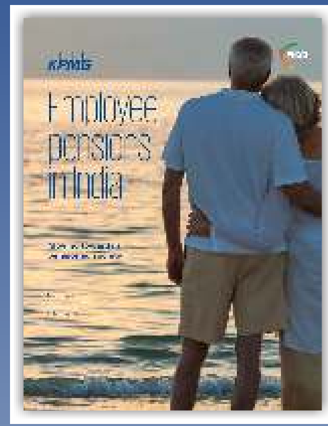


Economy Watch
October 2017



Employee pensions in India
Moving towards a pensioned society
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18th Annual Insurance Conference
FINCON 2017 proceedings
"The Changing Face of Indian Insurance"
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Economic Affairs & Financial Sector Publications

Financial Foresights :
Leveraging the FinTech
Opportunities in India
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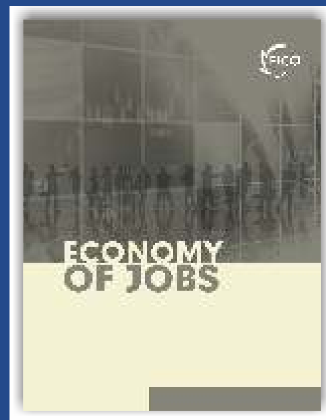
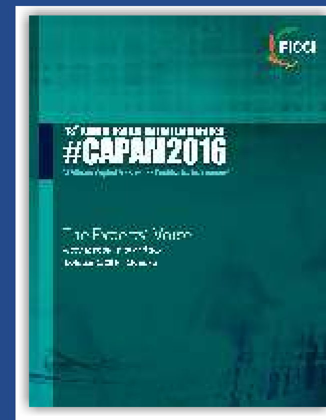


Economy of Jobs
December 2016



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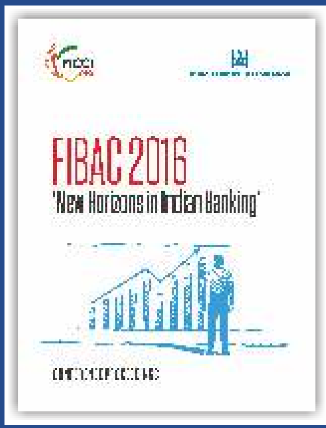

FIBAC 2016 Proceedings –Digital and
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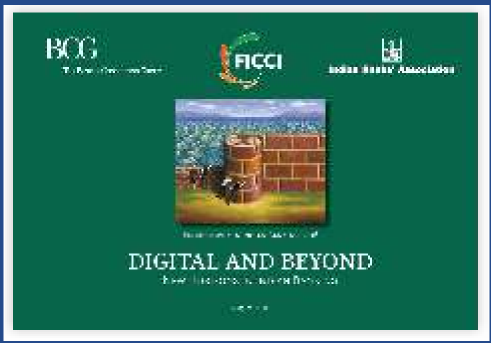

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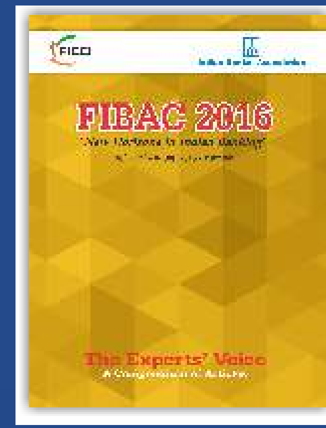

FIBAC 2016- New Horizons
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A compendium of articles
August 2016

Indian Insurance and
Sustainable Development
April 2016

The Changing Face
of Indian Insurance
January 2016

17 Annual Insurance Conference
FINCON 2016 proceedings
"The Changing Face of Indian Insurance"
January 2016

Notes

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The publication is presently disseminated online to a large set of audience of over 5000 people.

The readership mainly comprises:

- FICCI members across the country
- Economists & academicians
- Senior government officials
- Members of the diplomatic community (India and abroad)
- Policy experts

The electronic version of the publication is also disseminated globally through FICCI's international offices.

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