Initial euphoria over IBC is over, say experts

(From left) Trilegal partner Aniruddha Sen; AION Capital managing director and senior partner Kalpesh Kikani; KPMG India partner and head special situations group Manish Agarwal; Standard Chartered Bank managing director Mrigendra Verma; India Resurgence Fund managing director Shantanu Nalavadi; Kotak Investment Advisors managing director Srini Sriniwasan and SBI Capital Market senior vice-president Vishal Gupta.

The initial euphoria over the Insolvency and Bankruptcy Code (IBC) Act has now faded, though the IBC has changed the way promoters looked at their liabilities, according to top industry voices at the *Mint India Investment Summit*.

A year ago, there was much more excitement in the marketplace, said Kalpesh Kikani, managing director and senior partner at AION Capital. The IBC cases were just being resolved, with the first dozen at the fag end of this process. “A lot more realism has now set in," said Kikani. Things have not resolved as fast as people had predicted, but one should not judge IBC based on these last 12 months, said Kikani. “The fact that section 29A is here to stay has indeed played out how promoters approached the post-IBC era and, therefore, pre-IBC deal-making has increased." Banks are working towards recovering the maximum from their assets through the IBC process, said others.

Banks are able to recover maybe ₹60 where they have lent ₹100 in case of good companies, but much less in the case of other companies, said Vishal Gupta, senior vice president, SBI Capital Markets. “First you have to discover the price and then run a Swiss challenge method and we are doing this in quite a few cases—a fair and transparent process. Each case is different and, therefore, you cannot have a standardized process and will have to tweak it," he said. Under the Swiss challenge method, an initial bidder gets a chance to match later bids.

Shantanu Nalavadi, managing director, India Resurgence Fund (India RF), lauded the Reserve Bank of India’s (RBI’s) 12 February circular, saying it was a phenomenal step to push banks towards recognizing stress. “That coupled with section 29A of IBC has shown results," said Nalavadi. Some people, however, highlighted some of the shortfalls of the mechanism.
India has made a lot of progress on IBC regulations, but it is still pockmarked with a lot of issues and the more recent judgements by courts have probably done a little bit of harm to the process and its efficiency, according to Srini Sriniwasan, managing director and chief executive officer, Kotak Investment Advisors.

He pointed out that in a few of these cases, there are a number of operational challenges.
If one goes back to the start of the IBC, everyone had predicted that the first year would be historic and the second and third would see some suspect judgements, said Aniruddha Sen, partner at Trilegal.

“Most of the stress in India is more in the capital intensive sector that is where you need somebody to run and operate. This is not a passive investor role and section 29A makes it more complex," said Manish Agarwal, partner and head, special situations group at KPMG India.