India’s two-year-old bankruptcy law, which gives creditors more power to restructure troubled companies, is luring more and more offshore investors from as far as Canada to buy the nation’s bad debt.

Caisse de dépôt et placement du Québec, a Canadian pension fund manager, has made $600 million available to Edelweiss Group for investment in local distressed assets, according to R.K. Bansal, an adviser for Edelweiss Asset Reconstruction Co. Hong Kong-based SSG Capital Management Ltd. sees more opportunities in such assets, and foreign funds including Oaktree Capital Group LLC and Varde Partners are also keen to participate in the fledgling market.

India’s banking sector is coping with about $210 billion of soured or problem loans, a legacy of a borrowing spree following the global financial crisis and an economic slowdown after that. The Insolvency and Bankruptcy Code introduced in 2016 has given rise to opportunities for funds to acquire borrowers’ distressed assets. High potential profits on those deals attract funds: SC Lowy Financial HK Ltd. expects annualized returns of about 15 percent, according to Chief Investment Officer Soo Cheon Lee.

“The change now is that there is more bad debt available to buy as many more names are in restructuring,” said Pallavi Gopinath Aney, a principal in the finance and projects team at Baker McKenzie Wong & Leow in Singapore. Foreign funds see significant value in problem assets and “are willing to bring in management and expertise to run the distressed companies,” she said.

SSG Capital Management, which oversees more than $4 billion, has deployed a “significant amount of capital” in India, said the fund’s Chief Investment Officer Edwin Wong without elaborating. Its outlook on the nation remains positive, he said.

Sales of distressed assets from banks to third-party investors jumped in the year ended March 31, according to Jamie Tadelis, co-head of sales at SC Lowy Financial in Hong Kong. “We have seen an increase in fund managers pivoting their efforts from other jurisdictions towards India,” he said.

The Hong Kong-based loan and bond trading firm sees India as its main market for distressed debt in Asia, SC Lowy’s Lee said in an interview in March. As a foreign financial firm, it is easier to do business in India than in China, where local partnerships are usually required, Lee said.

The introduction of the bankruptcy law has brought the benefit of debt resolutions with deadlines for foreign funds, said Aney at Baker McKenzie Wong & Leow.

Modi’s Goal

India’s lenders are seeking to resolve about 40 of the largest troubled accounts with an outstanding debt of more than 4 trillion rupees ($60 billion) this year, in line with Prime Minister Narendra Modi’s push to get rid of bad loans.

The bad debt resolutions are already starting to spark mergers and acquisitions.

Tata Steel Ltd. last month said it had completed the acquisition of a controlling stake in Bhushan Steel Ltd. after debt resolution under India's insolvency law. Local bankruptcy courts are also working on other troubled firms such as Bhushan Power & Steel Ltd. and Essar Steel Ltd.