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The recent amendments in the bankruptcy resolution framework will help reduce timelines, enhance transparency and improve realisations, a report said today. “The amendments will help safeguard the interest of lenders by maintaining the residual value of assets and also spur the pace of resolutions under the Insolvency and Bankruptcy Code (IBC),” domestic rating agency Crisil’s senior director Krishnan Sitaraman said in the report.

The fine-tuning of the contentious Section 29(A) of the IBC will open opportunities for resolution applicants to bid once their eligibility is proven, and exempts financial entities from being disqualified from bidding, he said. The reduction in minimum voting threshold for the Committee of Creditors (CoC) to 66 per cent from 75 per cent for key decisions, and to 51 per cent from 75 per cent for routine decisions can reduce resolution timelines, it said. The move to allow promoters of Micro, Small and Medium Enterprises (MSMEs) not categorised as ‘wilful defaulters’ to bid for their assets will reduce liquidation proceedings and improve the loan recovery rate of banks, the report said, adding it will also aid genuinely distressed companies.

Getting the homebuyers on par with financial creditors provides much-needed clarity, especially with respect to cases undergoing resolution under the IBC, where homebuyers are de facto creditors, it said. The changes in Sec 29(A) will also lessen the haircuts that banks may have to take as more companies get qualified for bidding, the rating agency said.

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