

Benchmarks >

Nifty  LIVE

11,223.40 -28.75



NSE Gainer-Large Cap >

Bandhan Bank Ltd.

485.00 23.60



Precious Metal >

Gold (MCX) (Rs/10g.)

34,828.00 11.00



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Market Watch

3 of the 7 IBC amendments credit positive for banks: Report

BY PTI | JUL 25, 2019, 04.51 PM IST

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The seven amendments to the [bankruptcy law](#) are credit-positive in general and particularly for [banks](#) as they restore the primacy of secured [creditors](#), says a report.

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The proposed seven amendments, cleared by the Cabinet earlier this week, aim at improving the effectiveness of the bankruptcy law, and three of the proposals have credit- positive implications for banks, global ratings agency Moody's said in a note Thursday.

The amendments seek to restore the supremacy of creditors by giving them the explicit authority over distribution of proceeds in a resolution process, it said, pointing out to the recent appellate tribunal judgement in the Essar Steel case which put secured creditors on par with unsecured and operational creditors. The order forced the lenders to move the Supreme Court.

The report said the [NCLAT ruling](#) could have had material implications for recoveries by banks, pointing out that Essar is the largest NPA being tackled in the resolution process to date.

"The amendments will be applied with retrospective effect and will strengthen the case of secured creditors in the Essar Steel resolution," Moody's noted.

The second positive is the insistence on resolving cases within 330 days (up from the original 270 days), which is also credit positive as it will reduce resolution timelines, it said.

"Cases in NCLTs have taken much longer to resolve than within the originally envisaged 270 days, largely because of the parties concerned have repeatedly appealed to the higher courts," it pointed out.

The yet to be finally resolved Essar Steel case came in more than 650 days after the bankruptcy filing.

The third amendment that's positive for banks is including homebuyers in the list of creditors, as following this, the committee of creditors can approve a resolution plan if more than 50 percent of the affected homebuyers back it.

This is positive for banks as it will facilitate the resolution of real estate projects, the agency said, adding the large number of homebuyers in big projects has made resolutions difficult.

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