

CABINET OKAYS AMENDMENTS TO BANKRUPTCY CODE

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The Union Cabinet on Wednesday approved amendments to the Insolvency and Bankruptcy Code, placing a greater emphasis on more time-bound resolution and laying down voting rules of the financial creditors.

“The Union Cabinet today approved the proposal to carry out seven amendments to the Insolvency and Bankruptcy Code 2016 through the Insolvency and Bankruptcy Code (Amendment) Bill, 2019,” the government said in a release.

Among the amendments approved is the one that mandates a deadline for the completion of the resolution process within 330 days, including all litigation and judicial processes. “Votes of all financial creditors covered under Section 21(6A) shall be cast in accordance with the decision approved by the highest voting share [more than 50%] of financial creditors on present and voting basis,” the release added.

Minimum liquidation

Another amendment allows for creditors who voted against the majority to receive a minimum liquidation value. This decision would have retrospective effect in cases where the resolution plan has not yet been finalised or has been appealed against. The Amendment Bill also states that the resolution plan will be binding on all the stakeholders, including governments, to whom a debt is owed.

“Welcome amendments to the IBC, specifically the clarity around process timelines, and the clarity around the binding nature of the proposed resolution vis-a-vis the central, state and local governments,” Sanjeev Krishan, Partner & Leader – PE & Deals, PwC India said.

“Allowing all possible corporate actions as part of the proposed resolution plans can also help save time and effort for applicants.”

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