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CDRC stands by its target

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THE Corporate Debt Restructuring Committee's target of resolving corporate debts in its portfolio within a year remain on course despite the worsening global economic condition.

"We still hope to meet that deadline. However, we are realistic and recognise that certain cases may need a longer resolution time," said chairman Datuk Azman Yahya.

He said that when the new initiatives were implemented in August, the economic situation was already "less than rosy".

"There may be more uncertainty now, but CDRC will just have to work within the parameters," he said.

There were concerns that the debt restructuring exercises would be affected as the global economic outlook is in a shambles now following the Sept 11 attacks in the United States.

According to an International Monetary Fund report, the global economy which was already on the brink of a recession before the tragedy, now faces gloomier prospects.

IMF said the global economic growth will be at 2.6 per cent this year.

However, Prime Minister Datuk Seri Dr Mahathir Mohamad had reiterated that the Government would continue to help viable companies restructure their operations which in turn would support the economy.

Azman said it was unlikely that more companies would be referred to the agency given the unfavourable economic situation, partly because of the revised criteria.

"We believe the urgent cases that require CDRC's mediation have already been referred to CDRC. It is also unlikely that we will see many more new cases," he said.

In August, CDRC had imposed a new set of guidelines in its move to speed up the process of corporate loan restructuring, amounting to RM30 billion on its slate.

One of the new criteria is that companies have to complete debt reorganisation agreements in three months.

This means that banks will have to take a bigger cut and accept a lower recovery rate on doubtful loans. Both lenders and borrowers now face tough penalties if they continue to drag their feet or hold up negotiations.

The new guidelines include having a debt restructuring scheme accepted by 75 per cent of the creditors instead of 100 per cent.

It has also narrowed down the criteria for applications where it now gives consideration to companies with a minimum aggregate borrowing of RM100 million instead of RM50 million previously.

Another new condition is having exposure to at least five creditor banks from two.

CDRC has so far resolved RM26.5 billion in bad debts from a total of RM65.9 billion since it was set up in 1998 to provide an orderly management of corporate debts following the Asian financial crisis.