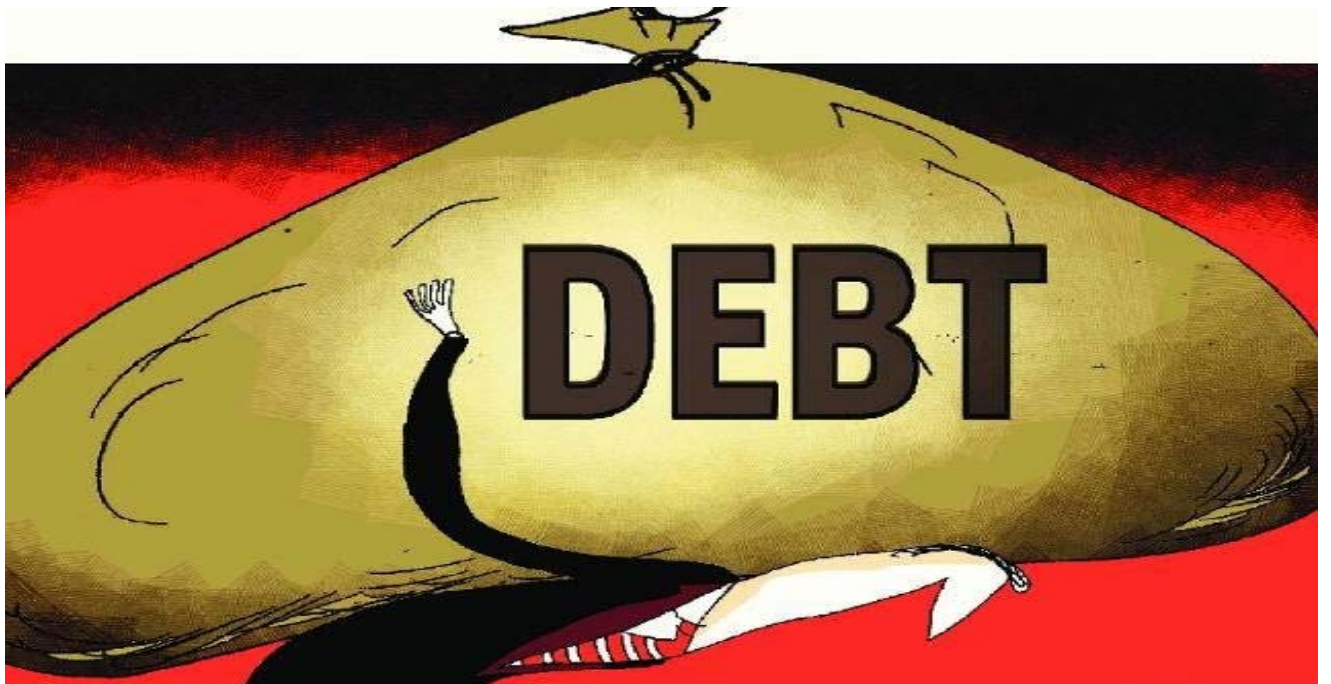


Why Chhaparia Industries debt recast matters



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25 Sep 2017 : The **Mumbai** chapter of India's dedicated **bankruptcy** courts has approved the debt-plan for a bespoke manufacturer based on the outskirts of the city , marking the country's second successful resolution of sticky loans since the new recovery laws came into effect last year.

Although the **Chhaparia Industries** default appears smallticket in the context of pending recoveries totaling an estimated Rs 8 lakh crore, the successful resolution process should give confidence to all the stakeholders involved in such cases. The National Company Law Tribunal (Mumbai) approved the plan that requires financial creditor Asset Care and Reconstruction Enterprise to realise about 40 per cent of its defaulted loans. Operational creditors will get a fourth of their dues.

Pawan Chhaparia and his son Ashish Chhaparia, promoters of the Thanebased company, submitted a resolution plan that would require them to inject Rs 9 crore. The resolution plan was finally approved by the **NCLT Mumbai** last week.

“There were as many as seven hearings to get this resolution plan approved by NCLT,” said Vikram Bajaj, the appointed resolution professional.

“NCLT judges have gone through the entire jurisprudence available both globally and locally .”

Jyoti Singh, partner at Phoenix Legal, was representing the company and the resolution applicants at a Mumbai NCLT bench under member judge B.S. V Prakashkumar and technical member V Nallasenapathy.

The company had defaulted about Rs 41 crore in loans, taken from J & K Bank. The bank later sold it to Asset Care, which is engaged in buying and selling of **bad loans**, known as asset reconstruction company (ARC).

Outstanding claims including interest were around Rs 50 crore, of which Asset Care will now receive about Rs 21 crore. Operational creditors will obtain a credit of about Rs 1.53 crore, of which they have already received part payment.

For the first time, a financial creditor has allowed the corporate debtor (Chhaparia) to sell its securities to enable upfront repayment of operational creditors that supplied goods and services.

“Asset Care was wise enough to preserve the Rs going concern enterprise value' of the business,” Bajaj said.

Mumbai-NCLT admitted the company for bankruptcy proceedings on February 24 this year.

The resolution came well before six months, the first level of stipulated period within which a case has to be solved, be it resolution or liquidation.

Synergies Dooray Automotive was the first successful case of debt recast under the new insolvency code.