Facing tough times over the past two years and networth erosion, Sirpur Paper Mills Ltd is set to be put on the recovery path by JK Paper Ltd.

The Committee of Creditors had last month approved a resolution plan of JK Paper and the same was under consideration by the National Company Law Tribunal in Hyderabad.

According to a consolidated report filed by Ram Ratan Kanoongo, Resolution Professional appointed by the NCLT, the resolution plan received 80.66 per cent votes in favour of the Resolution Plan and 19.34 per cent against it. As the CoC has to approve the Resolution Plan by a vote of not less than 75 per cent of voting share, as required under Section 30 (4) of the Insolvency and Bankruptcy Code 2016, the resolution plan of JK Paper was approved.

IDBI Bank, State Bank of India, Central Bank of India, Andhra Bank and Syndicate Bank, voted in favour of the resolution plan.

In the revival moves, the Telangana Government played a pro-active role by offering several incentives for the success of the Resolution Plan as it has a huge bearing on the district and the State economy.

While initially there were at least seven in the fray, the plan was eventually submitted by JK paper, whose proposal received a nod with majority lenders.

West Coast Papers Ltd, Star Paper Mills Ltd, Century Pulp and Paper, Riddhi Siddi Gluco Ltd, Phoenix Arc and OM Metals Infrastructure Ltd were among the companies which evinced interest.

As per the resolution plan, the revival covers a total outlay of ₹782 crore, including settlement of dues of about ₹371 crore against a claim of ₹673.59 crore and investment of about ₹400 crore, towards revival and capacity augmentation.

The integrated paper mill commenced its operations in 1938 under the Nizam rule and was functioning well till about a few years when it began to see downward slide in its business, leading to piling up dues and networth erosion.

On April 2, 2018, BusinessLine had reported that the JK Paper's bid to take over the paper mill is likely to be approved.

(News in Business Line on 21.06.2018)

Power sector rues assets going to NCLT; seeks regulatory leniency

Sitting on stressed power assets of over 40,000 MW, power producers across the country are seeking regulatory forbearance to resolve the issue. The sector has seen some power assets being considered for insolvency proceedings under the IBC.

Experts recommend a two-pronged approach to avoid insolvency cases. The first is to relax the RBI's regulatory framework; the second is to roll out an action plan based on stress points.

The Association of Power Producers (APP) recently wrote to the Central Electricity Authority, suggesting ways to salvage a significant part of the stressed power assets headed towards the NCLT.

Persisting problems
Ashok Khurana, Director General, APP, maintained that taking the power producers to NCLT would not be the answer. "Even the new owner is going to face the same problems as we face. The change of ownership doesn't help. If you sell these assets now, they will have high value erosion of up to 70 per cent. In two years, when all these issues are resolved, those who have taken these assets will make profits. This will cause a loss to the tax-payers' money. We need regulatory forbearance to resolve the issues."

The industry fears that about 75 GW (52 GW operational and 23 GW under implementation) will go to NCLT.

A Crisil estimate sees a haircut of about 60 per cent at an aggregate level for large stressed assets to arrive at a sustainable level of debt.

The Indian Banks Association and APP have requested relaxations by extending the sunset clause as on September 30, 2018; increasing the default reference date from one day to 30 days; changing the clause so that a resolution plan can be cleared if 75 per cent of lenders approve it (against the earlier 100 per cent); and extending the implementation period of resolution plan from 180 days to 365 days.

Underlining the long-term issues that have been plaguing the power sector, Harry Dhaul, Head, Independent Power Producers Association, said: "The recent Allahabad High Court order makes the authorities sit up and work in coordination to find out a solution. The problem doesn't lie with the investors or the power projects, but it is the mechanism and systems. There are fundamental issues which by changing a promoter will not get resolved. This government has showed its resolve to do it. This mess is a long-time mess and it can be sorted out."

Commercial issues
Kameswara Rao, sector expert from PwC, said that before the financial issues get addressed, the commercial issues need to be resolved first as they are the backbone of the sector.

"The investors are not wilful defaulters — they are victims of circumstances. Therefore, the government may need to resolve the commercial issues preferably," he said.

(News in Business Line on 21.06.2018)

Cross-border insolvency: Centre seeks comments on draft policy by June-end

In big step towards ushering in a legal framework for cross-border insolvency, the Ministry of Corporate Affairs (MCA) has invited stakeholders' comments on a draft policy for the same.

The suggestions have to be mailed to MCA by the month-end.

The MCA is keen to introduce a globally accepted and well-recognised cross-border insolvency framework within the Insolvency & Bankruptcy Code, 2016 (IBC), fine-tuned to suit the needs of the economy.

The inclusion of the cross-border insolvency framework will further enhance 'ease of doing business', provide a mechanism of cooperation between India and other countries in the area of insolvency resolution, and protect creditors in the global scenario, an official release said.

Furthermore, it will make India an attractive investment destination for foreign creditors given the increased predictability and certainty of the insolvency framework, it added.

With the size of the economy growing, businesses and trade have adopted an increasingly international character. Creditors and corporates frequently transact business in more than one jurisdiction.

Foreign banks and creditors finance Indian companies and domestic banks have foreign exposure.

Moreover, as part of its 'ease of doing business' and Make in India policies, India is wooing foreign companies to set up manufacturing facilities here.

(News in Business Line on 21.06.2018)

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