

Background

In the 17th Empowered Committee (EC) meeting on MSMEs/ SLIIC convened by Reserve Bank of India on December 22, 2011 at its Regional Office, Jammu, it was decided to constitute a Sub-committee of State Level Inter-institutional Committee (SLIIC) under the Chairmanship of a nominee from the Commissioner-cum-Secretary, Industries and Commerce, which would be convened by the Convenor, J&K SLBC with the Director, Industries Kashmir & Jammu, Controllers of SBI, PNB, JKBL, concerned bank whose case will be discussed, JKSF, JKSIDCO (in case their case is being discussed) and the individual unit holder through the concerned Association. The Sub-Committee would meet once in a quarter preferably 15 days before the SLIIC meeting and report to the SLIIC.

The Sub-Committee of SLIIC has been constituted with the objective of (i) discussing individual cases of sick units and (ii) Reconciliation of lists of sick units with Directorate of Industries.

First meeting of the forum was conveyed on 3rd of August 2012, minutes whereof were circulated vide Ref. No. LBD/SLBC/Sub-Com SLIIC/2012- 448 dated September 20, 2012. Since then no further meetings could be conveyed.

In the 22nd meeting of Empowered Committee on MSMEs held on 5th April 2013, it was desired that meeting of the Sub-Committee of SLIIC should be conveyed around 20th of April 2013.

Agenda Item No: 01

Individual Sick MSMEs units in J&K State:

**(1) M/S Alkabr Fleshy Food Products, I.E. Khanmoh, Srinagar
(SBI, B/O Residency Road, Sgr.)**

In the backdrop of deliberations of the 21st meeting of Empowered Committee on MSMEs held on 27.12.2012 at Reserve Bank of India, R.O. Jammu, the case of M/S Alkabr Fleshy Food Products, Srinagar, was forwarded by Reserve Bank of India, R.O. Jammu vide their letter bearing RPCD (JMU) No.254/03.01.24/2012-13 dated January 14, 2013, for being discussed in the meeting of the Sub-Committee of SLIIC to settle the issue. Brief description of the case is given below:

Brief description of the case	Comments of the Bank concerned, if any
<ul style="list-style-type: none"> • As per the documents of the case, the unit was operating at I.E. Khonmoh. • In 2009, after registration by DIC Srinagar the case was sponsored to SBI, Residency Road, Srinagar for providing working capital facility to the tune of Rs.62.60 Lacs. • The bank has sanctioned a loan facility to the extent of Rs.14.00 Lacs only on testing lab and DG Set but not working capital. • The unit is praying for working capital facility. 	<p><u>Joint Inspection of the case:</u> In terms of Industries & Commerce Department (Kashmir) communication dated 12.3.2013, a joint inspection of the unit was got conducted by a team comprised of representatives from Industries Department, Convenor, SLBC, representative bodies of Trade & Industries, viz. FCIK, KCC, and the financing Bank, on 26.3.2013.</p> <p>Findings of the joint inspection received from the Joint Director, Industries & Commerce (copy enclosed for ready reference as Annexure-A), reveals that the unit has not been properly financed, and due to paucity of sufficient working capital the unit is suffering unnecessarily for which the whole onus lies with the concerned bank.</p>

The forum is requested to deliberate the issue and make necessary recommendations, for onward transmission to Reserve Bank of India, R.O. Jammu, who have sought the Action Taken Report in the matter.

(2) M/S Kashmir Plastic Industries, I/E Barzallah, Budgam (SBI, B/O Barzallah):

The case was forwarded by the Industries & Commerce Department (Kashmir) vide their letter No. DI&C/MOP/245/147 dated 1.08.2012 and was deliberated upon in the first meeting of the Sub-Committee of SLIIC held on 3.8.2012. It was decided that the case shall be re-examined by the concerned financing bank, viz. State Bank of India and considered for rehabilitation after re-assessing his requirement of finance. The proprietor of the said concern was advised to immediately meet the concerned officer of State Bank of India.

Brief description of the case	Comments of the Bank concerned
<ul style="list-style-type: none"> • M/S Kashmir Plastic Industries formally registered under No. 242/1/8/plastic/63 dated 6.1963 for manufacturing of polythene bags/ items. • The unit is accommodated in Government shed allotted by the Department. • The unit has been established by the promoter with its own capital by spending the amount for purchase of full component of plant and machinery. • Total requirement of the unit to meet out the working capital was assessed to the tune of Rs.1.50 Lacs per month. • SBI Branch Barzallah in 1965 sanctioned only Rs.0.50 Lacs later on enhanced to Rs.0.80 Lacs for meeting the working capital requirement. • The amount of W.C. was found inadequate and the unit has not achieved even the 10% of the installed production. The production losses caused symptoms of sickness. • The issue was taken up with SBI for fresh working capital on 50% utilization basis to the tune of Rs.2.11 Lacs for 3 months in the year 1978. SBI not agreeing the proposal was of the view that out of 21 machines 19 are surplus and the requirement of working capital will be of Rs.0.80 Lacs. • The Deptt. of Industries, SISI were of unanimous opinion that these machines can run profitably if the adequate working capital requirement will be provided to the unit, but SBI never compromised on this issue. • Finally the unit was identified as sick by General Manager, DIC Budgam and Rehabilitation Revival Plan prepared by the Gegal Eng. Consultants wherein the details of Rehabilitation programme has been chalked out. As per revival plan the requirement for soft loan is Rs.12.00 Lacs. • Issue again taken up with SBI in July 2008 for providing commitment letter for additional finance, who have sought joint inspection of the unit by their Regional Office to assess economic viability mandatory for financing the unit. 	<p>SBI vide letter dated Nov.02, 2012 has informed that the Proprietor of the unit concerned has visited SBI, where he was apprised of all the weaknesses of the project and bank's concern for not taking the unit under Rehabilitation Package. The bank has forwarded the following comments.</p> <p>The Borrower has submitted project report for rehabilitation of captioned sick unit in the month of Jan. 2010. The report was sent to Credit Processing Cell, the under-noted issues were raised by the Cell, which were advised to the Borrower:</p> <ol style="list-style-type: none"> 1) For KYC promoter has submitted passport, which was expired on 5.10.2009, Borrower was advised to submit fresh or alternate proof. 2) The project report submitted by the firm does not carry any reference beyond the year 2007, besides the report states that one partner out of the founding three has been evicted implying that the firm is a partnership concern with two partners, where other enclosures show the present constitution of the firm as proprietorship. 3) The proprietor of firm is 80 years old, arrangement for succession for alternatives for continuity of business in place. 4) The unit requires additional 10 kanals of land for carrying out proposed manufacturing of fiberglass-reinforced plastics (FRP) product related expenditure was not shown as part of the project cost. Arrangement to be made for acquisition of the required land. 5) The team of officers from R.O. has visited the site on 23.4.2009, detailed report alongwith photographs submitted by AGM (RASMECCC) was also submitted to RBI Jammu vide letter No. RI/RBO/09-10/147 dated 19.05.2009. <p>The borrower has not responded to above issues raised by SBI credit processing cell and observation made by RASMECCC and the matter was closed.</p>

The forum is requested to deliberate the issue

3) Other Cases forwarded by Director, Industries & Commerce, Kashmir:

Apart from above, Directorate of Industries & Commerce, vide Endorsement No. DI&C/RSU-SLIIC/14 dated 18.4.2013 have forwarded a copy of the communication dated 09.03.2013 from Federation of Chamber of Industries, Kashmir (FCIK), forwarding therewith details of 15 cases for inclusion in the agenda of the Sub-Committee of SLIIC. The said communication alongwith the list of said 15 MSMEs units is enclosed as **Annexure-B** for information of the members.

Forum is requested to deliberate the issue.

Agenda Item No: 02

Reconciliation of Sick MSMEs Units in J&K State:

In the first meeting of the Sub-Committee of SLIIC held on 3rd August 2012, Chairman of the meeting (Director, Industries & Commerce Department -Kashmir) informed that for the purpose of revival and rehabilitation of sick MSMEs units Government of J&K has already constituted a Committee. The said Committee has prepared a list of 175 potentially viable sick MSMEs units that could be rehabilitated, which comprise of the following categories:

• Partly functional units	...	025
• Units closed (existing) interested in revival	...	102
• Units belonging to migrants	...	008
• Units under occupation of security forces	...	028
• New applications received for rehabilitation	...	<u>012</u>
TOTAL	...	<u>175</u>

In the said meeting it was decided that Industries & Commerce Department shall circulate for information of all the banks and other stakeholders the said revised list of 175 potentially viable sick MSMEs units prepared by the Committee constituted by the Government, to be considered for revival and rehabilitation.

The issue came up for discussion in the 20th meeting of the Empowered Committee on MSMEs held on October 10, 2012 at RBI, Regional office, Jammu, wherein the representatives from FCIK and KCCI requested for specifying a time bound mechanism for rehabilitation of the said 175 identified sick MSMEs units. In the said meeting the Regional Director advised the SLBC convenor to send the bank-wise / financial institution-wise list to the respective banks/ financial institutions and direct them to decide on the matter in a time bound manner.

Accordingly, the said list of 175 identified potentially viable sick MSMEs units (**copy enclosed as Annexure-C**), received from the Directorate of Industries & Commerce (Kashmir) was circulated by SLBC Secretariat vide letter dated 22.12.2012 among all the concerned banks for information requesting them to take decision with regard to their respective sick units in a time-

bound manner and intimate the action taken to SLBC Secretariat accordingly for information of Reserve Bank of India and the SLIIC. However, so far none of the concerned banks have responded.

The representative bodies of Trade & Industry have represented that the issue of revival and rehabilitation of the said identified 175 potentially viable units be discussed with the concerned banks in the meeting of the Sub-Committee of SLIIC to settle all the cases. Besides, in the recently held 22nd meeting of the Empowered Committee on MSMEs, it was desired that the Sub-Committee of SLIIC should meet immediately to conclusively decide the identified 175 potentially viable sick MSMEs units.

In the light of above, the forum is requested to deliberate the issue

Agenda Item No: 03

Finance pattern for revival and rehabilitation of sick MSMEs units:

In the last meeting of the Sub-Committee of SLIIC held on 3rd August, 2012, it was among other things decided:

- **Under the revival and rehabilitation package of the sick MSMEs units the ratio of Bank Finance, Margin Money and Promoters contribution shall be in the ratio of 70:20:10.**
- **The package would be a multi-party mechanism involving Industries Department, SIDCO and the Banks and for the rehabilitation of existing units all the three parties shall have to be taken on board.**

In this regard, the J&K Bank had sought the details of the department/ agency, which will provide the margin money of 20% alongwith the terms & conditions on which the said margin money will be approved by the said department/ agency.

Similarly, the Kashmir Chamber of Commerce & Industry, vide their communication dated October 5, 2012 has sought clarification as to who will provide the 20% component of margin money in respect of the cases considered for revival.

The issue also came up for discussion in the meeting of 22nd Empowered Committee on MSMEs held on 5th April 2013 at RBI, R.O. Jammu under the Chairmanship of Regional Director, RBI, wherein it was decided that the issue may be resolved in next sub-Committee meeting of SLIIC.

The forum is requested to deliberate the issue, so that the queries under reference are sorted out.

Agenda Item No: 04

Any other issue, with the permission of the Chair.