

## **Minutes of meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) held on 16<sup>th</sup> May 2013**

A meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) was held on 16<sup>th</sup> May 2013 at J&K Bank, Corporate Headquarters, Srinagar. Terms of reference for the meeting was to discuss the individual cases of sick units of MSMEs, as mandated by the Empowered Committee/ SLIIC. The meeting was chaired by the Director, Industries & Commerce (Kashmir), Mr. Mehraj-ud-din Kennu and was attended by other members of the Sub-Committee of SLIIC including Vice President (Priority Sector), A&AP Division, J&K Bank, Circle Head, Punjab National Bank, representatives from SBI, UCO Bank, SIDCO, J&K SFC, Industries & Commerce Department, and representatives from KCCI and FCIK. The list of participants is enclosed as **Annexure-A**.

Director, Industries & Commerce (Jammu), Development Finance Corporation, representatives of Jammu Chamber of Commerce & Industry and Federation of Industries Jammu and J&K State Cooperative Bank did not attend the meeting despite timely invitation.

The Director, Industries & Commerce (Kashmir), Chairman of the meeting, after formally welcoming the participants, desired that in future all members of the forum should be advised to ensure their participation in the meetings for enabling fruitful and result-oriented deliberations.

### **Agenda Item No: 01**

#### **Individual Sick MSMEs units in J&K State:**

##### **(i) M/S Al-kabir Fleshy Food Products, I.E. Khanmoh, Srinagar (SBI, B/O Residency Road, Sgr)**

The Chairman stated that the case of M/S Al-kabir Fleshy Food Products was referred by Reserve Bank of India for being discussed in the meeting of Sub-Committee for settlement. He stated that recently a joint inspection of the unit was got conducted by a team comprised of the representatives from the Industries Department, SLBC Convenor Bank, District industries Centre, FCIK, KCCI and State Bank of India, which found that the unit has not been financed as per norms. He pointed out that some officer from the Regional Office of SBI has been provoking the concerned entrepreneur, and advised that before the matter is brought to the notice of the Government, SBI authorities should look into this and ensure that the people from SBI exercise restraint. He advised the Joint Director, Ind. & Commerce to read-out the report of the Joint Inspection for information of the members.

Findings of the report were readout in the meeting by the Joint Director, Industries & Commerce, Mr. Ajaz Ahmad Bhat. The Chairman pointed out that the findings of the Joint Inspection Report were suggestive of the fact that the unit has been under-financed. He sought views of the other members on the issue.

The representative of State Bank of India stated that he has not gone through the report and was not in a position to comment on the issue.

The Vice President of FCIK, who was part of the Joint Inspection team, stated that during the inspection the team members were unanimously of the view that the unit has been under-financed. He remarked that the people from State Bank of India are not serious in resolving the issues of entrepreneurs. He

pointed out that the unit of M/S Al-kabir Fleshy Foods has been devastated due to callous approach of the SBI authorities, who did not provide it the due finance as per requirement.

**(ii) M/S Kashmir Plastic Industries, I. E. Barzulla (SBI B/O Barzulla)**

The Chairman stated that M/S Kashmir Plastic Industries located in the Industrial Estate Barzulla, is yet another MSME unit, which was reportedly under-financed by SBI. He pointed out that in the last meeting of the forum it had been decided that SBI will re-examine the case and consider it for rehabilitation after assessing his financial requirement and accordingly the Proprietor of the unit was advised to immediately meet the concerned officer of SBI. However, SBI vide their letter dated November 02, 2012 has informed that Proprietor of the concern has visited SBI office, where he was apprised of the weaknesses of the project and bank's concern for not taking the unit under Rehabilitation Package. The Chairman sought views/ latest status of the case from the representative of State Bank of India.

Responding to this, the representative of SBI informed that he was not fully aware of the case, but his predecessor, Mr. K. J. Pandita, Officer of SBI dealing with the case, who has since retired from bank's service, had made mention of some of the deficiencies of the case, i.e.

- The Proprietor is of 80 years of age;
- The unit requires additional 10 kanals of land;
- Some documents submitted by the borrower were very old/ expired;
- The party was extended the benefit of Debt Waiver etc.

The Sr. Vice President, FCIK, Mr. Mohammad Ashraf Mir, taking part in the deliberations on the issue-expressed concern that SBI has not been serious in sorting out the issue. Pointing out that age of the borrower could not be a barrier for financing the unit, he informed that the bank has not sought the details of his legal heirs. He stated that Proprietor of the unit complains of being a victim of under-financing by SBI and requested the forum to find out who is at fault and fix responsibility. He pleaded that the forum should look into all such cases sympathetically and ensure their revival.

The representative of SBI stated that he has to refer back to higher authorities of the bank in this regard.

The Chairman advised the SBI to intimate the strategy the bank is going to adopt for sorting out the issue. Suggesting that in case SBI was not interested to solve the case, they should straight away come out with the same, so that forum will frame out its recommendations to RBI accordingly.

After thorough deliberations it was decided that

- **State Bank of India will consider both the cases of M/S Kashmir Plastic Industries and M/S Al-Kabir Fleshy Foods seriously and come out after a week's time with proper strategies to settle these cases. The Chairman advised the representative of SBI to provide him necessary feedback in this regard in his office indicating the strategy adopted for settlement of these cases.**

**(Action: State Bank of India)**

**(iii) M/S Global Electronic Industries, Rangreth (Financed by J&K Bank):**

The Chairman requested J&K Bank to consider the case of M/S Global Electronic Industries for rehabilitation.

Responding to this, the Vice President, J&K Bank, Mr. A. K. Pandita informed that M/S Global Electronic Industries was already rehabilitated in September last year by providing a loan facility of Rs.43.00 lakh,

but expressed serious concern that the borrower has again defaulted, which proves it beyond doubt that the borrower concerned is not capable enough to run the unit. He, therefore, expressed bank's inability to consider the party again for rehabilitation.

The Chairman reiterated that willful defaulters shall not be considered for rehabilitation in any case and requested the representative organizations of Trade & Industry to convey this to all the concerned unit holders.

The representatives of FCIK as well as KCCI clarifying the stand of their organizations stated that they will not defend those unit holders who happen to be willful defaulters to the concerned financing banks. Joining discussion on the issue, the representative of FCIK informed that the borrower has approached them for OTS. In response the Vice President, J&K Bank stated that if the borrower approaches our Bank for OTS, the same will be dealt on merits.

- **After brief discussion on the issue, it was decided that instead of considering M/S Global Electronic Industries for rehabilitation, J&K bank should initiate process for final settlement of the case.**

**(Action: J&K Bank/ FCIK)**

#### **Agenda Item No: 02**

##### **Reconciliation of Sick MSMEs Units in J&K State**

The Chairman informed that pursuant to the decision taken in the last meeting of the Sub-Committee of SLIIC and also as per directions given in the 20<sup>th</sup> meeting of Empowered Committee of RBI on MSMEs, the list of 175 potentially viable sick MSMEs units identified by the Committee constituted by J&K Government for rehabilitation, has been already circulated by SLBC to all the concerned banks/ financial institutions on 22.12.2012. He expressed hope that all the banks must have received the said list of 175 potentially viable sick units.

The Vice President, J&K Bank, Mr. A. K. Pandita informed the forum that out of the list of 175 sick units identified by the Government for rehabilitation only 23 cases pertain to J&K Bank out of which 05 cases have no details about the financing Branches and a list of same was handed over to the Industries Department/ FCIK and they were informed that so far none of the parties have turned up with any proposals for their rehabilitation. He sought cooperation of the FCIK/ Industries Department and KCCI in the matter to facilitate resolution of these cases.

The Chairman advised that:

- **All the concerned banks should make necessary due diligence of these cases and seek time-bound resolution of the cases pertaining to them, so that the cases are settled once for all and Reserve Bank of India is informed accordingly.**
- **The representative organizations of Trade & Industry should extend cooperation to J&K Bank and all other banks in this regard to ensure that the concerned parties approach their respective financing banks for settlement of their cases.**

**(Action: Concerned Banks / KCCI / FCIK)**

#### **Agenda Item No: 03**

##### **Finance pattern for revival and rehabilitation of sick MSMEs units:**

The Chairman stated that in the last meeting of the Sub-Committee of SLIIC held on 3<sup>rd</sup> August, 2012 it was, among other things, decided that 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

and the understanding was that 70% would be the finance provided from banks, 20% would be the margin money component also to be provided by the banks and the remaining 10% would be the contribution from the entrepreneur. Seeking cooperation of the bankers on the decision once taken by the Sub-Committee, the Chairman (Director, Industries & Commerce Kashmir) stated that banks are the main source of finance available to the government. He further stated that if the banks agree to provide 20% component also, interest on that amount would be borne by the Industries & Commerce Department.

The Vice President of J&K Bank, Mr. A. K. Pandita expressing his disagreement with the contention of the Industries & Commerce Department, clarified that the margin money component of 20% has to be provided by the Government either through Industries & Commerce Department or the SIDCO, as the banks cannot provide 90% finance to these units. He stated that had this been the understanding, the financing pattern decided in the previous Sub-Committee meeting would have been mentioned as 90:10 rather than 70:20:10. Even the minutes circulated by Lead bank did not carry details of any such pattern agreed to in the meeting. However, since some confusion has arisen, the issue will be escalated to the competent authority of the Banks for taking a decision.

The DGM, Punjab National Bank, Mr. Latif Ahmad Mir stated that providing 90% finance for rehabilitation of the units is not included in the policy of their bank. He further stated that banks are regulated by the guidelines issued by Reserve Bank of India, which would not permit bank finance to the extent of 90%. He suggested that the issue be referred to Reserve Bank of India for guidance.

The representatives of State Bank of India and UCO Bank expressed their inability to agree to the finance pattern of 90:10.

The representative of KCCI pleaded that banks should come to the rescue of the entrepreneurs and agree to the proposal of providing 90% finance to them; otherwise the rehabilitation of the units would be a distant dream.

The Chairman stated that in case the banks are not able to provide the 20% margin money component also, Industries & Commerce Department will have to recommend the same to the Government for further course of action.

The representatives of banks stated that since this was the policy matter of the banks, they will have to consult their higher ups on the issue.

It was accordingly decided that:

- **All the concerned banks shall take up the issue immediately with their respective higher authorities to decide upon the issue and inform the Industries & Commerce Department (Kashmir) after a week's time, so that further course of action is decided by the Government.**

**(Action: All concerned Banks)**

#### **Agenda Item No: 04**

##### **Other issues deliberated in the meeting:**

The Sr. Vice President, FCIK, Mr. Mohammad Ashraf Mir, pointed out that J&K SFC is not issuing NOCs for the last one year in favour of all those parties, who had gone for One-Time Settlement of their loan cases, so that their collateral securities held by J&K SFC are released. He pleaded that J&K SFC should look into the matter immediately.

Responding to this, the DGM, State Financial Corporation Mr. N. A. Bhat, desired to know the details of those cases, to enable SFC to consider the issue.

- **After brief discussion, it was decided to constitute a small Committee comprising of the following members to sit together and decide upon the issue once for all:**
  - 1) **Mr. Aijaz Ahmad Bhat, Joint Director, Industries & Commerce (Kashmir);**
  - 2) **Mr. N. A. Bhat, DGM, State Financial Corporation;**
  - 3) **Mr. Mohammad Ashraf Mir, Sr. Vice President, FCIK**

**(Action: All concerned)**

On concluding the proceedings, it was observed that despite timely invitation, the representative of Development Finance Corporation did not attend the meeting and that some members of the forum including State Bank of India and State Financial Corporation have been participating in the meetings of this forum at a very junior level, with the result decisions on agenda items remain inconclusive. It was decided as under:

- **In future J&K SFC, State Bank of India and other banks should participate in the meetings of the Sub-Committee of SLIC at a fairly senior level, so as to ensure fruitful discussions and decision-making on certain issues concerning the bank.**
- **The J&K Development Finance Corporation should ensure participation in the meetings of this forum as and when convened.**

**(Action: SBI, J&K SFC & J&K DFC)**

The meeting ended with a vote of thanks to the Chair.

Assistant Vice President  
Lead Bank/ J&K SLBC

**Annexure-A**

**List of participants of the first meeting of the Sub-Committee of SLIC held on 16<sup>th</sup> May 2013**

<b><u>S. No.</u></b>	<b><u>Name of the participant</u></b>	<b><u>...</u></b>	<b><u>Designation / Organization</u></b>
<b><u>Chairman</u></b>			
1.	Mr. Mehraj-uddin Kennu	...	Director, Industries & Commerce (Kashmir)
<b><u>Convenor, SLBC</u></b>			
2.	Mr. Gulzar Ahmad	...	Asstt. Vice President (LBD/SLBC), J&K Bank
3.	Mr. Rafiq Ahmad Baba	...	Executive Manager
4.	Mr. Riyaz Ahmad Bhat	...	Associate Executive (Secretarial Service)
<b><u>Industries &amp; Commerce Deptt.</u></b>			
5.	Mr. Aijaz Ahmad Bhat	...	Joint Director (S&M),
6.	Mr. Bilal Ahmad	...	Joint Director
7.	Mr. Abid Hussain Sadiq	...	Asstt. Director
<b><u>Banks</u></b>			
8.	Mr. A. K. Pandita	...	Vice President (PS), J&K Bank
9.	Mr. Latif Ahmad Mir	...	Circle Head, Punjab National Bank, Srinagar
10.	Mr. Rajesh Katha	...	CM (Rural), State Bank of India, R-IV
11.	Mr. Balsunder Bhat	...	Branch Head, UCO Bank, Srinagar
<b><u>SIDCO</u></b>			
12.	Mr. Ilham Naseem	...	General Manager
13.	Mr. Mir Mushtaq	...	Sr. Manager- DB
<b><u>J&amp;K State Financial Corporation</u></b>			
14.	Mr. N. A. Bhat	...	Deputy General Manager
<b><u>Representative Bodies of Trade &amp; Industries</u></b>			
15.	Mr. Mohammad Ashraf Mir	...	Senior Vice President (FCIK)
16.	Mr. Mushtaq Ahmad Wani	...	Senior Vice President (KCC&I)

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