

Agenda Item No: 01 ... Individual Sick MSMEs units in J&K State:

(1) M/S Alkabar 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 Al-kabar Fleshy Food Products, Srinagar, was forwarded by RBI, 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>First Joint Inspection of the case-26.3.2013:</u> In terms of Ind. & Com. Deptt. (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>

Findings of the joint inspection, received from Industries & Commerce, revealed 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. The report was discussed in last meeting of Sub-Committee of SLIIC held on 16.5.2013, wherein it was decided that SBI will consider the case seriously and come out after a week's time with proper strategy to settle the case.

However, subsequently, the issue again came up for discussion in the 23rd meeting of the Empowered Committee on MSMEs taken by Regional Director, RBI on 25.7.2013 at RBI Office, Srinagar, wherein the representative of SBI stated that "though they were a party to the joint inspection of the unit, their views were not incorporated in the joint report". Hence it was decided that **another joint visit of the unit be undertaken and joint report be discussed in the next meeting of the sub-committee of SLIIC being held shortly.**

Accordingly, a fresh joint inspection of the unit was organized by Convenor, SLBC on 16.08.2013 by the team comprised of the representatives from all concerned stakeholders. The report of the said joint inspection forwarded by the Industries & Commerce Department vide their letter No. DI&C/RSU-1072/144-48 dated 3.09.2013, is enclosed for information of the members. Meanwhile, KCCI has filed a case with the Banking Ombudsman vide letter dated 26.09.2013 (copy enclosed for ready reference).

The forum is requested to deliberate the issue and make necessary recommendations regarding settlement of the issue.

Encls: Joint Inspection Report dated 16.08.2013 & KCCI letter dt.26.09.2013.

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

The case was forwarded by Industries & Commerce Dett. (Kashmir) vide their letter No. DI&C/MOP/245/147 dated 1.08.2012 and was deliberated upon in both the previous meeting of the Sub-Committee of SLIIC. Brief description of the case is

- M/S Kashmir Plastic Industries formally registered under No. 242/1/8/plastic/63 dated 6.1963 for manufacturing of polythene bags/ items, was 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 did not achieve 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 adequate working capital requirement is provided to the unit, but SBI never compromised on it.
- 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 was chalked out. As per revival plan the requirement for soft loan is Rs.12.00 Lacs.
- Issue was again taken up with SBI in July 2008 for providing commitment letter for additional finance, who had sought joint inspection of the unit by their Regional Office to assess economic viability mandatory for financing the unit.

The issue was discussed in both the previous meetings of the Sub-Committee of SLIIC. In the last meeting held on 16.5.2013, State Bank of India was advised to consider the case seriously and come out after a week's time with proper strategy to settle the case. 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 the case. Accordingly, the relative feedback provided by SBI vide their letter dated 20.6.2013 is mentioned as under for information of the members:

- **As conveyed in the last SLIIC meeting, the entrepreneur was apprised of the weaknesses of the project and bank's concern for not taking the unit under Rehabilitation Package. The unit was financed long back in 1965 with a limit of Rs.50,000/- which subsequently turned bad. The loan account was closed by writing-off the outstanding. The activity financed by the Bank earlier to the unit stands abandoned.**
- **The Proprietor Shri A.A.Lone, called again at the Bank for rehabilitation of the unit. The Bank in turn asked the entrepreneur to submit a fresh project report / formalities/ financial data for extending the fresh/ credit facility. Team of officers from Regional Office have also visited the site in the year 2009 and report was submitted to RBI accordingly. Earlier the project reports submitted by the entrepreneur in Jan. 2010 were sent to our Loan Processing Cell and the issues raised by the Cell were advised to borrower. The borrower did not respond to such issues raised by our credit processing cell and observations made by RASMECCC. The matter was accordingly closed. Meanwhile, we will be visiting the site again in next week as desired by General Manager DIC Budgam to assess the present status of the project, to be considered for extending fresh credit facility.**

Status report from SBI is still awaited despite reminders

The forum is requested to deliberate the issue

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

In the last meeting of the forum held on 16.5.2013, 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. The representative of FCIK had informed the forum that the borrower concerned has approached them for OTS, in response to which the Vice President of J&K Bank had stated that “if the borrower approaches the bank for OTS, the same will be dealt on merits”.

Subsequently, J&K Bank, vide their communication dated 21.06.2013 informed that B/U Rawalpura of the Bank, with which the borrower is dealing, has been advised to initiate OTS for full and final adjustment of the account as per OTS policy of the Bank. Since then, no further information has been received from the Bank in the matter.

The Representation of J&K Bank may inform the latest status regarding settlement of the case.

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 terms of the decision taken in the 20th meeting of the Empowered Committee on MSMEs held on October 10, 2012 at RBI, Regional office, Jammu, the said bank-wise / financial institution-wise list of 175 potentially viable sick MSMEs units was forwarded on 22.12.2012 to the respective banks/ financial institutions, advising them to decide on the matter 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.

In the 22nd meeting of the Empowered Committee on MSMEs held on 5th April 2013 at RBI, R.O. Jammu 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 last meeting of Sub-Committee of SLIIC held on 16.5.2013 the representative of J&K Bank had informed that out of the said 175 sick MSMEs units only 23 cases pertain to J&K Bank, out of which 5 cases have no details available about the financing branches. A list of these cases was handed over to the Industries Deptt. / FCIK, who have already responded and furnished the list of financing branches of the said units to J&K Bank/ J&K SLBC. The forum was informed that none of the concerned parties have turned up with any proposals for their rehabilitation, for which J&K Bank had sought cooperation of FCIK/ KCCI and Industries Department to facilitate resolution of the said cases. Accordingly, in the meeting it was decided as under:

- **All the concerned banks should make 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.**

J&K Bank vide their communication dated 21.06.2013 have informed that the Bank has already clarified its stand on the issue and will dispose off the rehabilitation cases in a time-bound manner, only after submission of a proper proposal by the borrower. Bank has already created Committees at all the Zonal Office levels to ensure time bound disposal of rehabilitation proposals of MSEs.

None of the other banks involved in the process have provided any feedback on the issue so far.

Banks may inform the progress achieved in settlement of the cases pertaining to them out of 175 identified cases of 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 first meeting of the Sub-Committee of SLIIC held on 16th May 2013, 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 and KCCI 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.

Accordingly, the issue also came up for discussion in the 2nd meeting of the Sub-Committee of SLIIC on MSMEs held on 16th May 2013, wherein the Director, Industries & Commerce (Kashmir) stated that the understanding behind this financing pattern 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.

However, representatives of almost all the banks expressed their disagreement with the contention of the Director, Industries & Commerce (Kashmir) and clarified that banks cannot provide 90% finance to these units. The Vice President of J&K Bank 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. The representative of Punjab National Bank stated that providing 90% finance for rehabilitation of the units is not included in the policy of their bank and that the banks are regulated by the guidelines issued by Reserve Bank of India, which would not permit bank finance to the extent of 90%. The representatives of State Bank of India and UCO Bank expressed their inability to agree to the finance pattern of 90:10.

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.**

However, only J&K Bank has provided necessary feedback to the Director, Industries & Commerce (Kashmir) vide letter dated May 27, 2013, as under:

- “The bank will extend finance to the sick MSMEs units in ratio of 80:20, i.e. Bank Finance 80% and borrower contribution 20%. Out of the loan component, interest on 20% of the overall 100% project cost (i.e. 25% of the loan component) will be reimbursed by the Industries Department on monthly basis and interest on 60% of the overall project cost (i.e. remaining 75% of the loan component) will be borne by the borrower and serviced as and when charged in the account.
- A comfort letter with regard to reimbursement of interest on 25% of the loan component may please be provided in each such case.
- However, Bank will have its discretion to decide about the viability of the unit/s and shall rehabilitate the cases as per the Rehabilitation Policy of the Bank on case to case basis.”

None of the other banks have provided any feedback to SLBC so far.

However, in the 23rd meeting of the Empowered Committee on MSMEs held on 15.7.2013 at RBI Office, Srinagar, the representatives of FCIK and KCCI stated that the State Government had proposed an alternative scheme of 70% and 30% to be shared by the banks and a soft loan from the State Government. But the Commissioner/ Secretary to Govt., Industries & Commerce, stated that the scheme proposed by the State Government can be discussed separately by the Associations with them.

The forum is requested to deliberate the issue

Agenda Item No: 04

Other issues to be deliberated in the meeting:

In the last meeting of the Sub-Committee of SLIIC, the representative of FCIK had 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.

In this regard a small Committee comprising of the following members was constituted to 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

But till date the report of the said Committee is awaited.

Concerned members of the Committee may inform the status of the issue.

The forum is requested to deliberate the issue.