

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 Al-kabr 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	Action Taken
<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> <p><u>Second Joint Inspection of the case-16.8.2013:</u> Second Joint inspection of the unit was conducted by a team comprised of the representatives from Industries Department, SLBC, Convenor Bank, DIC, FCIK, KCCI and SBI on 16.8.2013</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 was forwarded by the Industries & Commerce Department vide their letter No. DI&C/RSU-1072/144-48 dated 3.09.2013. Meanwhile, KCCI has filed a case with the Banking Ombudsman vide letter dated 26.09.2013

The issue again came up for discussions in the 3rd meeting of Sub-committee on SLIIC held on 11th October 2013 at J&K Bank, Corporate Headquarters, Srinagar wherein Joint Director, Industries and Commerce read out the second joint inspection report in detail and informed the forum that the unit has tremendous marketing potential for its products as the line of activity is not only demand driven but also promises variety and diversification for which the availability of working capital is a must. The forced closure of the instant unit will also be a sad reflection on the commitment of SBI to its corporate social responsibility portfolio, which requires an immediate correction. He stated that the Joint Inspection Team has observed that there has been no indication to prove that the unit holder is a willful defaulter, but the promoter of the unit was not found well accustomed with the knowledge of banking business and therefore, his lack of knowledge about banking business has been misutilized by the financier bank. The team has also observed that the financier bank has not taken any measures to help the unit revive, instead the bank has unnecessarily declared the unit as a Non Performing Asset.

However, the Regional Manager, State Bank of India, Mr. D. K. Koul informed the forum that SBI has decided not to consider any kind of rehabilitation by way of giving additional funds to the unit and the promoter should, therefore, come up with a viable proposal for revival of unit, without additional financial support from the Bank or repayment of the banks dues. The Regional Manager, SBI informed the forum that the bank has already filed a suit in the court of law for recovery of the bank's dues from the borrower concerned

However, after thorough deliberations on the issue, the Chairman observed that the suit-filing measures would not help the bank to recover its dues from the borrower. He advised the Regional Manager, State Bank of India to revisit their decision and explore the possibility of taking necessary measures immediately for revival / rehabilitate the unit to bring it back on rails.

State Bank of India, Vide its letter No. R.I/CM-R/ARS/965 dated 10th December 2013 addressed to Joint Director, Industries and Commerce has categorically refused to re-consider any kind of enhancement by way of additional funds to the unit and reiterated that the promoter should come with a viable proposal for revival of unit without asking for any additional financial assistance from the bank. The aforesaid letter also reads that the complaint received from Banking -Ombudsman has also been replied to.

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

Encls: SBI letter No. R.I/CM-R/ARS/965 dated 10th December 2013

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

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

- 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 Barzullah 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, Small Industries Services Institute(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 all the previous meetings of the Sub-Committee of SLIIC. In the last such meeting held on 11th October 2013, representative of SBI informed the forum that the loan account of the entrepreneur has been closed by writing-off the outstanding dues and stated that the Bank would be ready to consider a fresh proposal in case the Proprietors come up with a fresh & viable proposal for extending the fresh credit facility. Besides, keeping in view the old age (80 years) of the entrepreneur the representative of SBI suggested that it would be feasible if he approaches the bank for grant of credit facility in the name of some other member of his family for consideration by the bank suitably.

After thorough deliberations it was observed that the issue be dropped from the agenda henceforth.

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

In the 2nd 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 (A&AP) J&K Bank had stated that “if the borrower approaches the bank for OTS, the same will be considered on merits”.

The issue again came up for discussions in the previous meetings of the Sub-Committee of SLIIC held on 11th October 2013 wherein, President, J&K Bank, Mr. Nayeem-Ullah informed the house that the case is under active consideration of the bank for one-time settlement and assured that the same shall be disposed off shortly.

As per the latest status of the case (communication dated 21st November 2013) received from the Bank, the Business Unit concerned has already forwarded recommendations for OTS in favour of the party to NPA Management Team at Zonal office Kashmir Central vide letter dated 8th October 2013. The OTS proposal is under process at the said office. It has been reported that borrower is not cooperating with bank for reasonable OTS. Letter in this regard has been sent to FCIK on 19th November 2013 & a copy to Director of Industries and Commerce (K) for using their good offices to prevail upon the borrower to come forward for the reasonable OTS.

The Representative 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.

The issue came up for discussions in the 2nd meeting of the Sub-Committee of SLIIC held on 16th May 2013 and again in the 3rd meeting held on 11th October 2013. In the last meeting of Sub-Committee of SLIIC, the Chairman advised all the concerned banks to ensure time-bound resolution of the identified sick MSME cases pertaining to them, so that these cases are settled once for all and Reserve Bank of India is informed accordingly. The representative organizations of Trade & Industry were advised to extend necessary cooperation to the concerned banks in this regard by pursuing the concerned borrowers to approach their respective financing banks for settlement of their cases.

J&K Bank vide their communication dated 21.11.2013 have informed that the Bank has already clarified its stand on the issue and that the bank is committed to dispose off the rehabilitation cases pertaining to J&K Bank in a time-bound manner, only after submission of a proper proposal by the concerned borrowers. Bank has already constituted Committees at all the Zonal Office levels to ensure time bound disposal of rehabilitation proposals of MSEs. In this regard letter has been sent to FCIK on 19.11.2013 and a copy to Director of Industries and Commerce (K) by J&K Bank to furnish list of units out of the identified sick units who have submitted rehabilitation proposal to bank for reconciliation. FCIK & Director of Industries and Commerce (K) were also requested to pursue the concerned identified sick MSMEs to approach their respective financing branches of bank for settlement of their cases.

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 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.**

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 proposition presented by Director, Industries & Commerce (Kashmir) and clarified that providing 90% finance to these units is not acceptable to them. Besides 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.**

The issue was again discussed in 3rd meeting of the Sub-Committee of SLIIC held on 11th October 2013 wherein the Chairman (Director Industries & Commerce) sought cooperation of the bankers over the decision and stated that if banks agree to provide 20% component also interest on that amount would be borne by the Industries & Commerce Department

After a brief deliberation on the issue, the representatives of all other banks were again advised to take up the issue immediately with their respective higher authorities and in the next meeting put forth their strategies for revival and rehabilitation of the sick MSMEs units in the State, so that further course of action is decided.

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.

The forum is requested to deliberate the issue

Agenda Item No: 04

a) Other issues to be deliberated in the meeting:

In the 2nd 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

The issue could not be deliberated in the 3rd meeting of the Sub-Committee of SLIIC held on 11th October 2013 and was deferred to next meeting.

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

The forum is requested to deliberate the issue.

b) Huge gap between the cases sponsored to banks, cases sanctioned and cases disbursed by banks

The issue came up for discussions in the previous meeting of the Sub-Committee of SLIIC held on 11th October 2013. Chairman of the meeting expressed concern over the huge gap between industrial/ MSME cases sponsored by the Government agencies to the banks for grant of credit facilities, the cases sanctioned / cases disbursed by the banks and desired that the controlling heads of the banks should suitably sensitize their branch functionaries in this regard to ensure minimizing the gap.

Representatives of the banks present in the meeting assured to take necessary measures to sensitize the field functionaries of banks for expeditious disposal of the cases.

So far feedback on the issue has been received from J&K Bank only. As per J&K Bank Communiqué dated 21.11.2013, the bank has requested Director Industries & Commerce vide mail dated 26.10.2013 to furnish the list of cases sent by the State Govt. through various DICs of Kashmir valley to business units of the bank for financing, which are pending for disposal. The bank has received the consolidated list of cases sponsored by DIC vide letter NO. 4063-67 dated 02.11.2013. Again Director Industries & Commerce vide mail dated 20.11.2013 was requested to furnish the detailed list of cases along with the name of business unit/offices to which the cases were referred so that the bank could make necessary follow up for disposal of the cases on merits.

No other bank has submitted the ATR on the issue

Other banks may inform the progress on the issue and forum is requested to deliberate on the same.

Supplementary Agenda item

M/S Melody Cones, I. E Shalteng Srinagar (Financed by UCO Bank Branch Zainakote Sgr.)

Directorate of Industries & Commerce Kashmir vide their letter No. DI&C/Rs4-SLIIC/139 dated 01.02.2014 has forwarded the case of Melody Cones I. E. Shalteng Srinagar for being discussed in the meeting of the Sub-Committee of SLIIC.

Brief description of the case is given below:

- As per the documents of the case, the unit was operating at I.E. Shalteng.
- The line of activity was manufacturing of Ice Cream and Cones
- The Unit is registered with DIC Srinagar on 25.9.2006.
- The UCO Bank Zainakote Branch has sanctioned a loan facility to the extent of `25.00 Lacs (TL=`10 lac & WC=`15 lac) against Project Cost of `75.00 lacs in the year 2006.
- The unit is closed for the last three years and has been declared sick.
- The unit is now praying for NDC or commitment letter for sanction of fresh loan by UCO Bank for its revival/rehabilitation.

The representative of UCO Bank may share his views with the forum with respect to the case.

