

**Minutes of meeting of the Sub-Committee of
State Level Inter-Institutional Committee (SLIIC)
Held on 20th January 2015**

A meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) to effectively monitor the rehabilitation and restructuring of Sick Micro, Small and Medium Enterprises (MSME) units, as mandated by the Empowered Committee/ SLIIC, was held on 20th January 2015 at J&K Bank, Corporate Headquarters, Srinagar. The meeting was chaired by the Director, Industries & Commerce (Kashmir), Mr. Nazim Khan and was attended by other members of the Sub-Committee including President (J&K SLBC), J&K Bank, President (A&AP Deptt.), J&K Bank, Regional Manager SBI, representatives of J&K State Coop. Bank, SIDCO, J&K SFC, J&K DFC, Assistant Director, Industries & Commerce Department (Kashmir), President FCIK and Sr. Vice President KCC&I.

Punjab National Bank & UCO Bank has not deputed their representatives to the meeting despite having confirmed their participation in advance.

The list of participants is enclosed as Annexure-A.

At the outset Mr. S. K. Bhat President (Lead Bank/ SLBC) formally welcomed the participants of the meeting and briefed them about the background, circumstances and factors which led to the formation of the Sub-Committee of SLIIC. He stated that the meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) could not be convened in the third quarter of Current financial year due to the catastrophe that struck the State in the month of September 2014 and thereafter preoccupations of all the stakeholders in relief and rehabilitation process. He expressed hope that the representatives of various Industrial Associations and banks shall deliberate on the agenda items in a meaningful and fruitful manner so as to find out the amicable solution to various concerns and issues which are pending for a long.

Thereafter, the agenda of the meeting was taken up for discussion.

Agenda Item No: 01

Individual Sick MSMEs units in J&K State:

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

The Chairman stated that the case of M/S Al-Kabir Fleshy Food Products initially referred by Reserve Bank of India, for being discussed in the meeting of this forum, was on the agenda of the sub-committee of SLIIC since long. He stated that despite reaching to a consensus to settle the case through One Time Settlement (OTS) Scheme in the previous meeting of SLIIC and thereafter the decision of the forum to

drop the issue from the agenda of the SLIIC the issue has not been resolved yet which he stated is a serious concern and need introspection.

The Regional Manager, Mr. D. K. Koul representing SBI in the meeting informed the forum that the proprietor of **M/S Al-Kabir Fleshy Food Products** is not showing any formal movement despite having offered Rs.6.05 Lacs as settlement amount against the total outstanding of about Rs.18.00 lacs. He stated that as per the policy guidelines the offer letter for settlement of the case should come from the unit holder itself and until and unless letter of acceptance comes from the unit holder the bank is unable to make any forward movement in the case.

President, FCIK, Mr. Mohammad Ashraf Mir assured the forum that FCIK will use its good offices to facilitate the submission of letter of acceptance from proprietor of **M/S Al-kabir Fleshy Food Products** to State Bank of India for settlement of the case.

Decision

- The State Bank of India has agreed for a settlement of case of **M/S Al-kabir Fleshy Food Products** at **Rs.6.05 lacs**.
- The State Level Inter-Institutional Committee (SLIIC) shall not afford to discuss the case of **M/S Al-kabir Fleshy Food Products** anymore in its future meetings and this be looked as the last opportunity to be given to the unit holder for settlement of his case with SBI.
- The case of **M/S Al-kabir Fleshy Food Products** be dropped from the agenda of the Sub-Committee of SLIIC henceforth.

(Action: FCIK/ KCC&I/SBI)

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

The President J&K Bank Mr. Mohammad Amin informed that proposed case was under active consideration of the bank for One-Time Settlement (OTS) but despite concerted efforts taken by the bank the promoter is not approaching the Bank for OTS. He stated that the lackadaisical approach shown by the unit holder in this regard has compelled the bank to initiate recovery proceedings against him.

Taking strong cognizance of the only mentioning of communications from borrower in the Agenda the Chairman of the Meeting Mr. Nazim Khan advised that any written communication from the borrower to the Banks or Industrial Associations should form the part of the agenda henceforth. He suggested inviting the unit holders, whose cases are to be discussed, to the meetings of SLIIC henceforth to have deliberations and on spot settlement of their cases.

The President FCIK Mr. Mohammad Ashraf Mir reiterated that the promoter of M/S Global Electronics, who is passing through a very difficult situation as a result of serious financial instability, has his only house to offer to the bank, which may possibly not compensate the OTS amount which Bank is likely to offer to settle the case through OTS Scheme.

President (J&K SLBC) Mr. S. K. Bhat observed that the in most of such cases were borrowers becomes bankrupt the buying of time becomes an important tool for escapism. He suggested that forums like SLIIC should set time limit for settlement of such cases so that these are not stretched for a long.

Decision

- Any written communication from the borrower to the Banks or Industrial Associations viz-a-viz settlement of his/her case should form the part of the agenda of Sub-Committee of SLIIC henceforth.
- Minutes of the meetings of SLIIC to be circulated to the unit holders whose cases are being discussed in the SLIIC meetings through FCIK.
- The proprietor of **M/S Global Electronic Industries, Rangreth** should approach the financing bank by **15th of February 2015** for settlement of his case and this be deemed as the last opportunity to be given to the unit holder after that bank is free to initiate the legal action.
- The financing Bank to halt the proposal of any legal action against the borrower till **15th of February 2015** the timeline set by Sub-Committee of SLIIC for the borrower for settlement of his case.
- The case of **M/S Global Electronic Industries, Rangreth** is dropped from the agenda of the Sub-Committee of SLIIC henceforth.

(Action: FCIK/ KCC&I/JKB/SLBC Secretariat)

(III) M/S EFF EMM Products, I. E Chatapora District Pulwama (Financed by J&K Bank, B/ U. Pulwama)

The President J&K Bank Mr. Mohammad Amin informed that the unit holder has deposited some token money with the bank but since then he has not approached the bank for final settlement of his case.

The Chairman of the meeting Mr. Nazim Khan requested the financing bank to absolve the two Government employees from recovery of dues from their salaries which the borrower is also being requesting for quite a long time on the basis that sufficient immovable property is available as mortgage to the bank.

The President J&K Bank on absolving of the two Government employees from recovery of dues from their salaries stated that the same can be explored only after the borrower approaches the Bank. He further stated that the unit holder is free to sell his mortgaged property to liquidate his liability with the bank.

The Chairman of the meeting Mr. Nazim Khan requested the representatives of FCIK and KCCI to intervene in the matter and impress upon the unit holder to settle his case with the bank.

Decision

- The proprietor of **M/S EFF EMM Products, I. E Chatapora District Pulwama** should approach the financing bank by **15th of February 2015** for settlement of his case and this is the last opportunity to be given to the unit holder after that bank is free to initiate the legal action.

(Action: FCIK/ KCC&I/JKB)

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

Due to the non-participation of any representative from UCO Bank the case of **M/S Melody Cones, I. E Shalteng Srinagar (Financed by UCO Bank Branch Zainakote Sgr.)** was deferred to next meeting of Sub-Committee of SLIIC.

Agenda Item No: 02

Position of Sick Units, viability Studies and implementation of rehabilitation of Sick Units

The forum placed on record that out of **2,10,415** units (involving an amount of Rs. **8,162.01**Crore) which stand financed as on 31st December 2014, the banks have identified **782** units (involving an amount of Rs. **95.27**Crore) as sick. Out of the total **782** units which have been declared sick by the banks, **46** units have been declared viable and fit for rehabilitation, **667** units as non-viable and viability of **69** units is yet to be declared. Only J&K Bank has put 9 units under nursing out of the 37 units which the Bank has declared viable.

The forum desired that in future the exposure of Banks in J&K State under MSME sector and the units turned sick should be consolidated & provided as District-Wise/ Region-Wise, so as to get the ready study material viz-a-viz propagation of MSME Sector in various regions of Jammu & Kashmir State.

Decision

- **Position of MSME Units in J&K State should form Agenda Item No. 1 in all the future meetings of Sub-Committee of SLIIC.**

- **Data in respect of financing under MSME Sector be consolidated as District-wise/ region-wise henceforth for the purpose of placing the same in meetings of SLIIC.**

(Action: J&K SLBC Secretariat)

Agenda Item No: 03

Reconciliation of Sick MSMEs Units in J&K State

The forum placed on record that 69 cases of Sick MSME units have been cleared by the State Level Rehabilitation Committee (SLRC) for rehabilitation/ revival in Kashmir region.

The Chairman, Mr. Nazim Khan emphasized that banks should endorse the cases pertaining to them expeditiously so as to take the process of rehabilitation of sick MSME units cleared by the State Level Rehabilitation Committee (SLRC) to logical end. Banks in this regard are also required to forward the Commitment letter to the SLRC, he stated.

President (A&AP) J&K Bank strongly pleaded for inclusion of the representatives from the banks in the committees which prepares the list of the sick MSME Units for revival/ rehabilitation. He stated that when such cases finally reach to the banks there is always a different approach which the bankers demonstrate. To avoid hiccups in the later stage the view point of banks concerned should be taken on board while clearing any unit for rehabilitation by the said committees.

It was taken on record that out of the 69 sick MSME units cleared by the SLRC for revival / rehabilitation in Kashmir region 15 cases pertain to J&K Bank. Out of the 15 units two units viz M/S Rana Industries IGC Lassipora and M/S Eaden Industries I.E. Khonmoh have already been rehabilitated by the bank but these again turned NPA soon after disbursement. Another two units viz M/s Tabasum Spices I.E Khonmoh and M/S Emm Ess Ko Lal Bazar have liquidated the bank liability, and the Promoters' of all the other units have been contacted by the concerned branches of the bank with the request to submit formal rehabilitation proposals

The promoter of M/S Rana Industries IGC Lassipora who was also present in the meeting and whose unit turned sick despite rehabilitation, requested J&K Bank to settle his account through OTS or enhance the working capital which he requires for raw material. He attributed the sickness of his unit to the subdued working capital released by the bank.

The President J&K Bank, Mr. Mohammad Amin assured the promoter of M/S Rana Industries IGC Lassipora to provide all the possible help for enabling him to come out of the sickness.

The representative of State Bank of India has informed that the bank has only sick 12 MSME units which have been declared non viable and measures to settle these cases are underway.

Decision

- Cases of 69 Sick MSME units cleared by SLRC and recommended to various banks for revival/ rehabilitation should get commitment letters quickly from Banks/ FIs concerned.

(Action: Concerned Banks)

- Regular follow-up is required to be put in place by Industries & Commerce Department(Kashmir) in respect of 69 cases of Sick MSME units cleared by SLRC and recommended to various banks for revival/ rehabilitation. The status of these cases should be placed before the forum in the next meeting of Sub-Committee of SLIIC.

(Action: I&C Deptt (K))

- The Joint Director Level Committees which are actually getting and examining the proposals of rehabilitation of SICK MSME units should have the co-opted members from the banks concerned and Directorate of Industries & Commerce Deptt. (K) will write to Financial Commissioner, I&C, J&K Government for reconstitution of the said Joint Director Level Committees with inclusion of representatives from the concerned banks.

(Action: I&C Deptt (K))

- The Sick Industrial Units which have been cleared by SLRC and recommended to various banks for revival/ rehabilitation but have not so far approached to their respective banks for settlement of their cases should approach them upto **15th of February 2015** which should be considered as the final date set by Sub-Committee of SLIIC for settlement of their cases failing which it will be considered that they are not interested in rehabilitation of their units and accordingly their cases shall be dropped. The Industrial Associations FCIK and KCCI and concerned banks should give the wide publicity viz-a-viz timeline set for settlement of cases cleared by SLRC in print & electronic media.

(Action: Industrial Associations of Jammu & Kashmir regions/ concerned Banks)

Agenda Item No: 04

Other issues to be deliberated in the meeting:

a) Small Committee comprised of members from Industries Deptt., SFC and FCIK constituted in the 2nd meeting of the Sub-Committee of SLIIC to decide upon the issue regarding release of collateral securities held by J&K SFC in respect of MSMEs units who had gone for OTS, and issuance of NOCs.

General Manager, J&K SFC informed the forum the small committee comprised of members from Industries Deptt., SFC and FCIK constituted in the 2nd meeting of the Sub-Committee of SLIIC to decide upon the issue regarding release of collateral securities held by J&K SFC in respect of MSMEs units who had gone for OTS, and issuance of NOCs has not held any meeting so far.

Chairman of the meeting Mr. Nazim Khan directed Joint Director I&C Deptt. to hold the meeting of small Committee immediately in the month of February 2015 so that the issue regarding release of collateral securities held by J&K SFC in respect of MSMEs units who had gone for OTS, and issuance of NOCs could be deliberated upon threadbare..

General Manager, J&K SFC informed the forum that in 2008 J&K SFC went to an arrangement with J&K Bank for taking liability in respect of its seven Sick units on the basis of Principal plus Interest upto the date of sickness and the rest of the amount to be paid by the Government to SFC. He stated that as per the decision taken in the meeting of the '**Default Review Committee**' of the Corporation held on 29.11.2008, it was decided that, "The Corporation should raise a demand of Principal, Other monies outstanding in the loan accounts together with S.I. on the date of their sickness to be certified by Directorate of industries and commerce in these accounts and communicate the same to J&K Bank. The Corporation should in the meanwhile submit a proposal to the department of industries & commerce with a copy to reimbursement of remaining S.I. and entire compound interest and waive off penal intt. charged in the loan accounts, if any."

J&K Bank vide letter no. JKB/KON/2011-39 dated 7.4.2011 had requested to confirm and re-validate the settlement amount as the validity of the settlement amount was for "60" days only. Accordingly, the said settlement was re-validated, the communication regarding which was conveyed to the Branch Manager J&K Bank, Khonmoh and copy of which was also endorsed to the President advances, J&K Bank, Corporate headquarters vide our letter no. sfc/lbos/12-45 dated 19.4.12 Subsequently, only one unit holder owning the unit viz. M/s Nishat exercise Notebooks, I.E., Khonmoh approached the Corporation with a demand draft in favor of the Corporation amounting to Rs. 5.82 lakhs (as per the demand raised by the Corporation to J&K Bank), and accordingly, its additional security mortgaged with the Corporation was released.

Later on, another unit holder viz. M/s Shalimar Garlics, Khonmoh approached the Corporation vide application dated 27.5.12 addressed to the Dy General Manager(S)

regarding further extension and re-validation of settled amount as he has received sanction letter from J&K Bank, Khonmoh(as per the demand raised by the corporation vide letter no. sfc/lbos/12-45 dated 19.4.12). The unit holder got the letter from J&K Bank for enhancing settlement date as the one already issued stands expired. The case was placed before the Default Review Committee of the Corporation at its meeting held on 27/29-08-13 when the Committee desired that in the first instance, J&K Bank should furnish details regarding revival of the seven Entrepreneurship Development Programme (EDP) cases. The Committee also desired that the Corporation should get the latest project report of these cases from J&K Bank Ltd. in order to ascertain whether they are financially viable and economically desirable for revival. The EDP units viz. Nishat Mineral water industries approached the Corporation for settlement of loan account under prevailing DRC mandate of the Corporation, and subsequently, additional security mortgaged to the Corporation was released. Subsequently, letter in this regard vide no. HO/SFC/2013/1595 dated 6.11.2013 was sent to the President Advances, J&K Bank, Corporate Headquarters and discussions were also held in his office chamber on the same date regarding the EDP cases and it was requested to furnish us the details regarding revival of these seven EDP cases and latest project reports in order to ascertain whether they are financially viable and economically desirable for revival. However, no response has been received by J&K SFC till date. The Corporation has been consistently raking up the issue with both the Govt. of J&K and J&K Bank, but no positive response has been received till date.

The Chairman of the meeting impressed upon President, J&K Bank to validate all the cases of J&K SFC by the end of February 2015.

The President FCIK had time and again 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 and pleaded that J&K SFC should look into the matter and should not make entrepreneurs suffer because of the unsettled claims of SFC lodged with Government.

On the issue of non release of collateral securities by J&K SFC in respect of MSMEs units who had gone for OTS the General Manager, J&K SFC informed that the security can't be fully released till the whole liability is liquidated by the borrower. He however, informed that SFC has released security in respect of 2 cases wherein liability has been liquidated.

Decision

- **J&K SFC to send all the seven cases to J&K Bank for validation and J&K Bank to validate the same by the end of February 2015**

(Action: J&K SFC, J&K Bank)

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

Chairman of the meeting Mr. Nazim Khan stated that the issue of huge gap between cases sponsored to banks, cases sanctioned and cases disbursed is on the agenda of the SLIIC for a long time and despite taking various measures in the past to mitigate the same the problem still persists. He stated that this state of affairs is definitely going to dilute the sanctity of programmes which are aimed at poverty alleviation and employment generation. The Chairman desired that the controlling heads of the banks should suitably sensitize their branch functionaries in this regard to ensure that the said gap is minimized. He informed that reconciliation of the cases under MSME has already been completed by the Industries Department and list of the same shall be forwarded to SLBC Secretariat for onward distribution among the member banks of J&K SLBC for reconciliation.

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 all sponsored cases. They however, requested Industries Department to make available Branch-wise, Bank-wise and District –wise list of the cases sponsored by the Industries Department to various banks so that the same is reconciled and the issue that is persisting for a long is resolved once for all.

(Action: All member banks of J&K SLBC)

Decision

Banks to whom cases under DIC have been sponsored shall depute a technical person to Directorate of Industries & Commerce, Kashmir for reconciliation of the figures with Industries & Commerce Deptt., Kashmir and for this purpose Mr. Khursheed Khalil, Assistant Director, I&C Deptt. Kashmir shall act as Nodal officer.

(Action: Banks ,I&C Deptt, Kashmir)

C) Facilitation Committee on rehabilitation of Sick MSME units

The Sub-Committee of SLIIC in its 4th meeting held on 8th February 2014 constituted a small committee under the name of “**Facilitation Committee on rehabilitation of Sick MSME units**” under the Convenorship of Joint Director/Addl. Director, Industries & Commerce Department (Kashmir) with members from JK Bank, SBI, PNB, UCO bank, J&K State Cooperative Bank, J&K SFC, FCIK and KCCI. The forum decided that Facilitation Committee shall meet every fortnight to draw a roadmap for rehabilitation of Sick Industrial Units and report the outcome to J&K SLBC.

The Chairman of the Sub-Committee of SLIIC (Director I&C Deptt. Kashmir) informed that Commissioner/ Secretary, Industries & Commerce Deptt. who is also the Chairman of State Level Rehabilitation Committee (SLRC) did not agreed to the proposal of

constitution of the “**Facilitation Committee on Rehabilitation of Sick MSME units**” and instead has suggested to include representatives from the concerned banks in the existing Joint Director Level Committee which is looking after the rehabilitation of Sick MSME Units.

Decision

- The Sub-Committee of SLIIC under the name of “**Facilitation Committee on rehabilitation of Sick MSME units**” constituted in 4th meeting of SLIIC held on 8th February 2014 stands dissolved.

The meeting ended with a vote of thanks to the Chair, which was presented by Mr. Mohammad Amin, President (A&AP Deptt.), J&K Bank.

Assistant Vice President
Lead Bank/J&K SLBC

Annexure-A

**List of participants of the 6th meeting of the
Sub-Committee of SLIC held on 20th January 2015**

<u>S. No.</u>	<u>Name of the participant</u>	...	<u>Designation / Organization</u>
<u>Chairman</u>			
1.	Mr. Nazim Khan	...	Director, Industries & Commerce (Kashmir)
<u>Banks</u>			
2.	Mr. S. K. Bhat	...	President (J&K SLBC), J&K Bank
3.	Mr. Mohammad Amin	...	President (A&AP), J&K Bank
4.	Mr. D. K. Koul	...	Regional Manager, State Bank of India
5.	Mr. Shamas-Ud-Din Bhat	...	Chief Manager, J&K State Coop. Bank
6.	Mr. G. H. Kanna	...	Manager, SBI
<u>Convenor, SLBC</u>			
7.	Mr. Gulzar Ahmad	...	Asstt. Vice President (LBD/SLBC), J&K Bank
8.	Mr. Mohammad Yaseen	...	Associate Executive (Secretarial Service)
<u>Industries & Commerce Deptt.(Kashmir)</u>			
9.	Mr. K. Khalil	...	Assistant Director
<u>SIDCO</u>			
10.	Mr. M. A. Mir	...	Sr. Manager
<u>J&K State Financial Corporation</u>			
11.	Mr. Mohammad Rafique Dar	...	General Manager
<u>J&K Development Finance Corporation</u>			
12.	Mr. Mohammad Iftikhar Hussain	...	DGM
<u>Representative Bodies of Trade & Industries</u>			
13.	Mr. Mohammad Ashraf Mir	...	President (FCIK)
14.	Mr. Mushtaq Ahmad Wani	...	Sr. Vice President, KCC&I

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