

Minutes of meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) Held on 3rd July 2014

A meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) to discuss and effectively monitor the timely rehabilitation and restructuring of Sick Micro, Small and Medium Enterprises (MSME) units, as mandated by the Empowered Committee/ SLIIC, was held on 3rd July 2014 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 (A&AP Deptt.), J&K Bank, Regional Manager SBI, AGM PNB, representatives of UCO Bank, J&K State Coop. Bank, SIDCO, J&K SFC, J&K DFC, Industries & Commerce Department Jammu/ Kashmir and FCIK. The list of participants is enclosed as **Annexure-A**.

Mr. Gulzar Ahmad, Assistant Vice 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 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 confronting them. Thereafter he requested the Chairman of the meeting to take up the proceedings as per agenda.

The Director, Industries & Commerce (Kashmir), Chairman of the meeting, Mr. Nazim Khan while welcoming the participants stated that Sub-Committee of SLIIC on MSMEs was specially constituted by Empowered Committee with the objective of monitoring the time bound rehabilitation and restructuring of Sick Micro, Small and Medium Enterprises (MSME). He informed the forum that the State Level Rehabilitation Committee (SLRC) on MSMEs, exercise conducted by State Government, in its recent meeting has observed that industry sector in Kashmir Valley is badly affected as compared to Jammu region due to the persistent turmoil in the valley for the last two decades. The Chairman stated that the Government, for the purpose of rehabilitation of Sick Industrial Units, has framed a Committee exclusively for recommending the sick but viable MSME cases to Financial Institutions for their revival/ rehabilitation with the objective to bring them out of the sickness.

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 since long and in terms of the decision taken in the 25th meeting of the Empowered Committee on MSMEs held on 21st January 2014 the representative of SBI was advised to revisit the case keeping in view the findings of joint inspection team of Sub-Committee of SLIC to which the representative of SBI assured the forum to re-examine the matter for its revival or settling the same under one time settlement (OTS) Scheme. Despite unit considered viable and recommended for rehabilitation by various inspection teams constituted for the purpose the State Bank of India being the financing Bank remained adamant and categorically rejected to re-consider any kind of rehabilitation proposal by way of infusing additional funds to the unit and made clear its stand to settle the case only under OTS Scheme.

The Regional Manager, Mr. D. K. Koul representing SBI in the meeting informed the forum that the Bank has taken a decision not to rehabilitate the unit and has instead offered `6.05 Lacs as settlement amount to the borrower against the total outstanding of about `18.00 lacs. The Bank has also received concurrence from CGTMSE in this regard, he stated.

On the reluctance of SBI for not rehabilitating the unit despite being recommended by the forum, the Chairman of the meeting expressed his concern over the possibility of other banks following the decree made by SBI in the case. He inquired from other banks about their Standard Operating Procedure especially in financing the cases like Al-kabir Fleshy Food Products, as a fresh case.

Responding to this the President, J&K Bank, Mr. Mohammad Amin stated that various factors are taken into consideration by Banks while considering any chronic case like

Alkabir Fleshy Food Products, for rehabilitation/ revival. He stated that Banks can explore the possibility of revival of the unit only if the promoter has genuine problems and is not a willful defaulter.

The Chairman however, appreciated State Bank of India for having offered a minimal amount for settlement which he stated is less than 30% of the total outstanding amount.

The President, Federation Chamber of Industries Kashmir (FCIK) Mr. Mohammad Ashraf Mir while expressing his dismay over the Bank's decision for not rehabilitating the case informed the forum that the settlement offer made by SBI has been accepted by FCIK. He further stated that the unit has also been cleared by SLRC for rehabilitation and the unit holder has choice to approach any Financial Institution to restart the unit.

After thorough deliberations on the issue, the Chairman of the meeting impressed upon the representatives of the Industrial associations to facilitate the settlement of the case so as to give honorable exit to the promoter.

The forum also decided that the issue be dropped from the agenda henceforth.

The Assistant Vice President (SLBC Secretariat) requested SBI to forward a letter to SLBC Secretariat about the settlement of the Case so that the case is dropped from the Agenda of the next Sub-Committee meeting.

(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 is under active consideration of the bank for one-time Settlement and measures in this regard have already been initiated but despite strenuous efforts the promoter is not cooperating for reasonable OTS. He impressed upon representatives of Industrial Associations and Directorate of Industries and Commerce (K) for using their good offices to prevail upon the promoter to come forward for the reasonable OTS.

The President FCIK Mr. Mohammad Ashraf Mir while appreciating the role of J&K Bank for giving honorable exit to some borrowers recently by settling their cases through OTS

Scheme, stated 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.

After thorough deliberations on the issue, the Chairman advised all the stake holders to work out some amicable solution so that the case is settled once for all.

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

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

The case of M/S Melody Cones, I. E. Shalteng Srinagar, Financed by UCO Bank Branch Zainakote Srinagar was discussed in the meeting.

The President FCIK Mr. Mohammad Ashraf Mir informed the forum that borrower has gone for OTS of the case but the settlement amount was deposited with the bank after one year of the settlement date and the bank is now demanding interest on default period of one year. The application for waiver-off one year interest in favour of the borrower has already been submitted to bank authorities by FCIK, to which response is still awaited.

The representative of UCO Bank however, denied receipt of any representation in this regard either from the promoter of the Unit or from any Industrial Association. He stated that once the written representation is received from any quarter in the regard the same shall be forwarded to the higher authorities for consideration.

The Chairman advised the representative bodies of Trade & Industry to forward a fresh application for waiver off one year interest in favour of the borrower to UCO Bank for its early redressal.

(Action: FCIK/KCCI/UCO Bank)

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

The case of M/S EFF EMM Products, I. E Chatapora District Pulwama, a sick industrial unit financed by J&K Bank Pulwama, was also taken up for discussions in the meeting.

The unit which is collaterally secured by mortgage of land (measuring 32 Marlas) & building along with the guarantee of two Government Employees is sick since 2009. The unit holder who was also present in the meeting informed that the unit turned sick due the turmoil which engulfed the valley during the year 2009. He expressed his desire to restart his unit and prayed for help from the financing bank.

The President, J&K Bank, Mr. Mohammad Amin stated that the Bank was trying to contact the proprietor of **M/S EFF EMM Products** for regularization / settlement/ rehabilitation of the account but no response has been received from him. He however, assured the forum that Bank will explore every possibility to get the unit holder out from the present situation.

The request of the unit holder to absolve the two Government employees from recovery of dues from their salaries on the basis that sufficient immovable property is available as mortgage to the bank was rejected by the President, J&K Bank. He stated that without reaching any consensus in the case bank is unable to address the request of the unit holder.

The Chairman of the meeting advised all stake holders to workout an amicable solution to settle the issue.

(Action: J&K Bank)

Agenda Item No: 02

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

The agenda item was introduced a fresh to the Sub-Committee. The forum placed on record that out of 1,93,774 units (involving an amount of `7,134.21 Crore) which stand financed as on 31st March 2014, the banks have identified 383 units (involving an amount of `47.75 Crore) as sick. Out of the total 383 units which have been declared sick by the banks, 78 units have been declared viable and fit for rehabilitation, 274 units as non-viable and viability of 31 units is yet to be declared. Only J&K Bank has put 9 units under nursing out of the 65 units which the Bank has declared viable.

The forum while appreciating the initiative of SLBC Secretariat in consolidating Bank-wise data on MSME units, desired to present the data in future as region-wise, so as to

get the clear picture of MSME units financed by banks and MSME units turned sick in Jammu & Kashmir regions.

(Action: SLBC Secretariat)

After threadbare discussions on the agenda items it was decided that:

- Banks especially nationalized banks should explore possibility of opening more branches in Kashmir valley so as to overcome the regional disparity.
- In view of the feeble Industrial scenario in Kashmir Valley as compared to Jammu region the Sponsorship in respect of MSME cases should be enhanced in order to push establishment of more MSME units in the region.

(Action: All Banks/Sponsoring Agencies)

Agenda Item No: 03

Reconciliation of Sick MSMEs Units in J&K State

The forum placed on record that 69 sick MSME units have been cleared by the Sub-Committee for rehabilitation/ revival in Kashmir region and 3 units have been cleared for Jammu region.

The Chairman, Mr. Nazim Khan informed the form that Financial Commissioner, Industries & Commerce Department in the recently held SLRC meeting has mandated **Facilitation Committee on rehabilitation of Sick MSME units**, which was constituted by the Sub-Committee of SLIIC in the previous meeting, to meet on regular intervals for finding out the actual number of sick MSME units that existed in the State and subsequently drawing a roadmap for their rehabilitation/ revival.

President, J&K Bank Mr. Mohammad Amin stated that the rehabilitation proposal of sick MSME units usually got delayed at the Bank level because of banks having different in-house parameters for declaring the unit as sick. He suggested for having a common format for declaring a unit sick so as to avoid unnecessary delays in rehabilitating the unit when it reaches to the banks.

To the suggestion made by President, J&K Bank, Chairman of the meeting stated that the facilitation committee constituted for the purpose is already in place with members from various major banks on board. He stated that representatives of banks may

discuss their financial parameters with the Joint Director, Industries & Commerce who is the Convenor of the facilitation Committee, while declaring the unit sick and come out with the mutually agreed upon decision in deciding the sickness of the industrial unit.

After deliberations on the agenda item it was decided that:

- SIDCO be made permanent member of the Facilitation Committee on Rehabilitation of Sick MSME units.
- The "Facilitation Committee on Rehabilitation of Sick MSME units" to meet in the next fortnight for drawing the future roadmap and finalize all the modalities viz-a-viz rehabilitation/ revival of sick MSME units. The committee, in consultation with banks, shall devise a common format for declaring the MSME units as sick.
- All the concerned banks should ensure time-bound resolution of the identified sick MSME cases pertaining to them, so that these cases are settled once for all. The representative organizations of Trade & Industry 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.

(Action: Concerned Banks/ FCIK/ KCCI)

Agenda Item No: 04

Other issues deliberated in the meeting:

- (a) ^{sub} Small Committee comprised of members from Industries Deptt., SFC and FCIK constituted in the 2nd meeting of the Sub-Committee of SLIC 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.

The ^{sub} ~~small~~ committee formed for the above mentioned purpose was restructured by the forum. The new composition of the committee is given hereunder:

- (M-P)
- | | | |
|---|-------|----------|
| 1) Joint Director, Industries & Commerce (Kashmir) | ----- | Convenor |
| 2) DGM, State Financial Corporation | ----- | Member |
| 3) President, Federation Chamber of Industries, Kashmir | ----- | Member |

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.

Dy. General Manager, SFC informed the forum that SFC has not issued NOC in respect of 7 cases only due to the non release of Government's Share amounting to `1.32 Crore towards the Corporation. He stated that the matter has been taken up with the State Government and the NOCs shall be issued immediately after the Government releases its share.

The President, J&K Bank Mr. Mohammad Amin taking part in the deliberations stated that making entrepreneur suffer on account of financial claims pending with the Government is not a fair practice. He suggested that SFC should release securities and issue NOC after the case is settled.

After threadbare deliberation on the issue the forum decided that:

- **State Financial Corporation should release securities and issue NOCs to all the unit holders who have settled their cases with them and the issue be also taken up with Managing Director SFC by aforementioned Committee in its forthcoming meeting**

(Action: J&K SFC)

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

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 that the said gap is minimized. He stated that given the sanctity of the sponsored cases the banks should ensure disbursement of such cases as quick as possible. He informed the forum that reconciliation of the cases under MSME has already been completed by the Industries Department and same shall be forwarded to SLBC Secretariat.

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.

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

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.

Sd/-

Assistant Vice President
(J&K SLBC)

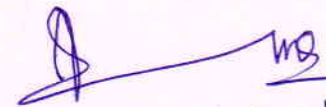
Draft of Minutes of Sub-Committee of SLIC held on 3rd July 2014 at J&K Bank, CHQ Submitted for approval of Director, Industries & Commerce Department, Kashmir (Chairman of the Sub-Committee)

Director, I&C (Kashmir) Sir

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(Mohammad Ashraf Mir)
President FCIk

Annexure-A

List of participants of the 5th meeting of the Sub-Committee of SLIC held on 3rd July, 2014

<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. Mohammad Amin	...	President (A&AP), J&K Bank
3.	Mr. D. K. Koul	...	Regional Manager, State Bank of India
4.	Mr. B. M. Fazli	...	AGM, PNB
5.	Mr. G. M. Bhat	...	General Manager, J&K State Coop. Bank
6.	Mr. Bhajan Singh	...	Senior Manager, UCO Bank
7.	Mr. Shamim Ahmad	...	Senior Executive, J&K Bank
8.	Mr. G. H. Kanna	...	Manager, SBI
9.	Mr. S. K. Bharti	...	Manager, UCO Bank
<u>Convenor, SLBC</u>			
10.	Mr. Gulzar Ahmad	...	Asstt. Vice President (LBD/SLBC), J&K Bank
11.	Mr. Mohammad Yaseen	...	Associate Executive (Secretarial Service)
<u>Industries & Commerce Deptt. (Jammu)</u>			
12.	Mr. S. R. Bhagat	...	Dy. Director
<u>Industries & Commerce Deptt.(Kashmir)</u>			
13.	Mr. K. Khalil	...	Assistant Director
<u>SIDCO</u>			
14.	Mr. Mir Mushtaq Ahmad	...	DGM, SIDCO
<u>J&K State Financial Corporation</u>			
15.	Mr. N. A. Bhat	...	DGM
<u>J&K Development Finance Corporation</u>			
16.	Mr. Mohammad Iftikhar Hussain	...	DGM
<u>Representative Bodies of Trade & Industries</u>			
17.	Mr. Mohammad Ashraf Mir	...	President (FCIK)

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