

Minutes of meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) Held on 8th February 2014

A meeting of the Sub-Committee of State Level Inter-Institutional Committee (SLIIC) to discuss the individual cases of sick units of MSMEs, as mandated by the Empowered Committee/ SLIIC, was held on **8th February 2014** at J&K Bank, Corporate Headquarters, Srinagar. The meeting was chaired by the Director, Industries & Commerce (Kashmir), Mr. Mohammad Javid Khan and was attended by Addl. Director Industries & Commerce Department, Assistant Vice President J&K Bank, DGM PNB, AGM SBI, DGM J&K SFC, representatives of UCO Bank, KCCI and FCIK. The list of participants is enclosed as **Annexure-A**.

Since President, J&K Bank (Convenor, J&K SLBC) was out of station, on behalf of the Convenor, J&K SLBC Mr. R. K. Chibber President J&K Bank formally welcomed the participants of the meeting and expressed hope that the deliberations on the agenda items shall take place in a meaningful and fruitful manner. Thereafter he requested the Chairman of the meeting to take up the proceedings as per agenda.

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

The Director, Industries & Commerce (Kashmir), Chairman of the meeting, formally welcoming the participants stated that since they are the part of the society and therefore, it was imperative that all the members of the forum work together in a coordinated manner to find out amicable solutions to the problems confronting the society particularly the MSME sector and do not allow the issues to persist for long. He stated that Sub-committee of SLIIC on MSMEs has been framed purposely with the greater objectives and we should work wholeheartedly to take this as a mission and bring the issues to its logical conclusion. Thereafter, the agenda of the meeting was taken up for discussion as under:

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 forum 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 joint inspection reports of the Sub-Committee of SLIIC to which the representative of SBI assured the house to re-examine the matter for its revival or settling the same under one time settlement (OTS) Scheme.

Mr. K. Khalil, Addl. Director, Industries & Commerce, read out the joint inspection report in detail and informed the forum that the Joint Inspection Team was of the view 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. The Joint Inspection Team has desired that the unit should be provided with adequate financing for its immediate revival.

The Assistant General Manager, State Bank of India, Mr. D. K. Koul informed the forum that Bank had a meeting with representatives of Industry Associations after 25th EC meeting was held with regard to M/S Al-Kabir Fleshy Food Products . He desired to have another sitting with the representatives of Industries Associations before reaching to any final solution. He, however, vehemently rejected to consider any kind of rehabilitation proposal by way of giving additional funds to the unit but stated that the bank has decided to settle the case only under OTS Scheme. He 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.

The representatives of the FCIK and KCCI strongly objected to the bank's decision and stated that the promoter is not at fault as they have obviously left the unit holder to starve for funds and even the subsidy amount received from the Government has been adjusted towards the EMIs. They demanded that business losses suffered by the unit holder should be got assessed, so that the unit holder is suitably compensated & the unit be rehabilitated by providing adequate finance by the bank. They demanded for an amicable settlement of the case so as to give honorable exit to the promoter.

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 representative of State Bank of India to revisit their decision and explore the possibility of taking necessary measures immediately for revival / rehabilitation of the unit to bring it back on rails.

(Action: State Bank of India)

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

The Assistant Vice President, representing J&K Bank in the meeting informed that proposed case is under active consideration of the bank for one-time Settlement and measures in this regard have already been initiated. He however, informed the forum that promoter is not cooperating with the bank for reasonable OTS and letters in this regard have already been sent to FCIK 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 representatives of FCIK and KCCI 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 Entrepreneur is

in the process of settling the issue but sought some time in favour of the promoter 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)

Agenda Item No: 02

Reconciliation of Sick MSMEs Units in J&K State

The representatives of FCIK/ KCCI, expressed their anguish that the people have lost faith in the Govt. Policy and informed that as per the survey more than 87% units under MSMEs are sick in J&K State. They further stated that in J&K State Crores of rupees are pending with J&K SIDCO for providing soft loans to the MSMEs units, which is not being released and utilized for revival and rehabilitation of the sick industrial units.

The Chairman stated that pursuant to the decision taken in the last meeting of the Sub-Committee of SLIIC, the list of 175 potentially viable sick MSMEs units identified by the Committee constituted by J&K Government for rehabilitation, has been since circulated by SLBC to the concerned banks for ensuring time bound settlement of the cases pertaining to them. He expressed the hope that the banks must have taken necessary measures for settlement of the said cases. He stated that Directorate of industries & Commerce will soon hold a meeting under the chairmanship of Commissioner/Secretary I&C to work out a plan for rehabilitation of identified sick but viable MSME units.

The representatives of FCIK and KCCI have expressed their anguish for delay and reluctance of J&K SFC in releasing of securities in favour of the entrepreneurs even after the settlement of their cases, on the mere plea that Government funding is awaited. They also informed that the settlement policy of J&K SFC is dated back to 2010 which is obsolete as on data. They requested for introduction of new settlement policy in J&K SFC which shall be compatible to settlement policies of other banks and Financial Institutions in J&K State.

While attributing sickness of the Industrial units to under financing of working capital the representatives of FCIK/KCCI informed the forum that Banks in J&K State usually facilitate term loans to MSME units in hassle free manner but show reluctance in disbursing required Working Capital.

- **The Chairman again 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. 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. The Chairman desired to have the bank-wise information/data in the next meeting of Sub-Committee of SLIIC about the total number of cases out of identified 175 potentially viable sick MSME pending with the banks, number of cases settled by the banks and number of cases which are in pipeline for final disposal. It has also been decided that the**

observations made by the Industry Associations be circulated by the banks among all operative levels.

(Action: Concerned Banks/ FCIK/ KCCI)

- The forum decided to form a Sub-Committee under the name and title “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 Committee shall meet every fortnight to draw a roadmap for rehabilitation of Sick Industrial Units and report the outcome to J&K SLBC.

Agenda Item No: 03

Financing pattern for revival and rehabilitation of sick MSMEs units:

The below mentioned finance pattern for revival and rehabilitation of sick MSMEs units was accepted by the forum for implementation

- 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.

The forum decided that all other Financing patterns discussed or proposed in earlier meetings of Sub-Committee be treated as null and void and the issue be dropped from the agenda henceforth

(Action: All Banks)

Agenda Item No: 04

Other issues 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.

The representatives of FCIK/KCCI 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.

The representative of J&K Bank taking part in the deliberations suggested that J&K SFC should handover first charge to the bank who takes over the liabilities of entrepreneur from SFC and keep the second charge with itself, till the government releases its share.

In reply to the suggestion put forth by the representative of J&K Bank, the representative of the J&K SFC stated that the charge sharing as suggested by J&K Bank is subject to the approval of Board of Directors' of J&K SFC.

The Chairman advised the above mentioned Committee members to sort out the issue within 15 days.

(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 also took a strong note of the low sponsorship of the cases under MSME by Industries Department. He stated that as compared to other sectors banks generally show reluctance to finance under MSME sector which shall have an adverse impact on flourishing of Industries Sector in J&K State.

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 inclusion of the nodal officers from major banks viz JK Bank, SBI, PNB, JK SCB and JKGB in **Single Window Committee** being headed by Director Industries & Commerce for registration of units, as suggested by representative of FCIK, was accepted by the Chairman.

(Action: JKB/ SBI/ PNB/ JK SCB/ JKGB)

Concluding the deliberations on the agenda item the Chairman informed that Industries Department shall soon convene a meeting with all major banks operating in J&K State to sort out the issue of low sponsorship of MSME Cases by I&C Department and low disbursements by banks.

Supplementary Agenda item No1

(I) 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 representatives of FCIK/KCCI 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 for one year interest. The application for waiver off one year interest in favour of the borrower has already been moved to bank authorities by FCIK.

The Chairman advised the representative of UCO Bank to consider the request of unit holder favourably for waiver of one year interest for final settlement of the case..

(Action: UCO Bank)

Supplementary Agenda item No2

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

The issue 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 as a supplementary agenda. The Chairman of the meeting advised the representative of J&K Bank to look into the matter for finding out an amicable solution.

(Action: J&K Bank)

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 4th meeting of the
Sub-Committee of SLIC held on 8th February, 2014**

<u>S. No.</u>	<u>Name of the participant</u>	<u>...</u>	<u>Designation / Organization</u>
<u>Chairman</u>			
1.	Mr. Mohammad Javid Khan	...	Director, Industries & Commerce (Kashmir)
<u>On Behalf of Convenor, SLBC</u>			
2.	Mr. R. K. Chibber	...	President (FI), J&K Bank
<u>Banks</u>			
3.	Mr. Mazoor Ahmad Rather	...	Asstt. Vice President (A&AP), J&K Bank
4.	Mr. Mohd Latif Mir	...	Circle Head, Punjab National Bank
5.	Mr. D. K. Koul	...	Asstt. General Manager State Bank of India
6.	Mr. S. A. Shah	...	Manager, UCO Bank
<u>Industries & Commerce Deptt.</u>			
7.	K. Khalil	...	Additional Director
<u>J&K State Financial Corporation</u>			
8.	Mr. N. A. Bhat	...	DGM
<u>Representative Bodies of Trade & Industries</u>			
9.	Mr. Mohammad Ashraf Mir	...	President (FCIK)
10.	Mr. Afaq Qadiri	...	Sr. Vice President(FCIK)
11.	Mr. Mushtaq Ahmad Wani	...	Sr. Vice President (KCC&I)

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