

Chapter VI Resolved Cases

6.1 Resolved cases are where SASF had reached settlement with the borrowers or secured assets of the borrowers were disposed of by the Court / SASF / assignee and SASF recovered part of its dues by way of cash / shares but part of the recovery was pending.

6.2 Settlement below NLO

Out of 15 resolved cases selected by audit for examination, in 10 cases the settlement amount / amount recovered was below the NLO amount, aggregating to short recovery of ₹ 1,590.49 crore. The table below shows borrower-wise details of settlement amount, value of secured assets, etc. in respect of the 10 cases:

₹ in crore									
Sr. No.	Sr. No. as per Annexure I	Name of the borrower	Name of the promoter	NLO	Value of assets of the borrower	Pro-rata share of SASF	Settlement amount	Total recovery including shares	Short recovery compared to settlement amount or total recovery whichever is higher
1	1 of (C)	SJK Steels Plant Limited	Shri Y. Jithin Kumar and Shri Y. Janardhana Rao	603.42	Not applicable as CDR package converted into OTS	NA	290.00	362.18	241.24
2	1	Malavika Steel Limited	Shri Vinay Rai and Shri Anil Rai of Usha Group	594.54	216.21	61.07	41.78	29.09	565.45
3	3	Bellary Steels & Alloys Limited	Shri S. Madhava	398.71	206.00	67.98	67.98	67.98	330.73
4	4	Usha Ispat Limited	Shri Vinay Rai and Shri Anil Rai of Usha Group	321.80	93.18	45.97	48.07	48.07	273.73
5	7	SIV Industries Limited	Pallonji Shapoorji Mistry	123.72	NA	NA	23.19	23.19	100.53
6	12	Rajinder Steels Limited	Shri D. S. Batra	69.22	59.52	37.16	37.16	29.93	39.29
7	29	Viral Filaments Limited	Shri K. K. Khandelwal and Shri M. L. Khandelwal	36.77	4.10	4.10	4.60	4.60	32.17
8	57	J D Orgochem Limited	Shri Sharad Chandra Kothari, Shri Mahendra Kothari and Associates	20.95	14.28	3.92	18.75	15.39	5.56
9	551	Kunal Engineering	Shri Deepak Banker	1.48	0.30	0.30	0.30	0.28	1.20
10	564	Baba and Sai Hotels	Shri S. Srikant and	1.31	1.18	0.89	0.72	0.72	0.59

Audit Report on Stressed Assets Stabilisation Fund

		Limited	Sons, Shri K. Pradip and Shri S. Sridhar						
		TOTAL		2,171.92				581.43	1,590.49

(Note # 1 Names of the promoters compiled from the transfer notes provided to audit by SASF.
#2 NA – Not available).

It could be observed that out of 10 cases, in one case (SIV Industries Limited) valuation of assets was not done and consequently the share of the Trust was also not available. In the case of SJK Steels Plant Limited pro-rata share of the Trust was not available. Since the policy provided that value of security including collaterals available (on pro-rata basis) as also amount of statutory liabilities and workers' dues was the basis for settlement amount, it was essential to carry out valuation to know the potential for recovery.

As can be seen from the table, the steel sector companies are the major defaulters and the Trust has taken substantial hit. For instance, in respect of Malavika Steel Limited and Usha Ispat Limited promoted by Shri Vinay Rai and Shri Anil Rai of Usha Group, the settlement amount is only ₹ 41.78 crore (7.03 per cent) and ₹ 48.07 crore (14.94 per cent) as against the NLO of ₹ 594.54 crore and ₹ 321.80 crore respectively. The Trust, in spite of having personal guarantees from the promoters of various borrowing companies did not try to ascertain the net worth of the promoters so as to realise optimum sum.

6.3 The 10 cases are discussed below:

(i) SJK Steels Plant Limited (NLO ₹ 603.42 crore; recovered ₹ 362.18 crore):

This case was transferred (June 2006) as a part of inadmissible exchange of stressed assets. Immediately before transfer of the stressed assets to the Trust, IDBI approved (May 2006) Corporate Debt Restructuring (CDR) for the party (which was ratified by SASF Board in July 2006) and again approved revised CDR package in April 2009 (ratified by SASF Board also). Based on a proposal submitted (September 2012) by the borrower, the Board of Trustees approved (September 2012) an OTS, which envisaged payment of ₹ 270 crore by cash, ₹ 20 crore by issue of equity shares and buy back of equity shares (already held by the Trust) worth ₹ 2.76 crore for ₹ 5.38 crore after taking into account the discounted value of future payments as per the CDR package. Under the CDR package and OTS package, the Trust received ₹ 359.41 crore upto March 2013 resulting in a sacrifice of ₹ 244.01 crore. Against shares of ₹ 276 crore, the Trust had already received ₹ 5.38 crore, but the value of shares of ₹ 2.76 crore was not removed from the investment schedule.

(ii) Malavika Steel Limited (NLO ₹ 594.54 crore; recovered ₹ 29.09 crore) and
(iv) Usha Ispat Limited (NLO ₹ 321.80 crore; recovered ₹ 48.07 crore)

The Trust gave (May 2006) consent to Industrial Finance Corporation of India (IFCI) for recovery of dues of M/s. Malavika Steel Limited (MSL) (NLO of ₹ 594.54 crore) under Section 13(2) of the SARFAESI Act. The entire assets of

MSL were sold for ₹ 209 crore out of which the Trust's pro-rata share came to ₹ 61.07 crore. However, according to IFCI the share of the Trust was ₹ 41.78 crore but paid only ₹ 29.09 crore to SASF. Balance ₹ 12.69 crore was retained by it on the plea that IDBI had adjusted ₹ 29.52 crore payable to IFCI. Further, out of the sale proceeds of ₹ 209 crore, ₹ 66.04 crore was retained by IFCI towards various expenses and claims of other parties, which lacked justification.

The Trust stated (August 2013) that it has taken up the matter with Government of India.

In another case of Usha Ispat Limited promoted by promoters of Usha Group, the Trust sold the assets under SARFAESI Act for ₹ 124 crore. SASF share of the sale proceeds was ₹ 45.97 crore and the balance was disbursed to other lenders on pro-rata basis after retaining ₹ 21 crore for meeting the claims of various parties.

In both these cases of the same promoters (Shri Vinay Rai and Shri Anil Rai of Usha Group), the recovery was paltry at 7.03 *per cent* in respect of Malavika Steel Limited and 14.94 *per cent* in respect of Usha Ispat Limited. The promoters had given personal guarantees in both the cases. The Trust, however, did not ascertain the net worth of promoters before arriving at the settlement. The Trust even did not have either the property details of the promoters or their Income Tax returns. The total sacrifice on these two cases worked out to ₹ 839.18 crore.

(iii) Bellary Steel and Alloy Limited (NLO ₹ 398.71 crore; recovered ₹ 67.98 crore);

The Trust gave its consent to IFCI for initiating action under SARFAESI Act. The property was sold by IFCI under SARFAESI Act and the Trust got its pro-rata share of ₹ 67.98 crore.

(v) SIV Industries Limited (NLO ₹ 123.72 crore; recovered ₹ 23.19 crore)

The Trust gave its consent (2004) to ARCIL to take the lead in effecting the sale of assets of M/s. SIV Industries Limited (SIL). ARCIL filed (2004) recovery petition before the Madras High Court. The Official Liquidator (OL) of Madras High Court had sold (2009) movable and immovable assets of SIL for ₹ 230.42 crore out of which the dues of the Trust were ₹ 28.58 crore. The Trust received (February 2011) ₹ 23.19 crore while balance ₹ 5.39 crore is yet to be received from the official liquidator.

(vi) Rajinder Steels Limited (NLO ₹ 69.22 crore; recovered ₹ 29.93 crore)

The sale of assets was done by the Official Liquidator. Pro-rata share of the Trust was ₹ 37.16 crore out of which ₹ 26.74 crore was paid by the Official Liquidator and balance ₹ 10.42 crore is still to be received. Taking into account other

recoveries of ₹ 3.19 crore, total recovery was ₹ 29.93 crore resulting in a sacrifice of ₹ 39.29 crore.

(vii) Viral Filaments Limited (NLO ₹ 36.77 crore; recovered ₹ 4.60 crore)

Property was sold by SASF for ₹ 4.60 crore under SARFAESI Act.

(viii) J D Orgochem Limited (NLO ₹ 20.95 crore; recovered ₹ 15.39 crore)

The EC approved (July 2009) OTS of ₹ 18.75 crore against which the Trust received ₹ 15.39 crore and balance of ₹ 3.36 crore was waived due to the difficulties expressed by the borrower.

(ix) Kunal Engineering (NLO ₹ 1.48 crore; recovered ₹ 0.28 crore)

IDBI/SASF was having an exclusive charge on certain equipments. However, no charge was created. ₹ 28 lakh was received from Official Liquidator on sale of asset by it.

(x) Baba and Sai Hotels Limited (NLO ₹ 1.31 crore; recovered ₹ 0.72 crore)

Recovery Officer, DRT, Chennai sold the assets in public auction for ₹ 1.18 crore and out of SASF share of ₹ 89 lakh, it received ₹ 72 lakh. Balance ₹ 17 lakh is disputed and recovery action is going on.

Out of 10 cases, in one case viz. SIV Industries Limited no personal guarantees were obtained. Out of the remaining nine cases, only in one case (SJK Steels Plant Limited) personal guarantees with property details were available. In the remaining eight cases, though personal guarantees were obtained, property details were not available on the records of the Trust. The Trust also did not collect the income tax returns from the guarantors.

The Ministry in its reply stated that the SASF had submitted that remedial measures were being taken wherever possible.