

## **Explanatory Notes**

### **Tenth Meeting of Stakeholder Consultation Committee in Liquidation of SRS Limited to be held on 28.07.2021 at 03:30 P.M. at RBSA Restructuring Advisors LLP, 2<sup>nd</sup> Floor, IAPL House, 23, South Patel Nagar, New Delhi – 110008 through video conferencing**

This meeting has been called to discuss the recovery of amount from debtor of Company and extension of time to Successful bidder to make balance payment towards sales consideration for assets sold through e-auction including waiver of interest.

#### **Agenda Item No. 1**

##### **To discuss on settlement of recovery of entertainment tax w.r.t. establishing cinema at Bareilly, UP**

The Company had entered into a lease agreement dated 05.07.2013 for the operating cinema business from Bareilly. The Company had operated the cinema business from the said location till 2018 when it sold its assets to another nationalized cinema chain. The Company was granted Entertainment Tax exemption for establishing cinemas in UP. As per the general procedure, the amount was first to be credited in the account of Cinema License Holder which in the present case is the owner of Mall (who was also the Lessor) and thereafter the same to be remitted to the account of SRS Limited, the Lessee.

The matter w.r.t. recovery of entertainment tax was taken up with the Lessor who was the Developer of the Mall at Bareilly. As per the Clause XI (5) of the lease agreement dated 05.07.2013, the entertainment tax exemption amount if granted would be paid on to the Lessee after adjusting any outstanding dues payable to the Lessor. As per the same agreement, refundable security deposit already held with Lessor shall also be adjusted against the pending dues. The total entertainment tax exemption amount received was Rs 3.79 Crores. As on the termination of the lease deed in 2018, SRS Limited was liable to pay total of Rs 2.82 Crs towards Revenue share, CAM, electricity, water charges and TDS deducted but not deposited for 2017 and 2018 till the termination of lease deed. The amount of security deposit held with the Lessor was Rs 34.50 Lakhs. The Lessor had informed that as per the terms of the agreement they had already adjusted the outstanding payment against entertainment tax and security deposit. The Lessor had also agreed to refund the remaining amount of Rs 1.35 Crs to SRS Limited. The Lessor has shared the details of pending payments including copies of invoices against which said payments have been pending. Liquidator has also sought legal opinion on the settlement. As per the opinion also, the said settlement is in the ordinary course of business and can be possible in terms of Section 36(4)(e) of IBC read with Regulation 29 of IBBI (Liquidation Process) Regulations where mutual set off is allowed. The relevant extract of the legal opinion is as under:

*“It is therefore stated that, in terms of Section 36(4)(e) of the Code read with Regulation 29 of the LP Regulations, the Liquidator is required to set off the sums due from the Corporate Debtor to BDPL to arrive at the net amount payable to the Corporate Debtor. Therefore, any adjustment made*

*to the mutual obligations to reach a netted off amount is permissible under the LP Regulations and therefore, the receivables from BDPL on account of exemption under entertainment tax may be adjusted against the payables by the Corporate Debtor to BDPL.*

*Further, such adjustment of outstanding dues from the entertainment tax exemption benefits will be in the ordinary course of business of the Corporate Debtor as evidenced by the following clauses of the Lease Deed dated 05.07.2013:”*

The matter shall be discussed in the meeting.

## **Agenda Item No. 2**

### **To discuss giving extension of time to Successful Bidders for making balance payment against sale of assets in e-auction and waiver of interest for delayed payment**

The Liquidator had conducted total of eight e-auctions for sale of assets installed at cinema leased premises: 10.02.2021, 26.02.2021, 12.03.2021, 25.03.2021, 09.04.2021, 19.04.2021 and 14.07.2021 respectively. Assets at 12 locations out of total of 13 leased premises have been successfully e-auctioned out of which payment against 6 locations have been received in full whereas part payment has been received for 6 locations. The assets being at one location sold in e-auction held on 14.07.2021 against which part payment in the form of EMD has been received prior to e-auction. As per the provisions of IBBI (Liquidation Process) Regulations, maximum time period to complete the transaction is 90 days whereas payment made after 30 days attract interest @ 12%. As also discussed in eighth SCC Meeting held on 20.05.2021, second wave of Covid-19 in end of March 2021 Covid-19 had severely impacted the cinema industry leading to closure of the operations across the nation for almost a year considering the total lockdown in 2020 as well as second lockdown in mid of April 2021 that continued even in July 2021 in most of the states. The Bidders have therefore requested for additional time to repay the balance payment and also sought waiver of interest for delay in payment due to lockdown.

The Corporate Debtor has its registered office situated in Haryana. The lockdown in Haryana started from 03.05.2021. The restriction on opening of cinemas has been removed w.e.f. 26.07.2021 by allowing only 50% occupancy in Haryana.

Majority of the Bidders of remaining six locations (out of which asset at one location has been e-auctioned on 14.07.2021) have cleared the part amount of the payment in tranches. Owing to present circumstances especially considering the present status of cinema operations, it is considered feasible to grant additional time to the Bidders to clear the balance payment by excluding the period of lockdown mentioned above and waive the interest for delayed payment as many of them have already made around 50% of the payment towards sales amount. Cinema industry is yet to open in many states and will take a reasonable time to reach the optimal level of business. It will be difficult to get Bidders for cinema assets at same price at which the auctions have been held prior to second lockdown in April 2021 and will take another substantial

amount of time for completing the auction of these assets.

Details of locations e-auctioned are as under:

<b>Particulars of Assets</b>	<b>30 days</b>	<b>90 days</b>	<b>Remarks</b>
Sale of assets installed at SRS Cinemas, C.K. Mall, ISBT, Shimla, Himachal Pradesh	17-03-2021	16-05-2021	Complete payment inc GST has been received within 30 days
Sale of assets installed at SRS Cinemas, Omaxe Celebration Mall, Sohna, Gurgaon	17-03-2021	16-05-2021	Bidder has filed application with NCLT seeking extension to clear balance amount by August 2021 which is pending. Amount equivalent to 10% of EMD has been paid.
Sale of assets installed at SRS Cinemas, Aditya City Centre Mall, Plot No C/GH-3, Viabhav Khand, Indirapuram, Ghaziabad	28-03-2021	27-05-2021	Complete payment inc GST has been received within 30 days
Sale of assets installed at SRS Cinemas, Omaxe Gurgaon Mall, Block-S, Uppal's Southend, Villages Failpur, Jharsa and Ghasola, Gurgaon	28-03-2021	27-05-2021	Part payment of Rs 57.80 Lakhs has been paid against total of Rs 92.04 Lakhs (inc GST). Bidder has sought additional time to clear balance payment.
Sale of assets installed at SRS Cinemas, Jaipuria Sunrise Plaza, Plot No12-A, Ahinsa Khand, Indirapuram, Ghaziabad	28-03-2021	27-05-2021	Part payment of Rs 52.20 Lakhs has been paid against total of Rs 143.96 Lakhs (inc GST). Bidder has sought additional time to clear balance payment.
Sale of assets installed at SRS Cinemas, Eldeco Station-1 Mall, Sector-12, Faridabad	28-03-2021	27-05-2021	Complete payment inc GST has been received within 30 days
Sale of assets installed at SRS Lucknow Cinemas at City Mall, Cp-2, Gomti Nagar, Lucknow, U.P-	11-04-2021	10-06-2021	Complete payment inc GST has been received within 30 days
Sale of assets installed at SRS Bijnor Cinemas at Shopper Pride Mall, Bijnor-246701	25-04-2021	24-06-2021	Complete payment including GST has been cleared by end of June 2021
Sale of assets installed at SRS Bhiwadi Cinemas at V Square Mall, Khasra No.489-490, Dist. Alwar, Rajasthan-301019	25-04-2021	24-06-2021	Complete payment was received by end of April 2021 whereas GST was cleared in July 2021
Sale of assets installed at SRS Shubham Cinemas at Shubham Tower, Neelam Bata Road, NIT, Faridabad	09-05-2021	08-07-2021	Complete payment including has been cleared by end of July 2021. GST is pending
Sale of assets installed at SRS Ludhiana Cinemas at Omaxe Mall, Firozpur Road, Ludhiana, Punjab	19-05-2021	18-07-2021	Part payment of Rs 50 Lakhs has been paid against total of Rs 94.76 Lakhs (inc GST). Bidder has sought additional time to clear balance payment.
Sale of assets installed at SRS Pristine Cinemas at Pristine Mall, Sector-31, Fbd	14-08-2021	13-10-2021	30 days is yet to be completed

The matter shall be discussed in the meeting.

Sd/-

**ASHOK KUMAR GULLA**

Liquidator for SRS Limited

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