

Minutes of Fourth Stakeholder Consultation Committee (SCC)**of SRS LIMITED****(Undergoing Liquidation)****(Liquidation Commencement Date 15th October,2019)****(CIN: L74999HR2000PLC040183)**

The Fourth Meeting of Stakeholder Consultation Committee of “SRS LIMITED” was held on Tuesday, the 25th day of August, 2020 at 03.00 P.M. at Office of RBSA Restructuring Advisors LLP, 2nd Floor, IAPL House, 23, South Patel Nagar, New Delhi - 110008. In the wake of covid-19 so as to adhere to the social distancing norms, the meeting was conducted through video conferencing platform i.e.WEBEX. Following persons were present and attended the meeting:

Liquidator and Team

1. Mr. Ashok Kumar Gulla, Liquidator
2. Mr. Dheeraj Madan, Chartered Accountant
3. Ms Prerna Jain, Chartered Accountant

Legal Counsel to Liquidator

4. Ms. Shweta Dubey

Representative of Secured Financial Creditors

5. Mr. Rakesh Verma, Assistant General Manager, State Bank of India
6. Mr. Pawan Kumar, Chief Manager, Bank of India
7. Ms. Neha Arora, Manager, Union Bank of India

Representative of Unsecured Financial Creditors

8. Mr. Abhinav Garg
9. Mr. Baljit Kapoor

Representative of Operational Creditors

10. Mr. Satish Sethi, Knight Watch Security Pvt. Ltd
11. Mr. Bhupender Kumar Kharbanda, DGM, Knight Watch Security Pvt. Ltd

Mr. Ashok Kumar Gulla, Liquidator welcomed representatives from Banks, Deposit holders (unsecured Financial Creditors), Operational creditors and legal counsel to the fourth meeting of Stakeholder consultation committee of SRS Limited in Liquidation. Representatives for

workmen/employees, statutory authorities and shareholders were invited but were not present in the meeting.

He further informed that the meeting had been called to discuss the latest update on hearings before NCLT and PMLA, e-auction notice issued for sale of cinema assets of Corporate Debtor and to discuss on the continuation of business in lieu of no cash flows in the Company. Following Agendas were taken up for discussion as detailed below:

Agenda Item No 1:

To discuss and take note of the present status of hearings pending before NCLT and PMLA court w.r.t. the attachment of assets of SRS Limited

Shri Ashok Kumar Gulla apprised the members about the present status of applications pending before NCLT and PMLA Court as under :

a) Matter pending before NCLT:

- The Liquidator informed that following applications were filed with NCLT, Chandigarh Bench for vacating attachment of ED dated 08.01.2020 and Income Tax dated 06.01.2020 on assets of Corporate Debtor:

SNO	Application No	Last Date of Hearing	Next Date of Hearing
1	CA 22/2020	28.07.2020	31.08.2020
2	CA 60/2020		
3	IA 33/2020		
4	IA 136/2020		
5	IA 88/2020		

- Due to nationwide lockdown in the wake of covid-19, the applications could not be heard. Liquidator filed IA 206/2020 seeking urgent hearing in IA 33/2020 & IA 136/2020 and the application was heard on 09.06.2020 wherein NCLT agreed to hear all the above applications on 29.06.2020. But, the matters were adjourned twice to 06.07.2020 and 28.07.2020. Again the matter was not heard due to paucity of time and is now listed on 31.08.2020.

- All other applications pending with NCLT including avoidance application, application filed under Section 19(2) of IBC and applications filed by third parties including deposit holders are pending before NCLT, were last listed on 11.08.2020 and have now been adjourned to 17.09.2020 and 25.09.2020 respectively.
- b) Matter pending under Prevention of Money Laundering Act with PMLA Court:**
The initial hearing before Adjudicating Authority under the Prevention of Money Laundering Act, 2002 under Section 5 (5) of PMLA Act, 2002 against SRS Limited including SRS Group Companies and directors/promoters and their related parties was scheduled on 07.04.2020 which was adjourned to 24.06.2020 due to lockdown amid Covid-19 and thereafter to 24.07.2020. However, the matter was not heard on both the dates. The matter was listed on 20.08.2020 and is now scheduled for 20.09.2020.
- c) Mr. Ashok Kumar Gulla informed that despite filing application for urgent hearing before NCLT, the matter is still not heard which is delaying the entire process. He requested Ms Shweta Dubey, legal counsel to provide legal opinion on the further course of action to be taken under these circumstances. The legal counsel apprised the members of the committee that the attachment order of ED was dated 08.01.2020 which lapsed within 180 days or 6 months i.e. 08.07.2020 and the Liquidator had written an email to ED and the banks (where the bank accounts of Company were operated from) in this regard. However, ED replied stating that the lockdown period due to covid-19 is excluded for the purpose of attachment order as per Supreme Court order and hence, the validity of order is automatically extended by such period and continues to remain in existence. She added that the matter of ED attachment in Bhushan Power & Steel Limited has now reached to Supreme Court for final hearing in September 2020 and there is high probability that NCLT would not hear our matter till any order/ direction in such matters is given by Supreme Court.
- d) The Legal counsel for Liquidator again emphasized as stated by her in last meetings, it is appropriate and effective for the secured creditors to approach High Court, Chandigarh citing that in similar cases, the judges have heard the secured creditors considering their exposure and charge on the assets of Company. There are good chances of getting a favourable judgement if they approach the court. She stated that Liquidator can be made party in the said

petition where he shall also submit his reply to the court. Mr. Ashok Gulla asked about the time that can be taken in High Court Hearings in such matters to which she replied that considering the present situation, it may take 5 effective hearings i.e. around 2-3 months.

- e) The Liquidator sought views of secured creditors on the issue to which Mr. Rakesh Verma, AGM, SBI stated that he had asked for information from the team members of Liquidator and are considering moving High Court after internal discussion and on discussing the matter with other secured creditors. The Liquidator emphasised that the matter has to be decided at the earliest as the operations are on the verge of closure in absence of cash flows. In the absence of any cash flow or relief from ED, the business of the company has to be completely shut down within next 1 to 2 months. The matter was discussed in detail in Agenda 3.

Agenda Item No. 2

To discuss and take note of the e-auction notice under Regulation 33 of IBBI (Liquidation Process) Regulations, 2016 issued for sale of assets of SRS Limited (not attached by ED)

The Liquidator thereafter apprised the members about the e-auction process initiated by him for sale of cinema business and other assets of Corporate Debtor which are not under attachment of ED.

- Due to the pending attachment of assets of Corporate Debtor by ED as well as Income Tax Authorities, the Liquidator could not proceed with the e-auction process under IBBI (Liquidation Process) Regulations, 2016. The assets of the Company in the form of cinema business, real estate properties have a substantial value to the tune of Rs 50-60 Crores, in addition to the deposits which have also been attached by ED and due to these pending attachments, the expected value cannot be realised as all these assets are deteriorating in value with time.

- During the last meeting, the legal counsel for the Liquidator stated that w.r.t. to the Income Tax attachment, the law has now been clear that the attachment is illegal vide various judgements and hence, we can proceed with the e-auction of cinema assets from leased premises and the money can be deposited in a separate escrow account till the time order is received against their attachment. In this regard, following assets are not attached by ED:

- (a) Cinema assets located at 13 leased premises (not including cinemas at 2nd Floor, SRS Mall, Sector-12, Faridabad) – Presently these assets are attached by Income Tax;
 - (b) 100% equity investment in SRS Entertainment India Limited – Presently, the company is in cinema business and operates form 4 locations. Cinema assets at these locations are also attached by Income Tax;
 - (c) Brand “SRS”; and
 - (d) Vehicle – Car of Brand ”Accord” purchased in 2006
- The Liquidator has considered various issues being faced in continuing with the cinema business regarding mounting liabilities on account of pending rent, Common Area Maintenance, salaries, statutory dues, Housekeeping, minimum Electricity charges, security services etc. After consulting with the legal counsel, he has released the advertisement of e-auction of above mentioned assets on 06.08.2020 in Financial Express (English) and JanSatta (Hindi), All India Edition. The time for due diligence has been provided till 08.09.2020 and the last date for submission of EMD is 12.09.2020. EMD is kept at 10% of the reserve price as under:

Assets	Block	Reserve Price (Rs.)	Earnest Money Deposit (Rs.)
Assets installed at 13 Locations (leasehold premises) in 5 states for operating cinemas under the brand name of “SRS Cinemas” from Thirty-Five (35 in No.) Cinema Screens	Block 1	20,00,00,000/-	2,00,00,000/-
100% Equity shares of SRS Entertainment India Limited, engaged in cinema business and operating from 12 Screens at 4 locations (leasehold premises).	Block 2	10,25,00,000/-	1,02,50,000/
SRS Brand	Block 3	80,00,000/-	8,00,000/-
Vehicle Car – Accord (purchase year – 2006)	Block 4	75,500/-	7,550/-

- The information regarding attachment of Income Tax on above assets has been explained in the E-Process Information Documents and the date of e-auction shall be announced after vacation of Income Tax Attachment.
- In the meantime, Liquidator has filed another application for urgent hearing in the Income Tax

Attachment on assets of Corporate Debtor with NCLT, Chandigarh Bench. Efforts are made to get it listed before 31.08.2020, however, the application has not been listed till now.

- Liquidator informed the members that so far 4 potential bidders have shown interest in purchase of business of Cinema in SRS out of which 3 bidders have submitted the documents to carry out due diligence. Liquidator and his team are in continuous touch with other investors for participation in the e-auction process.
- However, the Liquidator informed to Committee that he has two major issues in dealing with these bidders i.e. the Income Tax Attachment and non-availability of data. Liquidator has informed in the last meeting the server of the Company was attacked by virus in June 2020 and the complaint was filed with Cyber Cell, Faridabad. Liquidator informed that from last 2 months the team member of Liquidator had been visiting the cyber cell so as to provide the status of the Complaint, but, no written response has been received from Police station/ Cyber cell. RTI has also been filed in this matter. Liquidator informed that they could not proceed with the recovery process without getting the report from Cyber Cell as for the recovery, servers have to be touched which might result in removal of trail leading to such attack. All the investigating agencies including CBI are into the picture and any such step might create additional issues for the liquidator and the process.
- The Income Tax Attachment on cinema assets put up for is yet to be resolved. The Liquidator has filed an urgent application for hearing in the matter so that the attachment can be vacated at the earliest, however, despite that, the matter is still pending before Tribunal. The bidders are not interested to proceed further due to this uncertainty regarding the attachment as the Liquidator cannot release the date of e-auction till the attachment is vacated. To this, Ms Shweta Dubey, Legal counsel stated that they have been trying to get the Income Tax Attachment vacated first considering that there are judgements that support IBC over such attachments. She stated that similar to ED attachment, Income Tax attachment has also a validity of 6 months after that the department has to again reissue the order. The Income Tax order was dated 06.01.2020 that lapsed on 06.07.2020 and thereafter no new order was received by the Liquidator. However, in the morning of 25.08.2020, the Liquidator received the soft copy of the Income Tax Order which is dated 15.07.2020 which they are reviewing.

She further added that unlike ED, the attachment by Income Tax can be vacated at Tribunal level and whenever the hearing happens, she would first initiate for vacating the said attachment.

- The Liquidator thereafter asked Ms Shweta Dubey that is it possible to proceed with the bidding process pending the Income Tax attachment to which she replied it would not be appropriate to do so as the matter is pending before Tribunal and such step can lead to new litigations.

Agenda Item No. 3

To discuss on the continuation of the business of Corporate Debtor amid no cash flows in the Company

- In continuation of the Agenda 2, Mr. Ashok Kumar Gulla, Liquidator again updated the members about the prevailing situation of the business of the Corporate Debtor. The rise of covid-19 has exaggerated the situation as the cinema business has been under mandatory closure since March 2020 and the restriction on the opening of cinemas has been further extend to 31.08.2020 with no clarity whether the cinemas shall be reopened thereafter. As known, Corporate Debtor only operated cinema business from 14 locations out of which 13 are leased premises.
- The bank accounts of the Company have been provisionally with balance of around Rs 15 crores (approx. comprising of balance in bank accounts and FDRs) attached by ED vide its order dated 08.01.2020. Liquidator has been managing the business operations including all the receipts and payments from the fresh funds generated from business operations through the new account opened in February 2020.
- The cash flows of the Company have been drastically effected due to complete closure of the business as there have been no revenue generation for the past 5 months. However, the fixed liabilities continue to rise even during the lockdown period towards salary of over 425 staff, security and housekeeping expenses, Mall maintenance expenses such as repair, electricity,

cinema lease rentals, Common Area Maintenance (CAM) charges at Leased properties, minimum electricity charges, statutory dues such as ESI, EPF, TDS and other liquidation costs including fees of legal professional. The liabilities continue to accumulate and have reached over Rs 7 Crs as of June 2020 and around Rs 9 Cores as of August, 2020 and the amount continues to rise with each passing day. This amount has been estimated after considering concession in rent during lockdown period citing Force Majeure clause for which negotiations are already going on with the developers.

- The Liquidator had been managing the business and Mall from the funds lying in the new bank account which have now depleted and are not sufficient to continue with the Mall and business. The balance as on date lying in the new bank account of Corporate Debtor is around Rs 3 Lakhs only with no new source of revenue.
- No salary has been paid to the employees since May 2020 whereas the maximum salary paid for the month of March 2020 was 50% and for the month of April 2020 was only 20%. Of the net salary. No ESI and EPF had been deposited since January 2020 due to lack of funds. The Liquidator stated that he did not terminate any of the employees considering the cinema business would start and in order to resume the operations, the staff would be needed to keep the business going concern until it is sold. However, owing to the prevailing situation, if no relief is provided to the Liquidator or the cinemas are not sold, then the Liquidator will not be left with any option other than to terminate all the employees.
- Lease deeds of two cinemas have already expired before lockdown for which an application (IA 88/2020) has already been filed and pending with Tribunal whereas two lessors have invoked the termination clause on account of non-payment of dues for the previous months. The Liquidator mentioned that he and the team have been in regular touch with the Developers, Distributors and vendors so as to continue the business. However, owing to no cash flows in the Company and continuous increase in the outstanding liabilities, it is practically not possible to manage the business as going concern for a long time.
- To resume the business operations, post unlock by the government, the Liquidator will require minimum Rs 30-40 lakhs to commence the operations for meeting expenses such as

sanitisation, housekeeping, security, food items etc. Also, the business will not be operating at the same capacity as existed in the period prior to Covid-19 and is expected to be less than 30% of the level prior to covid-19. The major revenue is earned from the sale of food & beverages items and keeping in mind the current scenario and till the vaccine is introduced in the market, there is high probability that the customers shall not purchase these items as a precaution. With no balance in the bank accounts, it would be difficult an option to consider opening of cinemas. Ultimately, the Liquidator has to force close the business which will result in destroying the value to various stakeholders.

- Liquidator also informed about SRS Mall at Sector 12, Faridabad that was under closure and was reopened w.e.f. 01.07.2020. The Liquidator has been trying to manage the Mall amid the lack of funds. Various expenses are needed to run the Mall as going such as housekeeping, security, CAM, Electricity, salary of staff managing the Mall work and other miscellaneous expenses. At present, a minimum of Rs 8 Lakhs is needed on monthly basis to run the Mall whereas the recovery from the tenants and other shop owners of the Mall is only Rs 2-3 Lakhs. Further, most of the tenants of the shops have started vacating the premises due to low footfall and no business. He informed that the they had to pay a bill of around Rs 15 lakhs towards electricity only and if it continues in the same manner, the Mall has to be shut down within a month.
- Liquidator thereafter stated that in such a scenario, he is not in a position to run the business for more than 1 to 2 months and if the cinemas are not sold within this time frame, he will have to shut down the business and the only asset available for sale shall be furniture and fixtures installed in the cinema premises which would be sold in scrap. Also, if the assets are not sold in first e-auction, then he would proceed with second e-auction by reducing the value as per the liquidation regulations.
- The liability incurred during liquidation period that is estimated at around Rs 9 cores towards pending rent, CAM charges, Housekeeping, statutory dues, security services, legal and other expense subject to further negotiation and shall form part of liquidation cost and thus, any recovery from sale of assets shall be first utilised towards payment of these expenses under Section 53(1) of IBC and the balance shall be only left for distribution to various stakeholders.

In case the entire company is shut down and no assets are sold/amount is not release by ED, thereby resulting in no cash inflows and a stop on liquidation process, then taking into reference of Regulation 39B of IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 on “Meeting Liquidation Cost”, the liquidation cost may have to be borne by secured creditors.

- The Liquidator stated that apart from the sale of assets, there are around 22 applications which are pending before Tribunal, filed by Liquidator and third parties. They have been pending for more than a year with no hearing. This also includes application filed by Depositors for having priority in payment under liquidation. However, in the absence of any hearing, these matters continue to remain pending. He has been receiving call on daily basis from the deposit holders and it has become difficult to provide them with answer on the conclusion of the matters.
- Mr. Rakesh Verma, AGM, SBI asked the legal counsel of the Liquidation that whether it will be preferable for the Liquidator or secured Creditors to approach the High Court for writ petition in this matter.
- Ms Shweta Dubey, legal counsel again reiterated that it would be effective if the secured creditors file the petition. She pointed out that the Liquidator have already filed multiple applications with Tribunal in the matter and thus, approaching high court, when these applications are pending, may impact the judgement. She stated that, if only the secured creditors failed to file any petition before High Court, then Liquidator will have to approach himself. At this stage, The Liquidator also stated that it would not be beneficial if he filed the petition due to following reasons:
 - (a) He has already filed 4 applications with NCLT which are pending;
 - (b) If the Liquidator approach file the writ petition in the High Court, it is likely that the court might allow the Liquidator to sell the assets provided the funds would be kept in a separate account till the matter is decided. This will have no benefit to secured creditors as the matter may take a long time and the funds shall remain unutilised;
 - (c) The Liquidator, at present, have no funds to approach High Court. Thus, in this case, the secured creditors have to fund the litigation cost so as to enable the Liquidator to proceed in the matter.

- Mr. Abhinav Garg, Representative of Deposit Holders sought reason from the secured creditors on not filing of petition till date and even discussing at this stage considering the seriousness of the situation. He added that, he being a deposit holder, has been filing the applications himself with the Benches and taking every possible action so as to protect their interest.
- He also asked the Liquidator and also to the secured creditors to investigate and seek replies of two directors of SRS Group Companies Mr. Dheeraj Kumar Gupta and Mr. Vineet Gupta who have been arrested by EOW, Faridabad and have been involved with Mr. Anil Jindal in the fraud committed by the SRS Group. They are also directors in the shell companies where the funds have been diverted from SRS Limited. Liquidator answered that they have already reported the matter with Tribunal under Section 66 of IBC and the matter is still pending. No hearing has been done in this matter till date.
- Mr Abhinav Garg further asked the Liquidator to provide the documents to him as sought in the last meeting to which Liquidator and his legal counsel replied that they are reviewing whether the documents can be shared and shall revert back to him.

Agenda Item No. 4

To take note of the complaint filed with Cyber Cell regarding cyber attack on server of SRS Limited

The Liquidator updated about the matter while discussing the Agenda No 3. During the lock down period on 23.06.2020 a cyber/virus attack in the data center of Corporate Debtor took place. All the data was encrypted by the dovin ransomware and all the servers are infected. Subsequently, a communication was received from “time2relax@firemail.cc” stating that “Your network is infected with three different ids The cost of decrypting all files is 4.3 bitcoins”. The matter was informed to the Cyber Cell through mail at “cp.fbd@hry.nic.in” on 27.06.2020. The Cyber Cell, Faridabad registered the complaint on 02.07.2020 and has been investigating the matter since then. The team member of Liquidator and employees of the Company have been regularly visiting the office of Cyber Cell, however, the office has not provided any conclusive report in the matter. RTI has also been filed but no response has been received. The Liquidator is waiting for some

time to get the written report from Cyber cell, failing which he would have to start with the process of extracting data and to proceed further even without written report as more than two months have already gone with no report from cyber cell.

Conclusion

The meeting ended with a vote of thanks by Liquidator. The Liquidator stated that he shall conduct the next meeting of SCC after a month to provide further updates in the matter.

ASHOK KUMAR GULLA

Liquidator for SRS Limited

Regn. No: IBBI/IPA-003/IP-N00024/2017-18/10174

RBSA Restructuring Advisors LLP

2nd Floor, IAPL House, 23, South Patel Nagar, New Delhi - 110008

E-mail: ashok.gulla@rbsa.in; ip.srs@rbsa.in (for correspondence)

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