

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

The Fifth Meeting of Stakeholder Consultation Committee of “SRS LIMITED” was held on Wednesday, the 04th day of November, 2020 at 04.00 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. Mr. Deepak Singh, Chief Manager, Union Bank of India
8. Ms. Neha Arora, Assistant Manager, Union Bank of India
9. Mr. Ajay Kaul, Chief Manager, Punjab National Bank (earlier OBC)

Representative of Unsecured Financial Creditors

10. Mr. Abhinav Garg

Representative of Operational Creditors

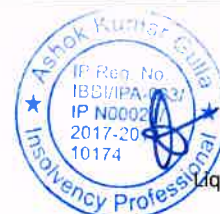
11. Mr. Satish Sethi, Knight Watch Security Pvt. Ltd
12. Mr. Bhupender Kumar Kharbanda, DGM, Knight Watch Security Pvt. Ltd

Mr. Ashok Kumar Gulla, Liquidator welcomed representatives from Banks, Deposit holders (unsecured Financial Creditors), Operational creditors and legal counsel to the fifth 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. Mr. Baljit Kapoor, one of the representative of the depositors was also not present in the meeting.

He informed that the meeting had been called to discuss the latest update on hearings before NCLT and PMLA w.r.t. attachment of assets of Corporate Debtor, closure of business and process to be adopted for e-auction of assets. Following Agendas were taken up for discussion as detailed below:

Agenda Item No. 1

To discuss the hearing before NCLT and PMLA court w.r.t. the attachment of assets of SRS Limited on 19.10.2020 and 14.10.2020



a. Matter pending before NCLT:

- i. Liquidator mentioned that he has filed following applications before NCLT, Chandigarh Bench relating to ED and Income Tax Attachment Orders dated 08.01.2020 and 06.01.2020 (new order of Income Tax dated 15.07.2020):

SNO	Application No	Brief of Application
1	CA 22/2020	Application filed seeking defreeze of bank accounts attached by ED.
2	CA 60/2020	Application for injunction on ED attachment including on bank accounts of Corporate Debtor or to allow open the new bank account for operating the business
3	IA 33/2020	Application filed updating completion of section 230 process and seeking direction for sale of assets pending the attachments of ED and Income Tax
4	IA 136/2020	Application filed for declaring PAO dated 08.01.2020 passed by ED as illegal and without jurisdiction
5	IA 88/2020	Application filed for allowing to sell cinema assets at two locations at Aditya City Mall, Indirapuram and Eldeco Mall, Sector-12, Fbd, where leases have expired
6	IA 447 & 448/2020	Application filed for urgent hearing on attachment of income tax on assets of Corporate Debtor

- ii. The applications were last listed and heard on 01.10.2020. The Income Tax counsel was not present, hence, the, matter could not be decided. Matter on ED attachment was also heard and discussed where our legal counsel also explained the situation of the Company before the Tribunal and sought for urgent relief of funds of the Corporate Debtor attached by ED. We have also filed an additional affidavit in this regard. The applications were then listed on 19.10.2020 where the matter could not be heard due to paucity of time and was adjourned to 02.11.2020. The matter could not be heard again due to paucity of time as the matter was listed at Sno 15.
- iii. The Liquidator informed that the matter came up for hearing on 04.11.2020 at SNO 21 and was heard for over an hour on income tax issue. The order has now been reserved and the parties to the application have been asked to file the written submission within 10 days. The order is expected to be uploaded in next 10-15 days. In the meantime, Liquidator shall file his written submissions. He stated that it is expected that order might be in their favour.
- iv. The Liquidator also informed about other applications listed on 04.11.2020 along with Income Tax. In the ED attachment, the advocate of ED again stated that Hon'ble NCLT has no jurisdiction to deal with issue and appropriate forum is PMLA Court and placed reliance on certain judgements which were not on record. NCLT directed both the parties to file written submission within 10 days and next date of hearing is 01.12.2020.
- v. There were other applications that were also listed bearing CA 762/2019 & 890/2019 filed by Owners of Patiala Site seeking vacation of premises by Corporate Debtor, IA 534 & 535/2020 filed by Owner of Eldeco Mall, Sector-12, Faridabad seeking similar directions. The counsel for the application filed by deposit holders IA 176/2020 was also present to list the matter. 535/2020 and IA 176/2020 were heard for first time, hence, it has been directed to issue notices to the Liquidator to file reply within two weeks. IA 534/2020 & CA 890/2019 were disposed off. The matters are now listed for 01.12.2020.



- vi. All other applications pending with NCLT including avoidance application, application filed under Section 19(2) of IBC and applications filed by third parties, that are pending before NCLT, are now adjourned to 10.12.2020 (except one application CA 1171/2019 filed by depositor which is listed on 06.11.2020).

b. Matter pending 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 then listed on 20.08.2020, 10.09.2020, 25.09.2020 and last heard on 14.10.2020. The matter is now listed on 06.11.2020.

Agenda Item No. 2

To discuss on the closure of the business of Corporate Debtor

The Liquidator stated as under:

- a. The Corporate Debtor operated only cinema business majorly from leased premises. The rise of covid-19 impacted the business severely as it continued to remain close for more than seven months from mid of March 2020. With no revenue for this entire period when the business continued to remain close, the cash flows were severely impacted whereas the liabilities on account of staff salary, lease rentals, CAM, Electricity, housekeeping and security expenses, legal fees, statutory dues such as GST, TDS, EPF, ESI and other liquidation costs remain unpaid.
- b. The pending liabilities have now reached around Rs 12 Crs as of September 2020 (including lease rentals and CAM of leased premises for lockdown period). This also includes pending liabilities towards rent and other charges for the period prior to lockdown i.e. for Feb and March 2020 when the business was in operations which is around Rs 2.50 Crores. The Corporate Debtor does not have funds in the operative account to meet these liabilities as whatever funds available have been utilized to meet security expenses at various locations and other urgent expenses during these past months.
- c. The business of Corporate Debtor runs from 14 locations out of which 13 are leased whereas the one owned is currently under attachment of ED and also by Income Tax. Leases of two cinema locations i.e. Aditya Mall at Ghaziabad and Eldeco Mall at Sector 12 Faridabad have already expired prior to lockdown for which Liquidator has already filed an application with NCLT (IA 88/2020) seeking necessary directions which is pending and the developers have not shown interest to renew the lease deeds. The other Developers, on account of non-payment of rentals have issued notices of termination seeking payment of pending dues. Few of Developers have also threatened to remove the assets installed at their premises if dues are not paid at the earliest.
- d. Ministry of Home Affairs vide its guidelines dated 30.09.2020 had permitted to open cinemas from 15.10.2020, however, Liquidator has not been able to open the business as of date due to non-payment of pending liabilities. The Developers have been constantly seeking for the dues for the period prior to lockdown and for the period w.e.f. 15.10.2020 along with

CAM and electricity dues for the period during lockdown. In addition to the past liabilities, there are expenses which are required to be incurred for opening of cinemas which includes security, housekeeping, sanitization, procurement of food items, renewal of licenses, salaries of staff, rent of leased premises from the date the business starts. With no cash flows, it is not possible to run the cinema operations.

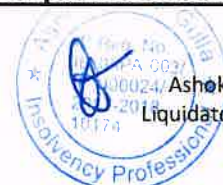
- e. Moreover, the employees have not been paid salary from May 2020 onwards whereas only partial salary was paid for the month of March and April 2020. Many of them have started approaching labour courts against Liquidator and Company and are demanding for their dues. The Company shall be requiring funds to make them regular payments from the day the company start its operation, which is practically not possible, owing to the present situation.
- f. Due to pending attachment of ED on bank accounts and FDR of Corporate Debtor which is around Rs 15 Crs (approx.), Liquidator cannot utilize the funds to meet the pending liabilities and restart the business. The matter pertaining to ED attachment continues to remain subjudice and there is no certainty when the attachment shall get vacated.
- g. Cinema industry has been gravely hit by the pandemic and has not seen major audience till date leading to very low revenue as against the expenses incurred. Also, as per the latest estimate, no high budget movie is going to be released till the end of 2020 thus showing no sign of progress for the business for at least next 5-6 months.
- h. Hence, the Corporate Debtor is not in a position to restart its operations. The best option available is to sell the assets and recover as much value possible. The employees of the cinema business shall be sent notice of termination and Bidders shall be approached to consider to continue with the employees. Only limited staff pertaining to Accounts, Secretarial work and IT related shall be retained to complete the books of the Company, statutory compliances and liquidation process.
- i. With regards to SRS Mall, the Mall was opened w.e.f. 01.07.2020 and since then has been running on losses. Many of the tenants have vacated the shops owing to low footfall and there are only 3-4 shop owners who are running the shops. A minimum of Rs 10 Lakhs is required to run and maintain the mall and the major portion includes electricity dues. In addition, the other payments are to be made towards CAM, security, housekeeping and staff whereas the revenue earned is around Rs 5Lakhs. There is already a pending due of electricity of about Rs 6 lakhs for the month of September 2020 and electricity might get cut at any point of time. Efforts are being made to attract more parties for the shops and discussions are also being held with electricity dept regarding the pending dues so as to sustain the working of Mall. In case nothing works out, the mall shall also have to be closed in next two months.

Due to technical issues, there was network disruption and participants could not hear in between, hence the Liquidator summarised the above two agendas before starting with Agenda No 3.

Agenda Item No. 3

To discuss on the sale of cinema business and other assets of Corporate Debtor

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Ashok Kumar Gulla
Liquidator for SRS Ltd

- a. The Liquidator, in continuation of Agenda 2, mentioned that the best available option is to sell the cinemas at the earliest possible and recover as much value possible. Liquidator had earlier on 06.08.2020 initiated E-auction process for the SRS Cinemas from 13 leased premises on going concern basis, though the actual date of E-auction remained undecided pending the Income Tax attachment. Only three bidders submitted the documents for due diligence and none of them had come forward to submit the EMD. The bidders had shown concern over continuation of lease deeds by the Developers as two of the leases have already expired and some of them shall expire in next 1-3 years which is driving the value down. They are concerned over the pending dues of developers that needs to be settled before assets are handed over to them. Due to the seven months lockdown in the wake of covid-19 and inability to restart the operations, the prospect of getting the value as anticipated earlier and finding potential bidders have reduced drastically.
- b. The Liquidator stated that in case the Income Tax attachment gets vacated in the latest order, he shall make all the efforts to sell the SRS Cinemas on individual basis i.e. each leased site on standalone basis and the recoveries may be used to settle the pending dues. It is considered appropriate at this stage to release advertisement for e- auction separately for each 13 Cinema locations. This is expected to facilitate getting bidders to bid for the preferred locations as the bidders have not shown keen interest in acquiring the leases that have already expired for which matter is pending before NCLT or which were loss making for the Corporate Debtor. The realization, though, as was envisaged earlier during CIRP and also prior to Covid -19 epidemic, is expected to fall down. Earlier, the Liquidator had released the advertisement for sale of 13 cinemas with reserve price of Rs 20 Crs considering it will be sold as going concern. However, the value shall go down with around 40-50% if sold on standalone.
- c. The Liquidator is in talks with the Developers to allow him to retain the access to the premises for the next two months and in the meantime the Liquidator shall make efforts to sell the cinema assets after getting permission of NCLT.
- d. However, in case the permission to sell the assets is not granted then either the Developer or the Liquidator will himself have to initiate the termination clause so as to avoid any further cost as the estimated rent for the period from 15.10.2020 for 2 months ending on 31.12.2020 for occupying these premises is around Rs 1.05 Crs on monthly basis. The Liquidator is regularly following up with the Developers to waive off the charges for the lockdown period.
- e. Liquidator further stated that termination of lease deed shall mean the permanent closure of business and Liquidator will have to extract the assets from the locations which are in the form of:
 - i. furniture and fixtures, chairs, cabinets, almirahs, computers and office equipment's. These assets have been installed at the time of opening of cinemas which on average are around 5-10 years old and the major cost of these assets have already been depreciated. In case they are removed, they are not expected to be of use for any cinema operator and shall be sold in scrap only.
 - ii. The other assets comprise of plant and machinery such as fire extinguishers, products placed at food counters, POS machines, batteries, equipments for exhibition of cinema etc. They do not have long life and are used for cinema operations.
 - iii. A significant investment has been done by the Corporate Debtor on the interior work of

the cinemas, flooring, wall paintings, electrical fittings in the form of lights which account for around 80% of the total value of total assets installed at all these leased premises which cannot be extracted and hence, this entire value shall get eroded. They have value only if sold as going concern and run by the new buyer.

- f. Thus, the only feasible option left would be to keep the assets at the premises and adjust them against the pending dues of the Developers/Owners of the premises so as to avoid any further litigation.
- g. The Liquidator further stated that assets of Corporate Debtor attached by ED i.e. the real estate properties mainly SRS Mall at Sector-12, Faridabad and shops at various locations in Faridabad cannot be sold pending the attachment. There were buyers who were earlier interested to purchase these properties.
- h. With regard to investment in 100% shares in SRS Entertainment India Limited, earlier the reserve price was Rs 10.25 Crores considering its going concern status. The subsidiary is also into cinema business operating from 4 leased premises and has also not been able to restart its operations due to lack of funds. The Income Tax vide its order dated 06.10.2020 and 15.07.2020 has also attached the cinema assets of subsidiary and there is a demand of around Rs 7-8 Crores. Also, an operational creditor has already filed application u/s 9 of IBC with NCLT, Chandigarh which is pending. Due to no funds, the subsidiary has not been able to clear the dues of this operational creditor. In such a scenario, the chances of sale of investments as going concern is limited as not many investors showed interest to acquire the investment. It is expected it will not fetch the same value and may have to be sold on standalone basis.
- i. As regards, accounts recoverable, the chances of recovery are limited considering that high value transactions are already reported as fraudulent transaction and most of these parties are non-existent. Proper records are not available to verify all these recoverable and decide whether we can proceed against these parties.
- j. Moreso, the Liquidator does not have adequate funds to pay for (i) security of various cinema locations (ii) electricity bill and housekeeping at SRS Mall, Sector-12, Faridabad (iii) salary of limited staff that need to be retained in accounts and IT to complete liquidation (iv) legal counsels who are representing the Liquidator in NCLT, Chandigarh and NCLT, New Delhi for various matters filed by the Liquidator and also filed by other parties, cases pending at civil court, Faridabad and cases filed by various employees against the Liquidator in Labour Court (v) auditors who are required to audit Liquidation account and other financials as the Corporate debtor is a listed entity. The Liquidator who is supported by Team from IPE has not drawn any fees since December 2019.
- k. The dues towards outstanding liabilities and any future expense incurred for carrying liquidation process, shall form part of Liquidation Cost and any recovery from assets under Liquidation shall be first utilized towards clearance of these dues under Section 53(1) of IBC. However, it is expected that very low recovery shall be made from the cinema assets installed at these leased premises and other assets available for sale and shall be insufficient to meet these dues. The Liquidator stated that one year of liquidation expires on 28.01.2021 and he shall file an application with NCLT seeking directions on how to resolve the issues

that continue to remain pending.

- l. The Liquidator sought queries from the members of the committee to which Mr. Abhinav Garg, representative of Depositors raised following queries:
 - i. The steps taken by the secured financial creditors to approach High Court for filing writ petition against ED Attachment; and
 - ii. Can the Liquidator not file urgent application for avoidance transactions;
- m. Liquidator mentioned that the avoidance application has been filed twice and were listed on various dates prior to lockdown but no effective hearing could be held and pursuant to lockdown, the applications were again listed but were no heard. NCLT is also taking up only those matters which are urgent. Ms Shweta Dubey, legal counsel of Liquidator added that the first action of the Liquidator was to protect the going concern status and value of assets of the Corporate Debtor and hence, the urgent application has been first filed for ED and Income Tax attachments so as to vacate the attachments and realize the value. Moreover, at present, the chances of getting the matter listed in other applications is very limited as even in the attachments applications, the matter was heard after their persistent efforts. The Liquidator added that they shall file an application for urgent hearing in the fraudulent application.
- n. With regard to the other query pertaining to High Court, the Liquidator stated that lenders are waiting for the supreme court judgement in Bhushan Power and Steel Limited. Pending the matter before Supreme Court, the lower courts are not keen in taking the decision on the issue. In the meantime, the Liquidator's connection got disrupted and he could not reconnect again. Mr. Garg stated that the matter has been pending from the last two meetings and the delay is resulting in loss for every stakeholder including depositors. The legal counsel for the Liquidator responded to the query stating the matter for filing of petition with High Court is under due consideration of the banks and had to undergo the process of internal approvals. She asked the members if they had any other queries to pass on to the Liquidator. Mr. Garg stated that he has asked for documents pertaining to ED provisional attachment order in the last meetings and raised the issue regarding sharing of the said documents with the secured creditors. Legal counsel replied that there were confidentiality concerns and would get back to him. In this regard, it is also stated that the ED Order was not shared by the Liquidator and was delivered to secured creditors by ED as they are the Defendants to the Order.

Conclusion

Due to network disruption, the Liquidator's link got disconnected and he could not conclude the meeting. Ms Shweta Dubey, legal counsel of Liquidator apprised the members and concluded the meeting on behalf of Liquidator.



ASHOK KUMAR GULLA

Liquidator for SRS Limited

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