

Explanatory Notes

Ninth Meeting of Stakeholder Consultation Committee in Liquidation of SRS Limited to be held on 08.07.2021 at 12:00 P.M. at RBSA Restructuring Advisors LLP, 2nd Floor, IAPL House, 23, South Patel Nagar, New Delhi – 110008 through video conferencing

This meeting has been called to discuss on the sale of assets of Corporate Debtor in Liquidation, issue of advertisement for sale of Not Readily realizable assets under IBBI (Liquidation Process) Regulations and other matters.

Agenda Item No. 1

To discuss and advise on release of advertisement for sale of assets of SRS Limited as Not Readily Realizable Assets under Regulation 37A of IBBI (Liquidation Process) Regulations

IBBI (Liquidation Process) Regulations was amended on 13.11.2020 introducing Regulation 37A that states:

(1) A liquidator may assign or transfer a not readily realisable asset through a transparent process, in consultation with the stakeholders' consultation committee in accordance with regulation 31A, for a consideration to any person, who is eligible to submit a resolution plan for insolvency resolution of the corporate debtor.

Explanation. — For the purposes of this sub-regulation, “not readily realisable asset” means any asset included in the liquidation estate which could not be sold through available options and includes contingent or disputed assets and assets underlying proceedings for preferential, undervalued, extortionate credit and fraudulent transactions referred to in sections 43 to 51 and section 66 of the Code.

Under Regulation 37A, Liquidator can assign or transfer those assets of Corporate Debtor undergoing liquidation, that otherwise could not be sold in the process. The Liquidator after consulting with the members of stakeholder consultation committee can proceed with the transfer of such assets to third party who submit their offer to acquire these assets. In this regard, SRS Limited has following assets that are not saleable or in other words there are no potential bidders found for such assets in the market:

- I. **Accounts receivables including advances, other receivables and transactions classified as avoidance transactions under Section 45 and 66 of IBC:** Corporate Debtor had multiple business divisions such as Jewellery, Value Bazaars, Cinemas and Food Courts. Prior to initiation of CIRP on August 21, 2018 all the business vertical including Jewellery, Value Bazaar and Food Court business had come to a closure abruptly due to various reasons. As on the date of CIRP initiation only cinemas business were running. These accounts recoverables, advances, other receivables including deposits pertains to all these businesses. An amount of Rs 1291 Crs of recoverables pertains to jewellery business has

already been reported as fraudulent transactions under Section 66 of IBC with NCLT vide applications No 173/2019 and No 936/2019. Both the applications are pending before NCLT. The amount is said to be recoverable from about 28 parties belonging to jewellery business and are due for over 3 years. Out of total parties only four parties have responded to the applications whereas others are non-traceable. The team of RP had also visited at their addresses available, however, no office existed. Couriers were also sent at their available addresses, but returned undelivered or no response were received.

Other remaining recoverables and advances pertains to value bazar, food courts, management and also cinema business that are also due for over 3 years. Liquidator has approached these parties during CIRP as well as Liquidation and had also issued legal notices at the addresses traceable from Company or google search or MCA website, however, many did not exist at the given address and some have replied stating that no dues are pending from Company instead SRS Limited is liable to pay them for outstanding dues. There are no documents available with Corporate Debtor such as invoices, copy of agreement for these recoverables to initiate any legal action against the parties as the same would also involve cost which will be more than recovery expected.

In addition to the recoverables, advances and other receivables explained above, other transactions amounting to Rs 41 Crs have also been classified as fraudulent under Section 66 and Rs 17 Crs as undervalued under Section 45 in both CA No 173/2019 and 936/2019. The total amount of all such recoverables, advances and other receivables including avoidance transactions arrives at around Rs 1360 Crs out of which Rs 1349 Crs has already been reported to Hon'ble NCLT.

It is proposed to put all the recoverables, advances and other receivables in Block 1 to be sold as NRA under Regulation 37A of IBBI (Liquidation Process) Regulations.

II. 100% investment in SRS Entertainment India Limited: As explained in previous meetings, the wholly owned subsidiary of SRS Limited was also into cinema business operated from 4 leased premises which got shutdown in 2020 in the wake of Covid-19 and in absence of funds, the subsidiary could not restart its operations. The subsidiary does not have any significant asset such as land or building but only plant and machinery installed at the cinema premises for operating business. The application under Section 9 of IBC filed by owner of one of cinema premises is already pending before Hon'ble NCLT, Chandigarh Bench and income tax department has also raised demand notice for about Rs 7.30 Crs. Outstanding liabilities in the subsidiary have crossed more than 12 Crs as per the notices received from owners of leased premises who are not ready to negotiate and settle the dues at reduced rates. The overall outstanding liabilities have exceeded the value of assets.

The initial advertisement for sale of investment in subsidiary was released on 19.11.2020 at reserve price of Rs 10.25 Cr based on valuation arrived in liquidation as on liquidation commencement date i.e 15.10.2019. The valuation was arrived under Liquidation Process regulations prior to covid-19 in 2020 when cinema business of the Company was in full

operations. From then, total of eight advertisements have been released wherein the price of asset was reduced as per Liquidation Process Regulations, however every auction has failed and after the initial two auctions, no bidder came forward to enquire about the said investment. The last advertisement was released on 20.04.2021 at reserve price of Rs 4.14 Cr, which was more than 50% less of the initial reserve price. The e-auction was held on 30.04.2021 which was also failed. The Liquidator pursuant to lockdown being removed after second wave of Covid-19 in June 2021, has now released next advertisement on 28.06.2021 for auction of 100% investment in SRS Entertainment India Limited at further reduced price by 10% at Rs 3.73 Crs. The last date for carrying out due diligence and submission of EMD is 12.07.2021 and e-auction is to be held on 14.07.2021, however, no one has come forward to show interest. It is expected the said auction will also fail. Where this auction also fails, it is proposed to release advertisement for sale of this asset as Not Readily Realizable Asset under Regulation 37A.

The main terms and conditions of the Sale Auction Process Document proposed to be released is as under:

1. These assets are being put up for sale on “As on where on basis”, “As is where is basis”, “As is what is basis”, “Whatever there is basis” and “No recourse” basis.
2. The Buyer shall be eligible under IBC to submit the offer for the assets.
3. W.r.t. Block 1, the Buyer can choose the interested parties of receivable/recoverables in which they are interested and shall submit the proposal accordingly for such parties and amount recoverable from such parties.
4. No reserve price shall be kept for these assets and potential bidders shall be invited to carry out due diligence and submit their offer.
5. The potential bidders shall be asked to submit a refundable security deposit of Rs 5 Lakhs along with submission of Sale Application form so as to get access to Virtual Data Room and all other documents/information for carrying out due diligence. The amount of security deposit shall be refunded (without any interest component) to Participant who does not submit the offer till last date or the offer submitted does not get approved. The security deposit shall be refunded within 15 days from last date of submission of offer/declaration of successful Participant, as the case may be.
6. The offers submitted till last date shall be placed before Stakeholder Consultation Committee under Regulation 37A for the consultation/approval. The Buyer whose offers gets approved shall be asked to deposit EMD equivalent to 15% of their offer amount within 5 working days from intimation to the Buyer. The security deposit received earlier shall be adjusted against such EMD amount.

It is proposed to release the advertisement on 16.07.2021 and give around 30 days time to Interested parties to carry out due diligence and submit offer. The meeting has been called for consultation of the members of the committee to release the notice for assignment/transfer of these assets under Regulation 37A of IBBI (Liquidation Process) Regulations.

Agenda Item No. 2

To discuss on settlement of recovery from one of the Debtor of SRS Limited namely M S Electroplaza

- a. MS Electroplaza is a debtor of SRS Limited with an outstanding amount of Rs 1,77,68,839/- in the books of Company that is recoverable on account of selling Electronic Goods by Company to MS Electroplaza in 2016. As per the books of Company, the debtor paid an amount of Rs 24,53,752/- during 2016 and 2017 and the net balance outstanding as on date is Rs. 1,53,15,087/-. Pursuant to the initiation of CIRP, communications were sent by Resolution Professional (now Liquidator) to the debtors including MS Electroplaza for recovery of pending dues. Resolution Professional received a reply from MS Electroplaza on 01.01.2019 on the balance confirmation claiming that they have an outstanding towards SRS for the amount 30,92,284/- and further agreed to pay same via letter dated 17.01.2019 in lieu settlement of the entire amount.
- b. MS Electroplaza informed that they have purchased Electronic goods in bulk from five different stores of SRS - Value Bazaar division in 2016 on heavy discount, as these stores were going to be closed. The material was sold so as to clear the stock. However, SRS Limited had billed them on MRP due to which the amount outstanding towards them is 1,53,15,087/- in the books of Corporate Debtor. As communicated to the RP earlier, the entire transaction was handled by Mr. Anil Jindal and Mr. Sunil Jindal. No invoices nor any other documentary records are available either with SRS Limited or the Debtor to verify the transactions.
- c. Liquidator had again approached the Debtor during Liquidation for final settlement of amount at higher rate. However, the Debtor has submitted that he shall not be in a position to pay more than Rs 35 Lakhs towards final settlement in three installments. They have agreed to give a formal letter for making the said payment. SRS Limited does not have any documents to initiate any legal proceedings. Hence, after detailed discussions and negotiation, it is now considered to settle the amount Rs 35 Lakhs and recover the dues.

The agenda shall be placed before committee for their suggestions/objections if any.

Agenda 3

To discuss the present status of sale of cinema assets owned by Corporate Debtor

Pursuant to vacation of attachment of Income Tax on assets of Corporate Debtor on 12.01.2021, the Liquidator had started releasing the advertisement for sale of the cinema assets at 13 leased premises along with other asset that are not under attachment of any authority. The Liquidator has released total of seven advertisements pursuant to 12.01.2021 for sale of assets of Corporate Debtor that comprise of assets at 13 cinema leased premises, one vehicle, 100% investment in SRS Entertainment India Limited and SRS Cinemas Brand. Out of these assets, assets at 11

cinema locations and a vehicle has been successfully auctioned. The last auction was held on 30.04.2021. The entire sales consideration including GST amount has been received against assets at 6 locations and the vehicle. Partial amount has been received against assets at remaining 5 locations and follow is being done with these Bidders to deposit the remaining amount. As informed in the previous SCC Meeting held on 20.05.2021, Bidder for one location i.e. at Omaxe Celebration Mall, Gurgaon has filed an application with NCLT seeking extension to make balance payment upto August 2021. The application is pending.

The funds realised are being utilised towards payment of outstanding cost towards Rent/CAM/electricity of leased premises, vendors, security, housekeeping at all the cinema premises, pending litigation cost, GST (including GST on sale to be deposited), TDS, EPF, ESI.

The Liquidator has now released the advertisement on 28.06.2021 for sale of assets at remaining 2 locations i.e. Pristine Mall at Faridabad and Omaxe Mall, Patiala along with investment in SRS Entertainment India Limited and SRS Cinemas Brand. The last date for carrying out due diligence and submission of EMD is 12.07.2021 and e-auction shall be held on 14.07.2021.

S. No.	Assets	Block	Reserve Price (In Rs.)	EMD (In Rs.)
1	SRS Patiala Cinema Assets located at Omaxe Mall, Near Kali Mandir, Patiala, Punjab-147001.	Block 1	2,13,00,000	21,30,000
2	SRS Pristine Cinema Assets located at Sec-31, Pristine Mall, Faridabad-121003.	Block 2	39,00,000	3,90,000
3	100% Equity shares of SRS Entertainment India Limited.	Block 3	3,73,24,800	37,32,248
4	“SRS Cinemas” Brand	Block 4	48,60,000	4,86,000

Agenda Item No. 4

To discuss about the status of application pending before Hon’ble NCLT, Chandigarh Bench and PMLA Court seeking vacation of attachment of Directorate of Enforcement

The Liquidator has filed multiple applications bearing No CA 22/2020, CA 60/2020 IA 136/2020 with Hon’ble NCLT seeking vacation of attachment of ED on assets of Corporate Debtor and permission to sell the assets. The applications were to be heard on 03.05.2021, however, due to sudden lockdown to contain the spread of covid-19, the matters could not be taken for hearing and have been adjourned to 19.07.2021 including. Another application filed with NCLT seeking urgent hearing in the ED Applications bearing IA CH/IA/140/2021 was also adjourned to 07.07.2021. The Liquidator has filed another application for urgent hearing which got heard and the matter is now listed on 07.07.2021.

The other applications pending with NCLT including application filed seeking exclusion of period for liquidation process, avoidance applications and other third party applications have been listed on 07.07.2021 and 19.07.2021 respectively.

The matter before PMLA Court was heard on 24.05.2021 and thereafter on 23.06.2021. The order has been reserved in the matter of SRS Limited, however, order has not been pronounced yet.

Sd/-

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Liquidator for SRS Limited

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

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