**Seeds failed to germinate**

**M/s Himalaya Seeds**

The entrepreneur, Mr. T. Mallikarjun Rao with his wife Mrs. T. Vanaja engaged in Seed Processing Plant located at Warangal came weeping to TIHCL office along with SARFAESI notice which was issued in the beginning of the year 2018, and since March 2018 bank is constantly threatening that the auction notice of collateral security will be published in the Newspapers. The entrepreneur is maintaining his account with same bank since the inception of his business.The industry operating for 20 years, noticed a decline in sales as there were no good Rabi & Kharif seasons due to draught & monsoon for the past 4 years. Their accounts became NPA on January 2018 due to insufficiency of funds.

The rate of interest currently charged by the bank is 18% p.a. which is very high for a small-scale industry. The enterprise approached other Bank for takeover of the loan with less interest rate for which the the Bank agreed. When approached the existing bank for permission to loan transfer, the Bank promised to reduce the interest rate but failed to do so. The enterprise provides employment to about 200+ individuals directly or indirectly every year.

The initial Cash Credit loan taken with existing bank was ₹ 4.5 crores as on 30-03-2009 and the enhancement of ₹ 2.5 crores was made on 17-04-2014 at 14.25% rate of interest. Due to the delay in payments made by the entrepreneur, the bank has increased the rate of interest to 18% pa. which is very high for a small-scale industry. The entrepreneur however could not repay the loan with high interest rate ultimately became NPA. Total outstanding amount to be paid under SARFAESI is ₹ 7,58,96,924.18 as on March 2018 and as per thelatest valuation dated 2016, the value of the security is ₹ 9 Crore.

TIHCL made a diagnostic study of the unit by conducting unit inspection and meeting with the bank’s Chief Manager on 12-06-2018.

The observations of the unit visit are:

* No active production.
* Value of Idle stock is ₹ 6-7 lacs.
* Machinery condition is good.
* No business operations for the last 1 year.
* No power for the last 1 year.
* NPA dues to seasonal failure.

**After the diagnosis made on the unit, TIHCL came up with the following Suggestions for revival:**

As the entrepreneur is willing to repay the outstanding amount by way of Job works, TIHCL has come up with 2 options for the revival of the Unit.

1. Entrepreneur should be allowed waiver of penal interest/maximum reduction in the interest burden of Rs.58 lakhs. Entrepreneur would clear Rs.3cr from the existing outstanding in Open Cash Credit provided the balance is converted in to Secured Overdraft with permission to sell 2 out of 4 assets. The entrepreneur does not have any additional collateral security for the SOD.

(Or)

1. Conversion of Open Cash Credit to Working capital Term loan at 10 percent per annum with one year of Gestation period and 5 years in instalments payable during the season at maximum and off-season only interest payment on the reduced balances. Fresh working capital would be made available during season. Cash flows have to be worked out if this arrangement is agreeable prima facie by KVB.
2. The Bank that had shut its doors for discussion by the borrower is now actively considering providing the facility suggested.