

RAVI KUMAR SRIVASTAVA & ASSOCIATES
CHARTERED ACCOUNTANTS
30B/1H, A.N JHA MARG, George Town
ALLAHABAD-211002

Mobile No.09450579029

Residence.0532-2468911

To ,

15th July,2018

Anju Agrawal,

(Resolution Professional)

ASC Consulting Private Limited : C-100 , Sector - 2

Noida , UP-201301

Shree Bhawani Paper Mills Limited

(Under CIRP)

Dear Madam,

Sub: Transaction Record Analysis & Account Reconciliation of Shree Bhawani Paper Mills Pvt. Ltd. for the period 01.04.2014 till 12.02.2018.

(A) Transaction Record analysis

As per terms of your appointment letter dt. 21st April,2018 we have conducted the Transaction Record Analysis (hereinafter referred to as T.R.A.) . After detailed examination of books of accounts , Bank statements , Minutes of the company and Minutes of Board Meeting of Shree Bhawani Paper Mills Limited we have observed that -

(a) No Preferential Transactions under Section 43 of Insolvency & Bankruptcy code,2016 have been observed on the basis of examination of aforesaid books of accounts .



(b) No undervalued Transactions under Section 45 of Insolvency & Bankruptcy code,2016 have been observed on the basis of examination of aforesaid books of accounts.

(c) No Extortionate credit Transactions under Section 50 of Insolvency & Bankruptcy code,2016 have been observed on the basis of examination of aforesaid books of accounts.

(d) No fraudulent Transactions under Section 65 of Insolvency & Bankruptcy code,2016 have been observed on the basis of examination of aforesaid books of accounts.

After detailed examination of books of accounts of the company a major observation made was regarding a transaction regarding the Gratuity Insurance claim received from Life Insurance Corporation of India for Gratuity of Employees & Workmen of Rs. 71,00,459 on 30.04.2015 which could not be used for the intended purpose due to financial crunch and which were used for day to day expenses of the company as well as for the payment of pressing creditors . This amount should have been kept separately and used only for Gratuity payment of employee & workmen at the time of retirement/retrenchment/resignation of employees and workmen . In our opinion the said amount is not covered under any of the aforementioned sections.

(B) Account Reconciliation

We have conducted Account reconciliation work of claims accepted by the Insolvency Professional (hereinafter referred to as IP) from the claims made by Financial creditors, Operational creditors ,Workmen and Employee with the books of accounts and our observations with this reference are as under -

(a) FINANCIAL CREDITORS (Refer Annexure A &B) -

(i) Secured Financial Creditors - There are two parties under this, **Bank of Baroda , Allahpur Branch , Allahabad and JM Financial Asset Reconstruction company.**



Bank of Baroda has claimed a total amount of Rs.166.31 crore along with compounding interest with monthly rests (Refer to working note No.1) and penal interest @ 2% and JM Financial Asset Reconstruction company has claimed a total amount of Rs.197.52 crore along with compounding interest with monthly rests(Refer working No. 2) and penal interest @2% . As per Corporate Debtor's books of accounts the balance outstanding of Bank of Baroda is Rs. 128.34 crore after providing interest @10.5% and of JM Financial Asset Reconstruction co. is Rs. 146.95 crore after providing interest @ 10.5%. For details refer Annexure A along with the analysis of each loan account.

(ii) Unsecured Financial Creditors - This includes both Related parties and other parties. The total claim made by related parties is Rs. 56.94 crore and total balance as per Corporate Debtor's books of accounts is Rs.46.21 crore .The total claim made by other unsecured financial creditors is Rs. 19.12 crore out of which subsequently accepted by IP is Rs.17.78 crore and balance as per Corporate Debtor's books is Rs.8.06 crore. The main differences arose due to Interest claim made by the parties and no interest is provided in the books of accounts. For details refer Annexure B alongwith the analysis of each loan account.

(b) OPERATIONAL CREDITORS (Refer Annexure C) - The total amount claimed by the operational creditors is Rs. 34.55 crores and subsequently accepted by IP is Rs. 16.82 crores up to 8th July2018, As per Corporate Debtor's books of accounts balance is Rs.15.79 crores. We have carried out the Reconciliation process of the claim accepted by IP with the books of accounts of company. The operational creditors also include Statutory Liabilities. For the purpose of analysis we have separated the Statutory liabilities and analysis of each difference has been mentioned in the respective claimant account .The total number of operational creditor claims are 135 out of which 120 claims fully agree with the books of accounts of the company which comes to 89% of the total claims up to 8th July2018

Some major observations are as under -

1. As per Inter-office Memorandum provided by the electricity Department an amount of Rs. 6,35,16,033 is liable for payment up to the period 06.05.2015 by the

company and remaining amount of Rs. 1,88,16,412 which is for the period from 06/2015 to 04/2016 is hereby waived off in terms B.O. No.12/CUR/R-3 dated 13.12.1978 by the Electricity Department which in total comes to Rs. 8,23,32,445 . Amount deposited with the Electricity Department as security is Rs. 1,07,52,322 .

2. In case of Employees Provident Fund office (EPFO) difference is on account of damage u/s 14B @25% p.a. of Rs 2,62,48,601 and interest u/s 7Q @12% of Rs.1,34,45,337 of EPF&MP Act,1952 levied by EPFO which in total comes to Rs. 3,96,96,938 and difference as per our calculation comes to Rs.3,99,11,338 .This is due to other Interest levied by EPFO.

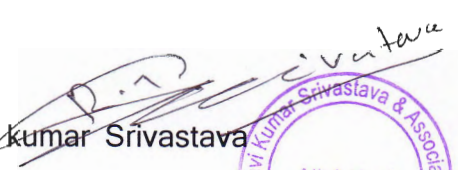
(c) EMPLOYEES (Refer Annexure D) -Employees due includes salary dues, Overtime per hour (OTPH) and Gratuity. As far as OTPH and Gratuity is concerned provision has been made in the books of accounts of the company but not credited to respective employees account . However, we have considered these claims on the basis of list provided by the company with the bifurcation of each head including salary , OTPH , Gratuity & Leave encashment. There are differences in certain accounts between claim accepted and balance as per books of accounts of the company which could not be ascertained as in most of the cases the employee balance has been carried forward of last 15-20 years. In our opinion all immaterial amount of differences should be ignored in considering the present unfavourable circumstances of the company. The total number of Employee claims are 175 out of which 166 claims fully agree with the books of accounts of the company up to 8th July 2018, which comes to 95% of the total claims. The gratuity & Leave encashment of Existing employees is not considered details of which are attached in the annexure D.

(d) WORKMEN (Refer Annexure E) - Employees due includes salary dues, Overtime per hour (OTPH) and Gratuity. As far as OTPH and Gratuity is concerned provision has been made in the books of account but not credited to respective workmen account . However, we have considered these on the basis of list provided by the company with the bifurcation of each head including salary , OTPH , Gratuity & Leave encashment. There are differences in certain accounts between claim accepted and balance as per books of accounts of the company which could

not be ascertained as in most of the cases the workmen balance has been carried forward of last 15-20 years. In our opinion all immaterial amount of differences should be ignored considering the present unfavourable circumstances of the company. The total number of workmen claims are 241 out of which 217 claims fully agree with the books of accounts of the company up to 8th July 2018 which comes to 90% of the total claims.

For Ravi Kumar Srivastava & Associates

(Chartered Accountant)


Ravi Kumar Srivastava

(Proprietor)

M.No. 078466

