**NOTE TO CANARA BANK ABOUT VBCIL**

**VBC GROUP**

* VBC group commenced operations with establishment of a partnership firm in Visakhapatnam - Vizag Bottling Company
* The firm was in the business of bottling and distribution of soft drinks from under franchise agreement with Parle Exports Limited, Mumbai
* The Group also has mining licenses for two quartz mines located in Medak District, Telangana

Late Dr. MVVS Murthi founder of VBC Group had established two industrial units in the name of M/s.VBC Ferro Alloys Ltd., located at Rudraram, Patancheru, Hyderabad has been carrying on the business of manufacturing of Ferro Alloys under the name and style of M/s. VBC Ferro Alloys Ltd., (hereinafter called the First Corporate Entity) and M/s.VBC Industries Ltd., located at National Highway 7, Dinnevarapabu Village Kurnool, Andhra Pradesh, has been carrying on the business of manufacturing of Ferro Alloys under the name and style of M/s. VBC Industries Ltd., (hereinafter called the Second Corporate Entity).

Late Dr. MVVS Murthi has promoted the above two corporate entities and acting as Director cum Non-Executive Chairman and managing both the corporate entities. Dr. MVVS Murthi due to his pre-occupation with other assignments, resigned from the Board of both the above companies as a Director and Non-Executive Chairman with effect from 23rd July 2014. Dr. MVVS Murthi after resigning decided to assign the above two companies among his two sons viz., Mr. MSP Ramarao and Mr.M.S.Lakshman Rao in the following manner:-

1. Dr. MVVS Murthi as a beneficial owner in the interest of the family requested his sons to take over the management of the above two companies individually and independently. Dr. MVVS Murthi, in order to avoid any future complexities towards the ownership between both the sons with regard to the two corporate entities, on his own will, categorically assigned the two companies one each to them with 100% control and management.
2. Dr. MVVS Murthi assigned the management of M/s.VBC Ferro Alloys Ltd., situated at Rudraram village, Medak district, Telangana State to Mr.MSP Ramarao. Similarly, he also assigned the management of M/s.VBC Industries Ltd., situated at Dinnedevarapadu village, Kurnool district, Andhra Pradesh to Mr.M.S.Lakshman Rao.

In brief the following are the details of VBC Companies under VBC Group

*1. VBC Ferro Alloys Limited (in continuous operation generating profits)*

VBC Ferro Alloys Limited (VBCFAL or “the Company”), incorporated on 3rd October 1981 and commenced operations from April, 1985 The factory is located at Rudraram Village, Patancheru Mandal, Sangareddy District, Telangana and the registered office is located at 3rd Floor, 6-2-913/914, Progressive Tower, Khairatabad, Hyderabad – 500004 VBCFAL is in continuous operations.

*2. VBC industries Limited ( Upto 2018)*

VBCIL is a Listed Public Limited Company incorporated under the provisions of the Companies Act 1956 on 3RD day of September 1971, and bearing CIN: L28113TG1971PLC001437. VBCIL authorized capital was Rs.80,00,00,000 and its paid-up capital is Rs.45,04,38,090. It is engaged in the manufacture of Ferro Alloys, particularly Ferro Silicon (FESI) with manufacturing unit located at Dinnedevarapadu (Village), Kurnool.

VBCIL after successfully running for more than 3 decades Plant expansion activities by identifying Hydro Power Project and Natural gas based Power Plant. Initially, VBCIL promoted OPCL and was holding 41.16 % of the then paid up capital of Rs. 47,59,94,260 till the financial year ending 2020-21. This investment was made during the year \_\_\_\_\_\_\_\_\_.

*3. Konaseema Gas Power Limited ( upto 2012)*

Konaseema Gas Power Ltd., (KGPL) one of the group companies of VBC promoted and implemented Natural Gas based Power Plant with an installed capacity 460 MW. The total project outlay as envisaged by the promoters stood at Rs.2000 Crores. VBCIL being one of the promoter companies had invested a sum of Rs.\_\_\_\_\_\_ Crores in the year \_\_\_\_\_\_\_\_\_\_\_\_ in Konaseema Gas Power Ltd., towards its equity shares to meet the equity contribution of the promoter. It is pertinent to mention here along with VBCIL there were many PSU corporates invested in KGPL equity. One of them such investor is IFCI. IFCI had invested Rs.45 Crores towards the equity share of KGPL in the year \_\_\_\_\_\_\_\_.

*4. Orissa Power Consortium Limited (in continuous operation generating profits)*

Orissa Power Consortium Limited (OPCL) is a ODISHA based PUBLIC ltd. Company Registered at dated 29-JUN-1995 on Ministry of Corporate Affairs (MCA), OPCL was incorporated with authorized capital of Rs.1,000,000,000 Crores and its paid up capital is Rs.624,494,270.  OPCL was promoted by VBC Industries Limited and VBC Ferro Alloys Limited the group companies of VBC Group.

Orissa Power Consortium Limited (OPCL) Build Hydro Power Projects. Government of Orissa awarded 20MW Hydro Electric Power Generation Project to OPCL and is located at Samal Angul District Orissa. Accordingly, OPCL constructed 20 MW Hydro Power Plant and declared CoD on 09.10.2009.

* OPCL availed term loans from REC, PFC and UCO Bank initially for its Hydro Project. However, the said loan has been shifted to IREDA in the year 2016 for better terms including interest and repayment period etc. The Company has been servicing its Hydro project loan regularly without having any defaults since 2009.
* As a diversifying strategy, OPCL exploring opportunities in other renewable energy sectors like solar and wind. Accordingly, OPCL executed PPA with erstwhile Central Power Distribution Company Limited, A.P. for 3.42 MW Solar Power Plant. Subsequently, after bifurcation of the State of Andhra Pradesh, the Southern Power Distribution Company Limited (TSSPDCL) continued the said PPA. Accordingly, OPCL constructed 3.42 MW Solar Power Plant at a capital cost of Rs.26.10 Crores for which OPCL has availed loan of Rs.13.54 Crores from PFC Green Energy Limited(PFCGEL) and declared CoD in November 2016. Consequent to the merger of PFCGEL with PFC, PFC is the lender of the said solar project.
* OPCL after successfully running the 23 MW Hydro Power Plant in 2023 is now implementing 18 MW Hydro Power Project at Kharagpur Village, Kotpad Mandal, Jaipore District, Odisha through Sidheswari Power Generation Private Limited with the project outlay of Rs.\_\_\_\_\_ Cr. The means of finance for the project is envisized at Term Loan of Rs.120 Crores financed by IREDA and an Equity of Rs.\_\_\_\_ Cr. This investment was made during the year\_\_\_\_\_\_.

OPCL raised an additional Equity of Rs.26 Crores (with a premium of Rs.6 per Equity Share) and the capital has been increased to Rs. 62,44,94,260 by the financial year ending 2021-22. The increased Equity was subscribed by other body corporates and there was no investment from the existing shareholder VBCIL and hence the Equity holding of VBCIL in OPCL has come down to 31.38%.

Further, OPCL during the year 2022-23 has raised Rs.40 Crores by way of Preferential Allotment of Rs.20 per share (including premium of Rs.10). The paid up capital of OPCL as on 31st March, 2021 is Rs. 82,44,94,260. The additional Equity of Rs.20 Crores was subscribed by the body corporates who have earlier contributed in the year 2021-22 there was no investment from the existing shareholder VBCIL and hence the Equity holding of VBCIL in OPCL has come down to 23.77%.

*5. Siddeswari Power Generation Private Limited (SPGPL) (18MW hydro power project under implementation)*

SPGPL is now implementing 18 MW Hydro Power Project at Kharagpur Village, Kotpad Mandal, Jaipore District, Odisha through Sidheswari Power Generation Private Limited with the project outlay of Rs.\_\_\_\_\_ Cr. The means of finance for the project is envisaged at Term Loan of Rs.120 Crores financed by IREDA and an Equity of Rs.\_\_\_\_ Cr. This investment was made during the year\_\_\_\_\_\_.

*6. Krishna Power Utilities Limited (KPUL) (Under implementation 65 MW Captive Thermal Power Plant capacity of 4 X 18 mVA Production: 140 MTs per day)*

KPUL (previously known as KGPUL) under the new management is implementing the unfinished project promoted by the then Directors of KGPUL and as the asset was acquired by KPUL under the Regulations of IBC, State Bank of India is entitled to receive the original Bank Guarantee from the office of Customs, Visakhapatnam.

KPUL was acquired by Karthik Rukmini Private Limited by participating in the Resolution Process under IBC 2016 announced by the Financial Creditors Power Finance Corporation and ARCIL. The adjudicating authority NCLT Hyderabad approved the process vide its Order dt.27.02.2020. The Equity paid up capital of the then KGPUL was Rs. 76,63,00,000/- and the same was fully written off as per the Resolution Plan approved.

Subsequently for the financial year ending 2021-22, the fresh Equity paid up capital was Rs. 18,91,91,340/-. The major subscriber to the Equity Shares of KGPUL is Karthik Rukmini Pvt. Ltd. holding 99.9948%.

KPUL has approached OPCL for investment in their proposed project of 65 MW of thermal power plant and ferro alloys plant with installed capacity of 4 X 18 MVA for manufacturing of ferro silicon. In response to the request of KPUL, OPCL continuing its expansion activities during the financial year 2022-23 they subscribed the Equity Shares of KPUL to the extent of 13,33,33,330. The total paid up capital of the KPUL for the year ending 31st March, 2023 is Rs. 32,25,24,670. The major shareholder is KREL holding 58.6564% of shares valuing Rs.18,91,81,440/- and OPCL holding is 41.3405%.

KREL paid an amount of ₹ 32.10 crore and acquired the Company • The name was changed to Krishna Power Utilities Limited, on 7th June 2022).

Krishna Godavari Power Utilities Limited (KGPUL) was incorporated on 5th July 1995 The Corporate Identification Number of the Company is (CIN) U40109TG1995PLC020948 and registration number is 20948 KPUL is engaged in generation, collection, and distribution of electricity The registered office was at Plot No. 265 N, Road No. 10, Banjara Hills, Hyderabad – 500 033. The power plant was established at Wadapally/ Irkigudem Village, near Miryalaguda – 508 355, Nalgonda District. The Company proposes to manufacture ferro silicon and its end-uses are:

Ladle addition for de-oxidation purposes in the production of killed and semi-killed steels either singly or in combination with aluminium. Hot/ cold rolled electrical sheets. Cold Rolled Grain Oriented and Cold Rolled Non-oriented steels. Dual phase steel. Manufacturing of other ferro alloys. Metallurgical industry for the processes of atomisation, casting, melting and heavy media separation reactions. As pure silicon in the electric industry and as silicon copper in the chemical industry. Plant capacity: 4 X 18 Mva. Production: 140 MTs per day.

***The Present Status of VBCIL and its association with VBC Group companies from the point of view of appraisal for a term loans and working capital for KPUL for the proposed project at Wadapally, Nalgonda District.***

As it can be seen from the above, VBCIL has not made any further investments in the expansion activities of OPCL. The reason being VBCIL was forced to discontinue its business operations in the year 2012 due to non-availability of continuous power due to severe shortage of power availability in the then State of Andhra Pradesh. Consequently, the account become NPA with the lenders. To the dismay of promoters of VBC group, KGPL though successfully implemented and commenced its commercial operations in the year 2009 and continued its operation till 2012.

KGPL was promised the supply of natural gas by the Ministry of Petroleum & Natural Gas and executed supply agreements with KGPL. However, due to sudden change in the Government of India policy, the Natural Gas supply was withdrawn for the power projects and allotted to Fertilizer industry. This decision by the Government of India has caused severe damage to the Gas based industries promoted by various promoters in India. It is essential to mention here the total power projects based on Natural gas was around 70000 MW. The entire 70000 MW projects were closed due to non-supply of gas by the Government of India has become NPA.

IFCI has sensed the damage being caused to its equity investment in KGPL approached and bulldozed VBC group promoters to buy back their investment in KGPL through VBCIL. It is pertinent to mention here at that juncture VBCIL was already declared NPA with bankers and there were no financial capability to purchase the investment of IFCI in equity shares of KGPL.

In order to fulfil their object, and to keep the balance sheet of IFCI in tact, gave a loan of Rs.57 Crores by way of subscribing to the debentures to be issued to VBCIL. VBCIL was left with no other option except to bow their head before IFCI and go through the process of issuing debentures to IFCI and buying back of investment of IFCI in KGPL. Though this arrangement helped IFCI temporarily to make good of their equity investment in KGPL, but it did not help in the long run for recovery of Rs.57 crores subscribed by way of debentures. Ultimately, after two years this debenture issue has also become NPA and in order to recover the money from VBCIL filed an application under Sec.7 of the IBC 2016 in NCLT, Hyderabad for initiating the CIRP process for obtaining Resolution Plans to recollect their dues. On receipt of application, NCLT, Hyderabad approved the proposal and admitted for Resolution Process in the year 2018.

VBCIL went through the process of IBC and after due deliberations and completing rules & procedures of IBC a successful application viz., Kamini Metaliks Pvt. Ltd., has identified and VBCIL was sold to them for a price of Rs.57.15 Crores. The successful Resolution Applicant, Kamini Metalliks Pvt., Ltd., has remitted the amount agreed as per the Resolution Plan submitted by them and taken over the company both officially and legally. The very fact of change of management of VBCIL can be verified from the records of MCA site. As it can be seen from the MCA records, there are no Directors of then then management before the company was referred to IBC and now the total control is with Kamini Metalliks Pvt.Ltd.,

The present investment of VBCIL in OPCL is Rs.19.90 Crores in value terms remains same and intact. However, the present shareholding in percentage terms works out to 23.77% of the present paid up capital of OPCL.

It is evident from the above, though VBCIL was one of the prime promoter of OPCL in the beginning over the period from 2009 to 2023 the shareholding of VBCIL in OPCL has diluted from 41.3405% to 23.77%. It is pertinent to mention here that at present VBCIL is not part of the VBC Group as the management has changed as VBCIL has undergone process of resolution under IBC 2016 and was taken over by M/s Kamini Metalliks Pvt. Ltd. It is also pertinent to take it to the consideration that any future loans availed by KPUL has no bearing on the shareholding of VBCIL.