



**Registered Post Acknowledgement Due
"Without Prejudice"**

Ref: LCB/COBBSR/WILFUL/1/2024-25

Date: 08.08.2024

Borrower	Guarantors	
M/s Gupta Power Infrastructure Limited	1) Sri Mahendra Kumar Gupta S/o- Late Jagdish Rai Gupta Gupta Niwas Gupta Cables Compound Cuttack Puri Road Bhubaneswar -751006	4) Smt. Kiran Devi Gupta W/o- Late Bhagatram Gupta Gupta Niwas, Cuttack Road Opposite Budheswari Temple Bhubaneswar, M.C.Khordha 751006
Managing Director: Sri Mahendra Kumar Gupta (MD)	2) Sri Abhishek Gupta S/o- Mahendra Kumar Gupta Gupta Niwas, Cuttack Road Budheswari M.C Budheswar Khordha -751006	5) Sri Manmohan Gupta S/o- Late Bhagatram Gupta 8-2-293/82/103,Pavani Palazzo 24, Huda Heights 12 Banjara Hills MLA Colony Hyderabad -500034
Regd. Address: EN-62, sector-V, 7th floor, Salt Lake City Kolkata - 700091 West Bengal	3) Sri Jitendra Mohan Gupta S/o- Late Bhagatram Gupta Gupta Niwas, Cuttack Road Opposite Budheswari Temple Bhubaneswar, M.C. Khordha 751006	6) Sri Vineet Mohan Gupta S/o- Late Bhagatram Gupta Gupta Niwas,Cuttack Road Opposite Budheswari Temple Bhubaneswar, M.C.Khordha 751006

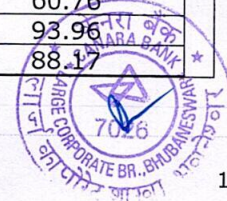
Dear Sir,

Sub: SHOWCAUSE NOTICE FOR CLASSIFICATION AS WILFUL DEFAULTER -M/s GUPTA POWER INFRASTRUCTURE LIMITED (GPIL)- REG

NATURE OF LIMIT	LIMIT	LIABILITY AS ON 07.08.2024	INTEREST DUE FROM (In Rs)
Fund Based	367,50,00,000.00	1217,61,03,744.36	30.09.2023
Non Fund Based	806,28,00,000.00	20,12,23,860.00	-
Total	1173,78,00,000.00	1237,73,27,604.36	

As per terms of Reserve Bank of India Master Circular RBI 2015-16/100 DBR No CID BC 22/20.16.003/2015-16 Dated 01.07.2015, Banks and Financial Institutions are required to report the list of Wilful Defaulters to Credit Information Companies. The Committee for Identification and Classification of Wilful Defaulters of our Bank has identified your account as Wilful Defaulter on account of the following reason:

Reasons for Wilful Default				
1. <u>Increased stock value resulting in increased Drawing Power</u>				
a) We have noticed differences in the value of closing stocks in all the four years for which Audited Balance Sheets have been submitted by the GPIL.Value of closing stock as per stock statement submitted to the Bank is always on the much higher side than from closing stock value as per audited Balance Sheets. That means Stock Statements are overvalued, which results in increased Drawing Power enjoyed by GPIL. The details has been given in the following table				
As on	Value as per stock statement	Value as per Audited Balance Sheet	Difference in Stock Value	Increased DP Enjoyed by GPIL (in Crores)
31-03-2019	540.09	487.78	52.31	39.23
31-03-2020	628.91	547.90	81.01	60.76
31-03-2021	829.77	704.49	125.28	93.96
31-03-2022	1013.91	896.39	117.56	88.17





The Company has not provided any justifications and/or clarifications for above mentioned variations in stock values.

b) In the stock statements of last two years (F.Y-2021-22&2022-23) Project stock value (from EPC Contracts) is continuously provided by the company which is around Rs.240-280 crores. It may results in increased stock value and finally increased Drawing Power enjoyed by the party.

2.a) Increased receivables resulting in increase in Drawing Power

As per National Company Law Tribunal order, a claim of Rs.549,58,929.47 in respect of India Power Corporation Ltd. was rejected by Hon'ble National Company Law Tribunal and said amount was taken as receivable in stock statement of GPIL every month and this increased receivable was considered for calculating Drawing Power of every month till 31st July' 2023. This amount must have been included in the Trade Receivables of GPIL in the Audited Balance Sheet submitted by them to the Bank. GPIL has not either disclosed anything regarding the dispute of this receivable or else any information regarding that they have moved in the Higher Court against the NCLT. GPIL has not provided any disclosures for the litigations stated as per Indian Accounting Standards for legal cases.

b) GPIL was blacklisted by Uttar Pradesh Power Corporation Ltd.(UPPCL) on 8th June'2019 in reference of letter received from a Superintending Engineer, Madhyanchal Vidyut Vitaran Nigam Ltd. Dated on 12 May'2019, for supplying cheap and bad quality power goods. A balance of Rs.2,55,24,293.22 remains unpaid from Madhyanchal Vidyut Vitaran Nigam Ltd. till further notice .This amount which should have been reduced from receivables, which was still included in the Balance Sheet of 2021-22 of GPIL. GPIL has not disclosed anything regarding the dispute of this receivable and continued to include this in their Trade Receivables.

b) During scrutiny of receivables, many debtors were found whose balance outstanding as on 31.03.2022 were vague and unconfirmed.

For Instance, as per ASM report, Rakhi Agencies Limited falls under top 10 Trade Receivables of GPIL, whose balance was Rs.117crores as on 31.03.2022. On verifying the certified Balance Sheet of Rakhi Agencies Ltd. from ROC as on 31.03.2022, it was found that the total Trade Payable of Rakhi Agencies Ltd. was Rs.1.85 crores only. It means increased receivables shown to the tune of Rs.115.15 crores. The reason for including such overstated amount in their receivables should be explained by GPIL.

3.a) Related Party transactions-Diversion of fund

i) GPIL has not made necessary disclosures regarding any Related Parties in their audited Balance Sheets for F.Y.2018-19 to F.Y.2021-22. Further, as per the ASM reports submitted for the review period by banks, the ASM has commented and confirmed that the subject parties are not related parties. The company has also submitted CA certificate dated 31.10.2021 and 21.09.2022 confirming the same to the Banks.

However, during scrutiny, we have come to know that Tirupati Conductors Pvt. Ltd. is a related party to GPIL and GPIL had many transactions with this company . Abhishek Gupta is a 3.94% shareholder of GPIL. As per MCA (ROC) filing of Tirupati Conductors Pvt. Ltd., Abhishek Gupta is a 9.92% shareholder in Tirupati Conductors Pvt. Ltd. till 31.03.2021. The audited Balance Sheet as on 31.03.2021 shows that the Trade Receivables from Tirupati Conductors Pvt.Ltd stands at Rs.18.95crores and the Trade Payable from Tirupati Conductors Pvt.Ltd stands at Rs.12.02crores. The stock statement as on 31.03.2021 shows the debtors from Tirupati Conductors Pvt. Ltd. as Rs.6.95crores.

Now, the stock statement as on 31.07.2023 shows that the debtors of GPIL (Tirupati Conductors Pvt. Ltd) stands at Rs. 223 crores and the creditors of GPIL (Tirupati Conductors Pvt. Ltd) stands at Rs. 219 crores. It shows that there has been a 3108% massive jump in 2 years (from 31.03.2021 to 31.07.2023). GPIL has not filed their Financial Statements for F.Y. 2021-22 & 2022-23 (GPIL has filed MGT-7 & AOC-4 for F.Y. 2021-22 but not their Financial Statements) in the public domain, therefore, the same can't be verified from that source. GPIL





is responsible for providing explanation of such massive jump.

ii) During the scrutiny of the bank statements of Canara Bank it has been noticed that a sum total of Rs 1786.83 crores have been received by GPIL from Tirupati conductors Private Limited during the F.Y 2019-2020. However, we have seen that as per the financial statement filed by "Tirupati Conductors Pvt Ltd" in ROC, the total Cost of Materials Consumed by TCPL in 2019-2020 is Rs 861.65 crores, which implies a total upwards deviation of Rs 925.18 crores (107.38%) in the afore mentioned figures. GPIL should give explanation regarding such huge difference in figures. GPIL should give explanation regarding such huge difference in figures we could not verify from the accounting software maintained by the GPIL since we have not provided with such access.

b) Kunj Alloys Pvt. Ltd. is another related party to GPIL (not disclosed by GPIL). Abhishek Gupta is a 3.94% shareholder of GPIL and as per MCA (ROC) filing of Kunj Alloys Pvt. Ltd., Abhishek Gupta is a 7.06% shareholder in Kunj Alloys Pvt. Ltd. till 31/03/2021. The audited Balance Sheet as on 31.03.2021 shows that the Trade Receivables from Kunj Alloys Pvt. Ltd. stands at Rs. 17.65 crores and the Trade Payable from Kunj Alloys Pvt. Ltd stands at Rs.5.91 crores.

Now, The stock statement as on 31.07.2023 shows that the debtors of GPIL (Kunj Alloys Pvt. Ltd.) stands at Rs. 245.79 crores and the creditors of GPIL (Kunj Alloys Pvt. Ltd.) stands at Rs. 245.79 crores. It shows that there has been a 1292.58% massive jump in 2 years (from 31.03.2021 to 31.07.2023).

Trade Payable as per Stock Statement of GPIL as on 31-03-2021 stands Rs. 13.93 Crores for Kunj Alloys. As per Annual Financial Statements of Kunj Alloys for F.Y. 2022-23, as submitted by them in public domain, total Trade Receivables of Kunj Alloys stands at Rs. 23.47 Crores & total Trade Payables of Kunj Alloys stands at Rs. 8.49 Lakhs. Therefore, GPIL is answerable for such huge difference in figures.

4. Misleading Receivables :

As per stock statement submitted by GPIL for 31st March 2021, Gupta Power Technologies Pvt. Ltd. was a debtor of Gupta Power Infrastructure Limited, to the tune of Rs. 38.9 crores. However, as per financial statements of Gupta Power Technologies Pvt. Ltd., filed in ROC, the Trade Payables of Gupta Power Technologies Pvt. Ltd. stood at an aggregate of Rs. 10.35 crores only. It is worth noting that Gupta Power Technologies Pvt. Ltd. has not filed its financials since 31st March 2021. Strangely the stock statement of GPIL as on 31st March 2023 shows Gupta Power Technologies Pvt. Ltd., as a debtor at Rs. 152.7 crores i.e. a massive 293% upward jump within 2 years.

Gupta Power Technologies Pvt. Ltd. has not filed their Financial Statements for F.Y. 2021-22 & 2022-23 (Gupta Power Technologies Pvt. Ltd. has filed MGT-7 & AOC-4 for F.Y. 2021-22 but not their Financial Statements) in the public domain, therefore, the same can't be verified from that source. GPIL is responsible for providing explanation of such massive jump. Jitendra Mohan Gupta and Mahendra Kumar Gupta who are shareholders in GPIL, they were directors in this Gupta Power Technologies Pvt. Ltd. till 2009 and it is to be noted that the registered address of both the company (Gupta Power Technologies Pvt. Ltd. and Gupta Power Infrastructure Pvt. Ltd.) is common i.e. "EN-62, Sector V 7th floor, Salt Lake City Kolkata".

As per INDAS-24 all related party transactions should have been disclosed by the GPIL in their Audited Balance Sheets but GPIL has not disclosed the same.

5. Revaluation of Assets by GPIL to Strengthen their Balance Sheet but not considered by the Bank

From the Balance Sheet of GPIL for the F.Y.2021-22, we have noted the following exposure:

Term Loan as on 31.03.2022	Rs.2,662.78 Lakhs
Cash Credit as on 31.03.2022	Rs. 1,05,165.65 Lakhs
Total	Rs. 1,07,828.43 Lakhs (Or 1,078.30 Crores approx.)



Above term loan was secured by Fixed Assets whose WDV as on 31.03.2022 was Rs 493.39 crores and during the F.Y.2021-22, the assets were revalued and Rs.298.98 crores were added to various fixed assets including Plant and Machinery, Generator, etc. However, the basis of such revaluation was not present with the bank no report was provided of revaluation of assets.

The bank has not considered that revaluation of Assets .This revaluation was done by GPIL only to strengthen their Balance Sheet.

6.Evergreening of Accounts Carried out by GPIL

From the Bank Statements received from Canara Bank and other banks of the consortium, it is clearly noticed that funds are being received from related parties, including but not limited to, Tirupati Conductors Private Limited, Flexo Contra Pvt. Ltd., Hariom Vanijya(P)Ltd, and Premier Cables(which parties have been disclosed by the GPIL as Sundry Debtors in the stock statements submitted by them to the banks), as well as from other bank accounts of Gupta Power Infrastructure Limited(from other banks).

In the Canara Bank CC A/c No.2080256000046,before the end of each quarter, the borrower company initiates transaction through different modes(online/offline) and funds are received from other accounts of GPIL i.e. Canara Bank Current A/c No. 0353201000424, Canara Bank Current A/c No.2168201002634, HDFC CC A/c 01220330000073, Bank of Baroda A/c No.06880500000217, Tirupati Conductors Pvt. Ltd., other accounts of GPIL. Subsequently, the same amount is being transferred back on the same day/next day to other bank accounts of Gupta Power Infrastructure Limited. It is a clear case of ever greening of accounts

7.Diversion of fund-Fund received form parties and payment made to the parties who are neither Debtors nor Creditors but Related Parties of GPIL

From the Bank Statements received by us it has been clearly noted that funds are being received in CCOD A/c of all the member Banks of consortium from related parties of GPIL who are neither creditors nor debtors of GPIL (as per ASM Report) and the same fund is being utilized for the repayment of Working Capital Demand Loans and also transferred to other Bank Accounts of Gupta Power Infrastructure Limited.

8. Diversion of Fund-payments made to Shareholder & Related Party from Bank of Baroda Cash Credit A/c.

From the Cash Credit Account statement of Bank of Baroda bearing Account No. 06880500000217, it can be seen that payments amounting to Rs. 1,28,35,000.00 has been made to Flexo Contra Private limited which is a Shareholder and related party of Gupta Power Infrastructure Limited from the period 27.09.2019 to 31.03.2023. This online transaction is initiated by GPIL and no employee of Bank of Baroda was involved in the transaction. Fund diversion can be said in this account amounting to Rs. 1,28,35,000.00 as it is neither debtor nor creditor as per Annual Balance Sheet of Gupta Power Infrastructure Limited for the F.Y. 2021-2022.

9.Siphoning of funds:

During the course of audit, we have noticed a letter dated 29.12.2023 has been received by Canara Bank from Woori Bank, wherein it was mentioned that the GPIL has availed purchase bill discounting limit of Rs 80 crores from Woori Bank vide their sanction letter dated 11.01.2022, which the company has not disclosed as creditors in their Annual Balance Sheet for the F.Y. 2021-22. This is a clear case of siphoning of funds.

10.Non receipt of Funds from Debtors:

During the course of audit, we have noticed that no fund has been received in the accounts of GPIL in the members of the consortium banks from their Debtors after GPIL has been declared as Non-Performing Assets (NPA) by the banks. It is quite surprising that inflow of funds has totally stopped from the debtors. It is possible that the debtor has been realized in any other





banks outside the consortium for which we do not have any information.

In this regard, we have got an important information from Bank of Baroda where a letter has been given by GPIL to UP Power Transmission Corporation Ltd. (UPPTCL) instructing them that whatever payment GPIL will receive from UPPTCL that should be routed to the account of their JV partner Upper Industries Account instead of GPIL Account.

11. Total Diversion of Rs.976.97 Crores observed regarding payment to Related Parties/paid for Non-Business Transactions.

12. General Diversion of fund noticed:

From the Bank Statement of GPIL from Axis Bank, it has been noted that funds released from various debtors in Axis Bank A/c No. ending 00602 and 04482 are immediately transferred to various accounts of Gupta Power Infrastructure Private Limited. This case is evident in other accounts of Gupta Power Infrastructure Private Limited also

In view of the above, you are coming within the purview of Wilful Defaulter as defined under the above RBI Circular. Hence, the Committee proposes to classify you as Wilful Defaulter and report to Credit Information Companies. If you have any submission to make in this regard, the same may be furnished to us within 15 days from the date of receipt of this letter. If no reply is received from you in this regard within the stipulated time period, it shall be presumed that you do not have any submission to make and we shall be free to proceed forward and classify you as a willful defaulter and report the same to the Credit Information Companies.

Please note that any submission received from you after the above due date will not be considered for reconsideration of our decision.

(This is without prejudice to any other rights available to us under any other law in force.)

Kindly acknowledge receipt.

Yours faithfully

Branch in Charge

