

## **SCHEME FOR SC/ST ENTREPRENEURS**

### **1. Industries Eligible**

All the industries which are eligible for financial assistance under the provisions of the SFC's Act and promoted by persons belonging to SC/ST are eligible for loans under the Scheme. The applicant should produce certificate of his cast either from Tehsildar or First Class Magistrate.

### **2. Limit of Assistance**

Loans from Rs. 2,000/- to Rs. 5.00 lacs.

### **3. Purpose**

Loans under this scheme are granted for acquisition of fixed assets, construction of hotel etc. Under this scheme loans for installation of machinery in rented premises can also be considered.

### **4. Margin**

Margin as per usual norms would be imposed on the proposed investment in land, building and plant and machinery. Provided if the SC/ST entrepreneurs so desires than the Corporation would be agreeable to reduce the margin to 5% and consider financial assistance on investment in land, building and plant & machinery at 5% margin provided collateral security of immovable property equivalent to the difference in value between the normal margin and reduced margin is offered by the entrepreneur.

Provided however that the above relaxation in margin would not be admissible in case of transport loans.

### **5. Security**

- a) First charge on the existing and proposed fixed assets of the concern.
- b) In case of rented premises for installation of Plant and machinery, collateral security equivalent to the loan sanctioned amount shall be furnished.

### **6. Debt Equity Ratio**

2 : 1 Except Composite Loan cases.

7. **Interest**

a) For loan upto Rs. 5.00 lacs, 2% less than the applicable under the different schemes.

b) For loans above Rs. 5.00 lacs, Corporation's prevailing interest rate would be applicable.

8. **Liquidated Damages**

As application from time to time depending upon the amount of loan.

9. **Processing charges**

1% of the loan amount sanctioned.

**NOTE**

1. The other usual norms regarding the minimum Promoter's Contribution etc. shall be applicable.
2. For loan upto Rs. 50,000/- under the Composite Loan Scheme, the interest rate shall be charged less by 2% p.a. However, the other norms of the scheme shall be applicable to such cases.
3. The concession of 50% in application fee would also be granted in loan cases upto Rs. 5.00 lac.

## **SCHEME FOR PHYSICALLY DISABLED PERSONS HIGHLIGHTS**

1. **Industries Eligible :**

Industries which are registered with the Directorate of Industries, Rajasthan, Jaipur and promoted by the disabled person(s) (as proprietorship firm or partnership firm). In the case of partnership firm the share of disabled person(s) should not be less than 51%.

2. **Persons eligible**

Persons who have been issued identification card by the Director, Social Welfare, Rajasthan identifying disability shall be treated as disabled persons.

3. **Limit**

Loans from Rs. 2000/- to Rs. 5.00 lacs can be granted under the scheme.

4. **Purpose**

Loans under the scheme can be granted for acquisition of fixed assets only. Under the scheme loan for installation of machinery in rented premises can also be considered.

5. **Margin**

On new building, plant & machinery : 10%

(Provided the amount of loan and subsidy (wherever admissible) does not exceed the cost of fixed assets to be created)

6. **Security**

- a) Ist charged on the existing and proposed fixed assets of the concern.
- b) Personal guarantee of a person having immovable property in the State of Rajasthan, if loan has been desired against hypothecation of machinery to be installed in rented premises.

7. **Interest**

The rate of interest to be charged from such unit shall be 2% less than the general rate applicable on different schemes.

8. The concession of 50% in application fee would also be granted in loan cases upto Rs. 5.00 lacs.

## **SCHEME FOR FINANCIAL ASSISTANCE TO WOMEN ENTREPRENEURS**

### **1. Eligibility Criteria**

All project mentioned hereunder at (a) to (e) set up by Women Entrepreneur having minimum promoter share of 51% would be eligible for assistance under the scheme.

- a) New projects in tiny and small scale sector for manufacture preservation or processing of goods. (Tiny Enterprises would include all industrial unit and service industries (except Road Transport Operators) satisfying the investment ceiling prescribed for tiny enterprise viz. Rs. 5.00 lakh)
- b) Existing tiny and small scale industrial units and service enterprises as mentioned above (including those which have availed of MUN assistance earlier), undertaking expansion, modernization, technology upgradation and diversification.
- c) Sick units in the tiny and small scale sector including, service enterprises as mentioned above, which are considered potentially viable.
- d) All industrial activities and service activities (except Road Transport Operators) in the SI Sector.
- e) Projects which avail of any margin money or seed / special capital assistance under the schemes of Central / State Governments, State Financial Corporations and / other state level institutions or banks (except state Investment Subsidy) are not eligible for assistance under this scheme.

### **2. Project cost**

a)	New Project	Not to exceed Rs. 10.00 lakhs (including margin money for working capital)
b)	Existing units and service Enterprises	Outlay on expansion / modernization, technology upgradation or diversification or rehabilitation should not exceed Rs. 10.00 lakh per project.

### **3. Promoter's Contribution – 10% of the project cost**

4. **Rate of interest**

Prevailing rate of interest as applicable from time to time.

5. **Debt Equity Ratio : 1.857 : 1**

6. **Period of repayment :**

The loan will be repayable over a period not exceeding 10 years including moratorium of 3 years.

7. **Security**

Collateral security for atleast 25% of sanctioned amount of term loan in addition to the first charge of the fixed assets.

8. **Application fee** Under the scheme, the application fees shall be charged 50% for loan upto Rs. 5.00 lacs.

(Rehabilitation Cell)

**RH-1**

## **REHABILITATION & REVIVAL OF SICK UNITS**

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### **6.0 MAINTENANCE OF ACCOUNTS AND RECOVERY OF LOAN**

A unit wise account shall be maintained at concerned Branch Office for assistance under this scheme like other loans.

The Branch Office will issue intimations for recovery of interest charges and instalments of principal loan in the form being used for normal loans.

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- 5(a). The competent authority for sanction of W/C finance to other than sick SSI units is DGM(R). However, before issuance of sanction letter to the loanee for grant of W/C finance, DGM(R) shall seek a formal clearance from Rehabilitation Cell of HO for allocation of funds released by the State Government alongwith a copy of loan proposal.

On receipt of proposal from DGM(R), the same shall be entered in a register for monitoring of allocation of funds as may be prescribed for the purpose at Rehabilitation Cell, HO. After the entry, the Rehabilitation Cell shall give clearance to RO/BO to release the sanction to the party.

5(b) **Sanction of the Rehabilitation package:**

The competent authority for sanction of W/C finance under the scheme is Chairman cum Managing Director. After the sanction of Rehabilitation assistance by the competent authority, the sanction shall be conveyed to the unit after receipt of applicable service charges and copy thereof may be endorsed to BO, RO, DGM and also to concerned bank with whom the loanee intends to carry out the operation and have a tie up for W/C finance as per the Rehabilitation package. The BO will take necessary action to implement the decision taken in the Rehabilitation package after such sanction is conveyed.

6. **Documentation:**

Necessary legal documents may be executed as being done for W/C assistance provided under Single Window Scheme by the concerned Branch Office/Law Section at HO immediately on receipt of the file from Rehabilitation Cell. The loanee shall convey the consent agreeing to terms and conditions of the sanction to the BO/Legal Section at HO within stipulated time as per norms.

7. **Disbursement:**

Immediately after execution of legal documents, the BO should take steps for disbursement of Rehabilitation assistance as per procedure laid down in the scheme annexed herewith. Before disbursement, compliance of standard terms and conditions and specific conditions as stipulated in the package/sanction letter should also be ensured.

8. **Monitoring of the cases:**

The BO should appoint a progress officer for these units individually, who shall be responsible for monitoring timely implementation of the package and for follow up to watch regularly the working of the unit thereafter till such time the assistance is fully repaid and the unit obtains W/C finance from the bank. The progress officer will also ensure that the unit is submitting monthly stock statement in time and the loan is fully secured with the movable assets for which the loan has been provided. The progress officer should also visit the bank periodically to monitor the working operations. He should also obtain monthly statement of W/C accounts from the bank so as to ensure proper utilisation of the assistance. The progress of disbursement of loan and working of the unit thereafter should invariably be sent to the Manager (Reh.) at HO quarterly in the specified proforma.

9. **Maintenance of accounts and recovery of loans:**

Unit-wise account shall be maintained at concerned branch office for assistance under the scheme separately as is being done for W/C assistance provided under Single Window Scheme.

The BO will send quarterly report giving progress of recovery of instalments in these cases to Manager (Reh.), HO so as to intimate the progress of the scheme to the State Government in time.

**REHABILITATION & REVIVAL OF SICK UNITS**

Schedule-I to RH-i

**Scheme for Working Capital Finance to SSI units**

In order to check growing sickness in the assisted small scale industrial units of the Corporation due to non availability of working capital facilities from any bank, the State Government has approved a scheme for Working Capital Finance to SSI units. The Scheme shall be applicable to all Small Scale Units having fixed capital investment upto Rs.10.00lakh whether they are sick or are heading towards sickness on account of non availability of working capital. The financial assistance for working capital is fixed upto Rs.5.00 lakh.

A detailed scheme for Working capital loan to SSI unit for rehabilitation is annexed herewith. The modalities of the operation of the scheme are as under:

**1 Submission of Application:**

Eligible units/concern may apply for W/C finance to the RFC in the prescribed loan application form alongwith information as mentioned in the questionnaire specified for this purpose in duplicate alongwith application fee clearly mentioning on the top of the form "W/C FINANCE UNDER REHABILITATION SCHEME."

**2 Registration of Application at Branches:**

The application would be received by Branch Offices and entered separately on the last page of the Register R1 (prescribed for normal loans) as being done in case of application under Rehabilitation scheme. The Branch Manager will ensure that the documents and information as stated in the questionnaire (proforma Reh-1) are supplied by the unit alongwith application.

**3(a) Since the powers for sanction of W/C finance other than sick SSI cases have been delegated to DGM(R), the application shall now be processed at Branch level on the similar lines as laid down under the Single Window Scheme.**

While processing the cases at Branch level, rescheduling of overdues, if any, should simultaneously be done within the delegated powers as prescribed in the PG.

**3(b) Forwarding of application from BO to HO:**

Immediately on receipt of Rehabilitation application, inspection of the unit may be carried out by the Manager/DM of the Branch. The inspection report should contain present status of the unit, position of loan accounts, assessment of requirement of W/C finance, efforts made by the unit for availing W/C from the bank, specific view/comments regarding promoters and any other information considered relevant. The applications alongwith inspection report may be sent to Manager (Reh.), HO alongwith specific and clear recommendations regarding eligibility and fitness of the unit for revival within 15 days on receipt of Rehabilitation application. The Branch Manager before forwarding of the application should ensure that the total W/C finance required from the Corporation (excluding debtors and cash and margin money which is to be arranged by the promoters) should not exceed to Rs.5.00 lakh.

**4 Action at HO:**

On receipt of application at HO, Rehabilitation Cell the application is to be registered on last page of the Register R6(1). Preliminary scrutiny of the application shall be made by DM(Reh.) and a decision thereon for providing W/C finance under the scheme shall be taken by Rehabilitation Cell at HO within one month's time. The Rehabilitation package in these cases shall be finalised within 2 months from the date of registration of the application at HO.

The detailed proposal shall be prepared by DM(Reh.) which will be put upto to anager(Reh.). Thereafter the same shall be submitted to the competent authority for sanction.



**REHABILITATION & REVIVAL OF SICK UNITS****Annexure to Schedule I****SCHEME OF WORKING CAPITAL FINANCE TO SSI UNITS****1. PREAMBLE**

The scheme envisaged grant of working capital finance to all SSI units whether they are sick or are heading towards sickness on account of non availability of working capital finance and having fixed capital investment upto Rs.10.00 lakh. The amount of working capital finance would be upto Rs.5.00 lakh. Hence for the purpose of providing working capital finance to all the SSI units, the scheme of working capital finance has been prepared and the same has been approved by the State Government.

**2. ELIGIBLE UNITS**

The Small scale units having fixed capital investment upto Rs.10.00 lakh financed by our Corporation, but have run in trouble due to non availability of working capital finance from commercial banks would be covered under the scheme subject to its viability on commercial basis is ascertained.

**Note:** Units which have availed working capital from any bank but later on repaid/cleared entire dues of the bank, shall also be eligible under the scheme.

**UNITS NOT ELIGIBLE**

- i) Medium and large scale units.
- ii) SSI units which have availed working capital finance under Single Window Scheme
- iii) Units which have availed working capital finance from any bank and having outstanding liabilities with any bank.

**3. NATURE AND AMOUNT OF ASSISTANCE**

Working capital loan upto Rs.5.00 lakh per unit for meeting the working capital requirement of small scale units having fixed capital investment upto Rs.10.00 lakh.

**4. RATE OF INTEREST ON WORKING CAPITAL LOAN:**

The interest shall be charged on the loan amount provided for working capital @ 18% p.a. in case of handicapped, widow and SC/ST entrepreneurs and 19% p.a. in other cases. However, a rebate of 5% shall be provided to the entrepreneur on timely repayment of the dues of the loan alongwith interest charged thereon to the RFC.

**5. COMMITMENT CHARGES: Nil****6. REPAYMENT PERIOD** Not exceeding 7 years including initial moratorium upto 2 years.**7. SECURITY**

First charge / hypothecation of current assets and first charge on fixed asset ranking pari passu with the charge of term loan.

**8. PROMOTERS CONTRIBUTION**

Minimum 10% of the total cost of project inclusive of investment of fixed assets and total working capital requirement (excluding debtors).

**REHABILITATION & REVIVAL OF SICK UNITS****9. TIME LIMIT FOR AVAILING FINANCE**

In suitable instalments within a period of 12 months from the date of sanction of working capital limits.

**10. SANCTIONING AUTHORITY**

The competent authority to sanction the working capital finance to all the SS<sup>1</sup> units other than sick units shall be the DGM(R) on similar pattern for sanctioning of loan under Single Window Scheme. However, application of working capital from sick units which are required to be processed within RBI parameters, shall continue to be processed at Rehabilitation cell at HO, as the sanctioning authority for grant of relief and concessions to sick unit is either CMD, Executive Committee or Board.

**11. MECHANISM****A) Appraisal**

The following guidelines to be followed at the time of appraisal of the case for financing of w/c loan:

- i) Working capital loan shall not be given against the receivables/debtors, while forecasting w/c requirement, provision for one month expenses (not exceeding Rs.25,000) may be considered.
- ii) The loanee shall furnish the collateral security of the value not less than the amount of working capital loan.
- iii) While appraising cases under the scheme, the entire working capital is to be included in arriving at a cost of project as against the prevailing practice of including w/c margin only.
- iv) A condition may be stipulated requiring monthly stock statements from the units financed under the scheme. A power of attorney from the promoters authorizing the Corporation to obtain bank statements from the designated bank is required to be obtained for the purpose.
- v) An affidavit may also be obtained so as to bind the entrepreneurs to inform the Corporation as and when loan from bank for working capital is obtained later on. Power of attorney may also be obtained to get direct payment from bank in case working capital loan is sanctioned.
- vi) A condition shall also be stipulated while sanctioning loan for working capital to the effect that bank will have no lien on the current account being maintained by the borrowers for any of its dues towards the unit. However, it should be endeavour that the borrowing unit avails working capital facility from the bank at the earliest preferably during the course of moratorium period allowed for w/c loan under the scheme.
- vii) While processing/appraising the case of a unit which had earlier availed working capital finance from bank but later on repaid/cleared the entire dues of the bank, the following papers/information may be insisted for:

NOC from the bank from whom earlier the unit was availing w/c facilities for granting w/c finance by the Corporation.

The Branch Manager should gather/obtain the information about the past track record of the unit with the bank so as to avoid any applicant who has bad track record and/or litigant nature.

**B) DISBURSMENT OF LOAN AGAINST WORKING CAPITAL COMPONENT**

- i) The first instalment of working capital would be disbursed only when project is ready to start production after implementation of project/package. The disbursement

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- authority shall verify the installation of machines and satisfy himself that the fixed assets envisaged in the project have been acquired and the unit is ready for commercial production before release of disbursement of working capital.
- ii) The sanctioned amount of w/c facilities may be released in two equal instalments, in case of w/c limits are above Rs.50,000/-. Where the w/c limits are upto Rs.50,000 the same may be disbursed in 3 instalments viz. 40%, 40% and 20%. Subsequent instalments would be disbursed after verifying the utilisation of the earlier instalments.
  - iii) Subsequent disbursement shall be made only after carrying out valuation and production of bills and receipts relating to raw material.
  - iv) The instalments shall be disbursed only to build up the inventory of raw material, work in process and finished goods.
  - v) RFC must get information in the prescribed format before releasing payment against w/c component. The same should be duly verified by disbursing officer (in prescribed proforma).
  - vi) The disbursement against current assets shall be released to the designated bank only who is under obligation to provide us operations in working capital account to the Corporation.

**C) OPERATION WITH BANK**

- i) Assisted units should open current account with a designated bank (which could be a bank of the borrower's choice or the district lead bank) to which the proceeds of the loan will be credited as and when disbursed by RFC. The unit should route its entire banking transactions relating to the business including all receipts and payments through this account.
- ii) Assisted unit may approach the bank for meeting its existing working capital requirement or for additional w/c requirement at any time during the currency of the loan. In the former case, as and when the assistance is sanctioned, the working capital loan from the RFC will be repaid out of the proceeds of the loan sanctioned by the bank. The RFC in turn should immediately thereafter release its charge on current assets and also concede second charge on fixed assets if so insisted upon by the bank.
- iii) To facilitate smooth interaction between the RFC and the designated bank as also to enable the bank to consider borrowing unit's request for assistance, the RFC will forward a copy of its appraisal to the bank soon after the loan is sanctioned by it.
- iv) RFC will monitor the operations in w/c account by obtaining monthly statements from the bank for operations in the current account as well as monthly stock statements from the assisted units showing the position of inventory level.

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Schedule 2 to RH-1

**Scheme for Working Capital loan under Single Window Scheme to Sick tiny  
and SSI units (RSR)**

Proposals for rehabilitation of potentially viable sick units under refinance scheme for rehabilitation (RSR) would also be eligible for coverage under SWS provided the aggregate of the venture outlay of the original projects and cost of the rehabilitation package together with total working capital (existing and proposed) does not exceed Rs.200.00 lakh.

All the applications received under RSR scheme (for working capital assistance under SWS) shall be forwarded by BO directly to Rehabilitation cell, HO, Jaipur for further examination/processing alongwith their observations and recommendations.

**1) Eligibility of the units**

- a) The cases to which only term loan against fixed assets was sanctioned by the Corporation in the scheme other than SWS and due to non availability of working capital loan from any bank, the loanee unit has become sick. Now the loanee approaches to the Corporation for revival and wants only working capital loan from the Corporation alongwith other reliefs and concessions.
- b) The unit which has availed working capital finance from the bank and has repaid the w/c loan of the bank on account of whatsoever reasons including filing of legal suit against the unit or otherwise under some pressure etc. and now wants to avail working capital finance from the Corporation under SWS.
- c) The unit which has availed w/c finance from the bank and wants to avail additional working capital loan from the Corporation keeping the working capital loan of the bank outstanding. While processing such cases, Corporation should insist for NOC from the concerned bank and their consent for grant of additional working capital facilities under SWS. In such cases, charge on the current assets has to be shared with the bank on first pari-passu basis.
- d) Proposals for rehabilitation of potentially viable sick units under Refinance scheme for rehabilitation (RSR) would also be eligible for coverage under SWS provided the aggregate of the venture outlay of the original project and the cost of the rehabilitation package together with total working capital (existing and proposed) does not exceed Rs.200 lakh.
- e) The additional term loan, if any, sanctioned for fixed assets and/or working capital to existing units already covered under SWS would also be eligible for coverage under SWS provided the total venture outlay (existing and proposed) is within the enhanced ceiling of Rs.200 lakh.
- f) At present as and when working capital limits are sanctioned by banks to units assisted by SFCs under SWS, the outstanding balance amount of the working capital loans availed by the units from SFCs are required to be repaid forthwith from out of the working capital limits sanctioned by banks, in cases where banks agree to finance only additional working capital, the SFCs may continue their earlier working capital loans against the specific security.

**2) Units not eligible**

The unit which has availed working capital finance from the bank and is still in default in repaying the working capital loan of the bank.

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For term loan upto Rs.10.00 lakh 3:1

For term loan above Rs.10.00 lakh 2:1

The debt ratio will be seen for the total venture outlay i.e. cost of the project plus total working capital requirement.

**3(A) Permissible Working capital term loan component:**

The component of working capital term loan shall not exceed the quantum of term loan proposed for the fixed assets i.e. WCTL would not exceed to 50% of the total term loan.

**4. Promoter's contribution**

As may be required to arrive at the debt equity ratio norm after taking into account the available incentive/investment subsidy for the project.

**5. Rate of Interest**

Prevailing rate of interest as applicable for loans under SWS.

**6. Repayment period**

Not exceeding 10 years including initial moratorium not exceeding 24 months for term loan for fixed assets and 36 months for working capital term loan.

**7. Security:**

First charge on fixed assets and hypothecation of current assets.  
and

Collateral security to the extent of 150% of the term loan provided for working capital.

**8. Sanctioning Authority:**

CMD	Upto Rs.10.00 lakh
EC	Full powers (except joint finance cases)
Board of Directors	Joint Finance cases.

**9. Upfront fees:**

a) Term loan for working capital	Nil
b) Term loan for:	
i) If the loan amount does not exceed Rs.5.00 lakh	Nil
ii) If the loan amount exceeds Rs.5.00 lakh	1% of the full loan

**10. Extent of Refinance**

100% (automatic refinance and normal refinance)

**11. Procedure for availing the refinance**

In case where the total credit requirement i.e. aggregate of term loan for fixed assets and working capital loan is within Rs.10.00 lakh, the case shall be covered under automatic refinance scheme. The moratorium period for working capital shall be counted from the date of first disbursement of loan against working capital. However, the moratorium period for fixed assets is to be counted from the date of first disbursement of loan against fixed capital. In normal refinance scheme cases, however, the moratorium period would be allowed from

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the expected date of start of commercial production both for loan against fixed assets and working capital.

All other SWS proposals including those under RSR would continue to be covered under normal refinance scheme.

**12. Time limit for availing of assistance**

The time limit for availment of refinance will continue to be 18 months/24 months for ARS and NRS cases as the case may be from the date of sanction of refinance so far as the refinance against term loan for fixed assets is concerned. The time limit for availment of refinance against the portion of loan for working capital shall be 36 months from the date of sanction of refinance.

**13. Mechanism for processing:**

- a) The working capital loan would be released in suitable instalments for building up of inventories to facilitate timely commencement of production and adequate build-up of capacity.
- b) Assisted units should open current account with a designated bank (which could be bank of borrowers choice or the district lead bank) to which the proceeds of the loan will be credited as and when disbursed by RFC. The unit should route its entire banking transaction relating to the business including all receipts and payments through this account.
- c) Assisted unit may approach the bank for meeting its working capital requirement at any time during the currency of the loan. As and when the assistance is sanctioned by the bank, the working capital loan from the RFC should be repaid out of the proceeds of the loan sanctioned by the bank. The RFC in turn should immediately thereafter release its charge on current assets and also concede second charge on fixed assets, if so insisted upon by the bank. An affidavit may also be obtained so as to bind the entrepreneur to inform us as and when loan from bank for working capital is obtained later on. Power of attorney may also be obtained to get direct payment from bank in case working capital loan is sanctioned.
- d) However, in cases where the bank agree to finance only additional working capital, the Corporation shall continue their earlier working capital loan against the specific security and the outstanding balance amount of the working capital amount shall not be required to be adjusted out of the additional working capital limits sanctioned by the bank.

**REVIVAL AND REHABILITATION OF SICK INDUSTRIAL COMPANIES THROUGH BIFR**

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**Reg : Revival and rehabilitation of Sick Industrial Companies through BIFR**

After enactment of the Sick Industrial Companies (Special Provision) Act, 1985, the Board for Industrial and Financial Reconstruction (BIFR) has been constituted to deal with revival and rehabilitation of sick industrial companies (medium and large scale units). Under the provisions of the Act, it is mandatory on all the medium and large industrial units, including public sector and Government companies, on becoming sick under the Provisions of Section 3(1)(o) to make a reference to the BIFR u/s 15(1) of the Act. Immediately after making a reference, the matter regarding revival and rehabilitation of Industrial Companies is examined by the BIFR.

As per provisions of Section 22(1) and 22(3) of the SIC(SP) Act, 1985, reproduced below all rights, privileges, contracts, agreements, settlements, awards shall remain suspended and no proceedings for winding up of the Industrial Companies or for execution, distress or the like against any property of the industrial company shall be proceeded further except with the consent of the BIFR/AAIFR.

- 22(1) Where in respect of an Industrial Company, an enquiry under section 16 is pending or any scheme referred to under section 17 is under preparation or consideration or a sanctioned scheme is under implementation or where an appeal under section 25 relating to an industrial company is pending, then, notwithstanding anything contained in the Companies Act, 1956, or any other instrument having effect under the said Act or other law, no proceedings for the winding up of the industrial company or for execution, distress or the like against any of the properties of the Industrial Company or for the appointment of a receiver in respect thereof shall lie or be proceeded further, except with the consent of the Board or, as the case may be, the Appellate Authority.
- 22(3) During the period of consideration of any scheme under Section 18 or where any such scheme is sanctioned thereunder, for due implementation of the scheme, the Board may by order declare with respect to the Sick Industrial Company concerned that the operation of all or any of the contracts, assurances of property, agreements, settlements, awards standing orders or other instruments, in force, to which such sick industrial company is a party or which may be applicable to such Sick Industrial Company immediately before the date of such order, shall remain suspended or that all or any of the rights, privileges, obligations and liabilities accruing or arising thereunder before the said date, shall remain suspended or shall be enforceable with such adaptations and in such manner as may be specified by Board;

Provided that such declaration shall not be made for a period exceeding two years which may be extended by one year at a time so, however, that the total period shall not exceed seven years in the aggregate.

no legal action should be taken against such Industrial Companies, which have approached the BIFR by making reference u/s 15(1) of the SIC(SP) Act, 1985 and wherein an enquiry u/s 16 is pending or any revival scheme u/s 17 is under preparation or the scheme sanctioned u/s 18 is under implementation, as this will attract violation of the Act, jeopardising the purpose of revival and rehabilitation of the companies.

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**3. Board Joint Finance Cases.****3.8 Sanction of Rehabilitation Assistance**

After sanction of rehabilitation assistance by the competent authority, sanction will be conveyed (as per proforma Reh-2) with a copy to the Branch Office/Regional Office/Dy.Manager (Ref) and the bank. The Branch Office will take necessary action to implement the decision taken in the rehabilitation package after such a sanction is conveyed.

**3.8(a) Levy of Service charges before issue of sanction of loan**

In the cases where service charges are applicable it shall be levied before conveying sanction of loan to the party as against the prevailing guidelines of collecting the same before execution of loan documents.

**4.0 DOCUMENTATION AND DISBURSEMENT****4.1 Execution of legal documents**

Necessary execution of loan documents will be got done like other loans by the concerned branch office/Law Section at HO immediately on receipt of file of the concerned unit from Rehabilitation Cell and the consent of the unit has been obtained for agreeing to the terms and conditions of sanction.

**4.2 Disbursement Procedure**

Immediately after execution of legal documents the file should be sent to the Disbursement Cell at HO/Branch Office for disbursement of sanctioned rehabilitation assistance to the unit concerned. Before release of disbursement of loan the concerned disbursement officer should ensure that the terms & conditions stipulated in the sanction letter/rehabilitation package have been fully complied with and the service charges have also been deposited by the loanee unit. A copy of advice of amount disbursed will be sent by Branch Office to Rehabilitation Cell, HO on the basis of which entries will be made in Register (R-61).

**4.3 The following procedure will be adopted for disbursement of the loans under the scheme :****a) In case of assistance for acquiring fixed assets**

Procedure for normal disbursement of regular loans will be followed except that guarantees/advances to machinery suppliers and building contractors shall be given by the Corporation as per request of the unit concerned.

**b) For releasing funds for sanction of working capital margin**

Disbursement of amount sanctioned for working capital margin will be made to the concerned bank, after taking authority in writing from the party and after ensuring that the bank has sanctioned/enhanced need based working capital facilities as per the Rehabilitation package.

**5.0 MONITORING OF PROGRESS OF THE REVIVED UNITS**

The progress officers specifically appointed for these units individually shall be responsible for the monitoring of implementation and working thereafter atleast for a period of 2 years or till such time working results reach to a satisfactory level. Report in specific proforma (proforma No. Reh-3) to be forwarded to the Rehabilitation Cell, HO on quarterly basis invariably so as to reach the same to the Rehabilitation Cell by 10th of following month of the quarter.



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The application would be entered separately on the last pages of the Register (R-1) prescribed for normal loans. The Branch Manager will ensure that the documents and information as listed in questionnaire proforma Reh. 1 are supplied by the unit along with the application.

**3.4 Forwarding of Rehabilitation applications from Branch Office to Head Office**

Immediately on receipt of rehabilitation application an inspection of the unit concerned may be carried out by the Manager/Dy. Manager of the Branch. The inspection report should contain present status of the unit, position of accounts with us and Bank, specific views and comments regarding promoters and any other information considered relevant. The Rehabilitation application and inspection report should be sent to Manager (Reh) at HO along with specific and clear recommendations regarding eligibility and fitness of the unit for revival within 15 days of receipt of the Rehabilitation application.

Before forwarding of the rehabilitation application the Branch Manager should ensure to furnish complete information in prescribed format (ARRC-19) while forwarding the rehabilitation application file to HO as also to see that the banker of the unit is agreeable to participate in the nursing programme and to enhance need based working capital facilities as per the rehabilitation package which would be finalised in consultation with the bank.

The Branch Manager should ensure recovery of dues of the Corporation as per understanding reached with the entrepreneur during the pendency of Rehabilitation Application.

**3.5 Action at Head Office**

On receipt of application in HO (Reh. Cell) the application is to be registered in the Register (R-61). The application will be preliminarily scrutinised by Dy. Manager (Reh). The principle decision on the rehabilitation application of the party to nurse or not shall be taken by Rehabilitation Cell at HO within a month's time. Rehabilitation package in these cases shall be finalised within 3 months of the date of receipt of the application at HO.

**3.6 Joint Meeting with Banks**

After deciding that the unit is to be taken up for rehabilitation a joint meeting with the concerned commercial bank should be held to discuss the draft rehabilitation proposal prepared by the Rehabilitation Cell so as to finalise the rehabilitation package in consultation with the bank.

**3.7 Preparation of Rehabilitation Package**

The rehabilitation package should be finalised in consultation with the bank and RAJCON if techno-economic feasibility study report has been prepared by them and with the loanee unit. If need be a joint inspection of the unit in order to assess the requirements under the rehabilitation package may be carried-out by the Corporation and the bank. The detailed rehabilitation proposal in the prescribed proforma will be prepared by Dy. Manager (Reh) and will be put up to Manager (Reh). After that rehabilitation proposal shall be put up to the competent authority for sanction.

**3.7(a) Sanctioning Authority**

Powers to sanction loans vest with the following authorities:-

- |     |     |  |
|-----|-----|--|
| 1.. | CMD | Upto Rs.10 lakhs and full powers for grant of relief & concessions within RBI parameters/ specified norms. |
| 2.  | EC  | Full powers (except joint finance cases)   |

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- iii) For arriving at promoter's contribution, monetary value of sacrifices from banks, Financial Institutions and Government may be taken into account, in addition to the long term requirement of funds under the Rehabilitation package.

**2.7 Period of Repayment**

Period of repayment of rehabilitation loan shall be based on its generating capacity, but shall in no case exceed 10 years (as per RSR Scheme or SIDBI). Period of repayment of funded interest and existing term loan would be fixed as per RBI guidelines.

**2.8 Rate of Interest**

The applicable rate of interest as well as the rate of liquidated damages are given in schedule of the Chapter.

**2.9 Security**

The loan availed of under the scheme would be secured by first charge on the existing and proposed fixed assets of the unit.

The total security requirement in rehabilitation cases should be at least equal to the total outstanding loan amount in existing loan account, proposed rehabilitation assistance, WCTL of the bank on which pari-passu charge on fixed assets of the unit, if any, agreed upon to be provided by the Corporation. In case of shortfall in security the same is required to be fulfilled by the promoters by furnishing either collateral security or third party personal guarantee backed by valid base of immovable property for the amount of shortfall.

The Corporation may also allow pari-passu charge on the fixed assets of the unit in favour of concerned bank to the extent of irregularities to be converted into working capital term loan (WCTL) as per RBI norms.

**3.0 PROCEDURE FOR PROCESSING OF REHABILITATION APPLICATIONS****3.1 Identification of sick units**

The Branch Manager should feel concerned with the first default committed by the entrepreneurs and to find out the reasons of default. In case of continuous default in repayment of four consecutive instalments of interest/or principal then financial statements of the unit i.e. balance sheet, trading and Profit & Loss Account should be obtained and examined. In case the unit falls within the norms of definition of sick unit as given above, the unit should be identified as a sick unit. The information regarding identification of sick unit is required to be sent quarterly to the Rehabilitation Cell, HO in the prescribed proforma.

**3.2 Submission of applications**

Eligible concern may apply for revival/rehabilitation assistance to RFC in the prescribed loan application forms alongwith information as mentioned in the questionnaire (Proforma No. Reh-1) in duplicate (alongwith application fee) as if they are applying for further loan, clearly mentioning on the top of the form "UNDER REHABILITATION SCHEME"

**3.3 Registration of application at Branch Office**

The application would be received by Branch Office from the loanee, after withdrawal of legal notice (if issued) and partial payment of the dues of the Corporation depending upon the health code of the account in terms of guidelines contained in para 4.12A of FR Chapter 4 is made and legal notice is withdrawn. After withdrawal of legal notice the rehabilitation application shall be considered only when 5% amount of balance outstanding is deposited by the party.

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- iii) Minimum capital expenditure required for restarting the unit on a viable level.
- iv) Cash loss, if any, incurred during the implementation of the nursing programme.
- v) Payment of statutory liabilities, payment of pressing creditors etc (to the extent possible such dues should be liquidated over a period of time in instalments).

**1.1 Relieves and concessions**

The relieves and concessions which may be extended to a potentially viable sick unit under the scheme may be summed up as follows:

- i) In case of sick SSI and medium scale units (other than BIFR cases) penal interest charged in the loan account may be waived only for the years during which the unit sustained cash losses subject to a maximum of outstanding interest in the loan account.
- ii) After waiver of penal interest the unpaid interest shall be funded into a separate term loan and shall be payable within a period of 3 to 5 years.
- iii) The overdue instalments of the principal sum shall be rephased after converting them into a separate term loan account.
- iv) The undue instalments of the principal sum of existing loan account shall also be rephased.

The relieves/concessions as above are not intended to be given as a matter of course in all cases of rehabilitation of sick units. The nature and extent of concessions necessary within these parameters depend upon the merits of each case.

The cases which are revived as per sanctioned scheme of the BIFR, the relieves and concessions would be considered as per directions of the BIFR after taking approval from the competent authority.

**2.5 Quantum of Assistance**

Under the scheme, the proposed rehabilitation loan and the amount of outstanding in the existing loan account shall not exceed to the prescribed limit of financing of the Corporation.

**2.6 Promoters' contribution**

While cent per cent financial assistance can be granted under the scheme for revival and rehabilitation, the promoter shall mandatorily be required to pool in his contribution to the maximum extent possible.

However, the minimum promoters' contribution required by the Corporation would be as follows:

- a) Tiny sick units - 10% of additional long term requirement
- b) Small Scale units - 20% of additional long term requirement.
- c) Medium scale units - 20% of additional long term requirement.

**Note**

- i) Higher promoters' contribution may be insisted upon where warranted.
- ii) At least 50% promoters' contribution should be brought in immediately and balance within 6 months.

**REHABILITATION & REVIVAL OF SICK UNITS**

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**1 General**

Some of the assisted units are not working at the minimum expected level of production due to constraints, such as absence of some necessary equipment, shortage of liquid funds, etc. Taking into account the large magnitude of sickness in the small and medium sector, the Corporation has adopted RBI guidelines for revival & rehabilitation of sick small & medium scale units. The Corporation in order to assist its sick units has started a scheme for revival & rehabilitation with the assistance of IDBI & IRBI.

**1.2 Scope & Objective**

The primary objective of the scheme is to bring back the sick and closed units to a viable level of production. This scheme covers all small and medium scale industrial units assisted by the Corporation. However, self-financed small and medium scale sick units too can be considered on merits of each case for assistance under this scheme.

Efforts should be made by us to see that maximum number of sick units are revived/rehabilitated under the scheme. The cases of wilful defaulters are to be avoided. This will facilitate in improving the overall industrial climate in the State besides reducing defaults.

**2.0 SALIENT FEATURES OF THE SCHEME****2.1 Eligibility Criteria (Definition of sick SSI units)**

"An SSI unit may be classified as sick when :

- i) any of its borrowal accounts has become a "doubtful" advance i.e. principal or interest in respect of any of its borrowal accounts has remained overdue for a period exceeding 2½ years and
- ii) there is erosion in the net worth due to accumulated cash losses to the extent of 50% or more of its peak net worth during the preceding two accounting years."

**2.2 Viability of sick units**

The unit should be capable of being revived with reasonable financial support and relief measures within reasonable period of time.

A unit may be regarded as potentially viable if it would be in a position, after implementing a relief package spread over a period not exceeding 5 years from the commencement of the package from banks, financial institutions, Government (Central/State) and other concerned agencies, as may be necessary, to continue to service its repayment obligations as agreed upon including those forming part of the package, without the help of the concessions after the aforesaid period. The repayment period for restructured (past) debts should not exceed 7 years from the date of implementation of the package. In the case of tiny/decentralized sector units, the period of reliefs/concessions and repayment period of restructured debts will be 2 years and 3 years respectively.

**2.3 Purpose of assistance**

The assistance under the scheme is limited to restoring the unit to a normal state of health and not for expansion/modernisation unless these form part of rehabilitation programme. Rehabilitation assistance may be granted for the following purposes:

- i) Margin money for working capital requirement and also additional term loan, if any, under the rehabilitation programme.
- ii) Need based start up expenses for restarting the closed unit.