CHAPTER EIGHT

SPECIALISED NRI SERVICES

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SPECIALISED NRI SERVICES

8.1 SICOM's package schemes

Various official and non-official agencies, including banks
and State Government Corporations have a package of schemes
and services to enable the NRI to set up business/invest his
savings in India. SICOM - The State Industrial and
Investment Corporation of Maharashtra Ltd., - established by
the Govt. of Maharashtra to promote balanced industrial
development in the State is a development bank whose package
of services for the NRI includes:

a. project identification
b. plant location
c. varied financial assistance (term loans, seed capital,
   direct subscription and underwriting)
d. industrial escort
e. merchant banking and
f. equipment leasing

Appendix XX is a flow chart of SICOM's services for NRI
Entrepreneurs. SICOM implements the Package Scheme of
Incentives of the Govt. of Maharashtra and the Central
Investment Subsidy of the G.O.I. relating to development of
backward areas. Under-developed areas in Maharashtra have
been categorised into four grades, A, B, C and D, according
to their degree of backwardness. Industrial units set up in
these areas are eligible for incentives and grants like an
interest-free term loan, exemption from sales tax and octroi
and tax concessions/holidays. The Govt. of Maharashtra has a
special incentive scheme for the development of the
electronic industry in the State which is operated through
SICOM. Among the State Government measures to develop the electronic industry are (a) reduction of sales tax on various electronic goods to just 4%, the lowest in the country and (b) setting up of three exclusive zones i.e. Bhosari (Pune), Hingna (Nagpur) and Chikhalthana (Aurangabad) for the electronic industry.

SICOM has formulated two special schemes for the NRI businessman/technocrat viz. The Venture Capital Scheme and the Market Development Assistance Scheme.

8.1.1. SICOM’s venture capital scheme

The Venture Capital Scheme has been conceived for technically qualified NRIs wishing to start industrial projects in Maharashtra but lacking adequate promoter’s capital to finance their schemes. SICOM participates in the share capital of such projects to the extent of 24% of the total share capital (equity or preference) subject to a maximum of 10% of the total capital outlay, inclusive of margin money for working capital. This scheme will be generally applicable to projects having a total capital outlay up to Rs. 75 lacs. Among the projects which SICOM may consider assisting under this plan are those involving use of sophisticated technology and manufacture of import substitution or export-oriented products. The projects assisted under the Venture Capital Scheme should be located outside the Bombay and Pune Metropolitan Zones.
The NRI seeking SICOM's assistance under this scheme should note the following:-

a. his proposal to set up an industrial unit in Maharashtra should have the requisite State/Central Govt. approval;

b. he will have to promote a limited company, public or private to implement his scheme;

c. at least 50% of the share capital should have been subscribed by him before approaching SICOM;

d. all necessary FERA approvals should have been obtained by him;

e. SICOM will have the right to appoint a nominee director on the Board of the company;

f. preference share capital will carry a cumulative dividend @ 13.5% p.a. and will be redeemable within a period of 10 years;

8.1.2. SICOM's market development scheme

The Market Development Assistance Scheme aims at assisting the NRIs to generate demand for their products. To this end, SICOM offers financial assistance to cover certain expenses incurred for market development and sales promotion. As far as possible SICOM will consider such expenses as pre-operative expenses in the company's regular term loan application. The assistance granted could be upto 100% subject to a maximum of Rs.5 lacs. The eligible expenditure under this scheme could be the following:-
1. expenditure on printing of literature / brochures / leaflets and preparation of other sales promotion material like cinema slides, hoardings concerning sales and marketing of company's products;

2. expenditure on preparation and release of advertisements through various media in India such as newspapers, magazines, periodicals, radio, television, cinema; expenditure to be incurred on publicity and advertisement abroad shall not be considered under the Scheme;

3. fees paid to marketing consultant for preparation of marketing plan/marketing strategy for the company's products, subject to SICOM's prior approval;

4. expenditure on product launching and supply of samples;

5. product/process for which further developmental effort is called for to establish its acceptability in the market.

The terms and conditions for assistance under this Scheme are:

1. the company shall submit a proposal giving details of expenditure incurred in area of market development and sales promotion, justification for such expenses and its effects on realisation of the sale of the company's products;

2. the loan disbursed will be for a period of three years after the date of commencement of trial production and shall be repaid in six half yearly annual instalments from the date of first disbursement;
3. interest charged shall be 15.5% per cent per annum or such rate as may be prevalent at the time of documentation;

4. there will be a moratorium of six months for the repayment of principal amount after the first disbursement;

5. security for the loan will be a mortgage of the fixed assets of the company. Two directors shall pledge their insurance policies/housing property/shares of good public limited companies to cover at least 50% of the loan amount to be obtained under the Scheme.

8.1.3 Some NRI Projects

SICOM has in the last few years supported a wide range of projects with investments ranging from Rs.3 lacs to Rs.250 crores. The list is too large to be reproduced here. An illustrative list of major NRI projects (Rs.50 lacs and above) assisted by SICOM is placed at Appendix XXI. These projects of the value of Rs.634 crores are in various fields -- to name a few, engineering, electronics, domestic appliances, micro computers and pharmaceuticals. Most of them have gone into production.

8.2 INDEXTb'S services in Gujarat

The International Division of Industrial Extension Bureau (INDEXTb), a Govt. of Gujarat organisation caters to NRI entrepreneurs' needs as a single point contact and helps them set up industries in Gujarat. The Gujarat Govt. also
has announced a package of incentives comprising cash subsidy and sales tax exemption or deferment to promote industrialisation in 16 Districts in the State. The scheme will be in operation till 31/3/1991.

8.3 RIICO and RFC services in Rajasthan

The Rajasthan State Industrial Development and Industrial Corporation Ltd. (RIICO) and The Rajasthan Finance Corporation (RFC) have separate cells in their respective organisations to provide one point service to NRI entrepreneurs.

RIICO has already assisted a dozen projects promoted by NRIs with an estimated investment of Rs.20 crores. These are for manufacture of roller flour mills, LDPE bags, mini cement plants, magnetic storage discs and hydraulic excavators and insulators.