APPENDIX B

ANDHRA PRADESH STATE FINANCIAL CORPORATION

GENERAL TERMS AND CONDITIONS

The Andhra Pradesh State Financial Corporation caters to the needs of Industries established within the State of Andhra Pradesh.

Types of Assistance:

The Corporation is authorised to transact the following kinds of business.

(a) Long term loans to Industrial concerns, primarily for the purpose of acquiring fixed assets in the shape of land, buildings and machinery.

(b) Underwriting of the issue of bonds, shares and debentures by Industrial concerns.

(c) Guaranteeing loans raised by industrial concerns which are floated in the public market for a period not exceeding 20 years.

(d) Guaranteeing loans raised by industrial concerns from scheduled banks or state-Cooperative Banks for acquisition of fixed assets.

(e) Guaranteeing on such terms and conditions as may be agreed upon, deferred payments due from industrial
concerns in connection with their purchase of capital goods within India.

(f) Subscribing to debentures of Industrial concerns.

(g) Acting as agent of the State or the Central Government or any other financial institutions notified in this behalf by the Central Government.

(h) Foreign exchange loan under I.D.A. line of Credit (World Bank).

(i) Loans in collaboration with IDBI, IFCI, ICICI.

Eligibility:

Any industrial concern engaged in, or proposed to engage in one or more of the following activities is eligible for financial accommodation from the Corporation,

(a) Manufacture of goods.

(b) Preservation of goods.

(c) Processing of goods.

(d) Mining.

(e) Hotel Industry.

(f) Development of any contiguous area of land as on industrial estate.

(g) The maintenance, repair, testing or servicing of machinery or any description or vehicles, or vessels, motor boats of trailers or tractors.

(h) Transport Industry.
(i) Assembling, repairing or packing any article with the aid of machinery or power.

(j) Fishing or providing shore facilities for fishing or maintenance thereof; and

(k) Providing special or technical knowledge or other services for the promotion of industrial growth.

Form of Ownership:

Industrial concerns under any form of ownership are eligible for assistance from the Corporation, whether it be as:

i) Proprietary Concern
ii) Joint Hindu Family Concern
iii) Partnership concern
iv) Private or Public Limited Company
v) Registered Co-operative Society.

Quantum of Assistance:

Loans given by the Corporation are between Rs. 10,000 and Rs. 15,00,000 and in the case of limited Companies and Co-operatives the maximum limit has been extended up to Rs. 30,00,000 including deferred payment guarantees and underwriting of shares.

Restriction on Assistance:

The Corporation will advance its loan and
extend other financial assistance only to the industrial concerns having share capital and free reserves not exceeding a limit of Rs. 1 crore. The Corporation will not be able to provide assistance to the concerns in which Directors of the Corporation are interested.

The Corporation will not sanction any advance against hypothecation of stock of raw materials and finished goods for working capital.

Margins:

Financial assistance sanctioned by the Corporation is primarily meant for acquisition of fixed assets viz., land, construction of factory buildings and other related buildings, plant and machinery etc. This assistance would be as under.

Small Scale Units:

Industries undertakings having investments in fixed assets in plant and machinery not exceeding Rs. 10 lakhs, are considered as Small Scale Industries.

1) In the case of units coming under the definition of 'Small Scale' and with a total investment in land, buildings and machinery not exceeding Rs. 3 lakhs, the Corporation will provide loans:

- On land & Buildings at 66 2/3%
- On Machinery (Excluding erection) 80%
ii) In the case of an other units coming under the definition of 'Small-Scale', the Corporation will provide financial assistance.

On Land & Buildings at 60%
On Plant & Machinery
(Excluding erection) at 75%

iii) In respect of sophisticated units to be located in the back-ward districts coming under the above category the Corporation will provide the loans:

On Land & Buildings at 75%
On Plant & Machinery
(Excluding erection ) at 65%

Ancillary Units:

Industrial undertakings having investments in fixed assets in Plant and Machinery not exceeding Rs. 15 lakhs and engaged in:

i) the manufacture of parts, components, sub-assemblies, toolings or intermediates; or

ii) the rendering of services

and supplying or rendering, or proposing to supply or under 50% of their production or the total services, as the case may be, to other units for production of other articles, are considered as ancillary units, provided that no such undertakings shall be subsidiary of or owned or controlled by any other undertaking.
For the above mentioned category of industries, the corporation will provide assistance:

On Land and building 85%  
On Plant and Machinery 90%  
(Excluding erection)

For Technocrats:

Under this, the applicant(s) should be below 45 years of age and should set up the industry in this line of his specialisation. Graduate Engineers and Diploma Holders are eligible for Financial Assistance upto 90% on land, buildings, and machinery if the project cost does not exceed:

a) Rs. 1.5 lakhs for one graduate engineer with no experience.

b) Rs. 4.5 lakhs for one graduate engineer with three years experience.

c) Rs. 3.0 lakhs for a technically qualified Diploma holder with a minimum of 10 years experience.

d) Rs. 8.0 lakhs for two graduate engineers with minimum of 3 years experience, each.

e) Rs. 5.0 lakhs for two technically qualified Diploma holders with minimum of 10 years of experience each.

f) Rs. 6.0 lakhs for one graduate engineer with minimum of 3 years experience, and 1 technically
qualified Diploma Holder with minimum of 10 years experience.

The Corporation would relax the terms and permit the technically qualified entrepreneur to take non-technical partner/partners so long as the non-technical partner/partners are specialists in marketing or accounts and further they agree to the condition that in case of dissolution of the partnership the unit shall revert to the technically qualified partner only.

Foreign Exchange Loans:

The International Development Association (IDA), an affiliate of the World Bank granted credit in various currencies to the Government of India. The rupee equivalent of loan was made available to the Industrial Development Bank of India (IDBI) for channeling foreign exchange loans through state Financial Corporations to small and medium sized industrial units for the purchase of capital equipment.

For obtaining foreign exchange loans through SFCs the total cost of the project should not exceed Rs. 1 crore and the project should contain a foreign exchange component by way of imported plant and equipment and in special cases, the cost of technical know-how and engineering fees.

The margins mentioned above are applicable for all the Foreign Exchange loans.
While sanctioning these loans, the following points will be taken into consideration.

Plant & equipment proposed for import should be eligible for import under import trade control policy.

Other Conditions on Loans:

Loans are sanctioned for a period of 5 to 10 years and in the case of Transport Industry the loan period shall not exceed 31/2 to 4 years.

Loans granted are repayable in annual or half yearly instalments. In the case of new concerns the first instalment is generally made payable at the expiry of 1 to 2 years from the date of disbursement of any part of the loan.

In the case of Transport loan the loan is repayable in monthly instalments and the repayment commences two months after the disbursement of any part of the loan.

The disbursement of loans sanctioned by the Corporation would commence only after the entrepreneur invests his margin money in fixed assets. Where the Corporation is not satisfied about the capacity of the entrepreneur to invest his share of money, the Corporation would make it a condition asking the entrepreneur to invest his full capital as per the scheme before disbursing any part of the loan.
Loans sanctioned are expected to be drawn within 3 months of sanction. Where the borrowers are unable to draw the amount within 3 months on account of late delivery of Machinery etc., they should intimate the approximate dates on which they require the Funds. A commitment charge of 1% per annum will be levied after expiration of 3 months or after the dates indicated by the borrower.

In the case of all applications for over Rs. 1,00,000 and upto Rs. 2,00,000 the party has to propose at least one guarantor and for all loans over Rs. 2,00,000 there should be at least two guarantors, and their property statements duly certified by a revenue official not less than the rank of Tahasildar or competent Municipal authority in the case of urban property, should be sent along with the application.

In the case of limited concerns the directors are to guarantee the loan and their property statements duly certified as above should be filed with the Corporation.

Equitable mortgage will be accepted for all loans upto Rs. 5 lakhs. In the case of Limited companies and Co-operative Societies equitable mortgage on loans upto Rs. 10 lakhs will be accepted.
Rates of Interest:

The present rates of interest for various types of loans are detailed below:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Gross rate p.a.</th>
<th>Rebate for prompt payment of interest and instalments</th>
<th>Net rate p.a.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rupee Loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) In area other than backward.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) For Small-Scale units covered under credit guarantee scheme</td>
<td>15% (5% above Bank rate)</td>
<td>3%</td>
<td>11%</td>
</tr>
<tr>
<td>b) The Notified Backward Areas:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) For Small-Scale Units</td>
<td>12% (3% above Bank rate)</td>
<td>3%</td>
<td>9%</td>
</tr>
<tr>
<td>Foreign Exchange Loans:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) For all units in Backward areas</td>
<td>13%</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>11) For Small Scale Units located in areas other than backward</td>
<td>14%</td>
<td>3%</td>
<td>11%</td>
</tr>
</tbody>
</table>

The interest is payable half-yearly upto 30th June and 31st December on 1st July and January 2nd respectively.

In the case of units coming up in Backward areas
specified by the Government, if refinance from IDBI is available at concessional rate, the concessional lending rates of the corporation as mentioned above are applicable, and if refinance from I.D.B.I. is not available, the rate of interest charge shall be on par with the units located in other than Backward Areas.

In case I.D.B.I. revises its refinance rates in future, without any increase in Bank rate, the Corporation shall be at liberty to correspondingly increase its lending rates.

Special Concessions on Interest:

In the case of Technocrats, the rate of interest shall be reduced by ½%, where the units are located in other than backward areas.

In all loans upto Rs. 5 lakhs, if the promoters agree to take 4 raw technically qualified graduates, a rebate of ½% over the usual rebate on interest will be given.

In all loans over Rs. 5 lakhs and upto Rs. 10 lakhs, if the promoters agree to take 4 raw technically qualified graduates, a rebate of ½% over the usual rebate on interest will be given and if they take 2 or 3 raw graduates only the rebate will be 1/4% only.

In all loans above Rs. 10 lakhs, if the promoters agree to take 5 raw technically qualified graduates, a rebate
of ½% over the usual rebate on interest will be given.

All units which obtain 1st mark for their Products for which loan assistance is sanctioned, a rebate of ½% will be given in the interest rate.

**Schedule of Loan Service Charges:**

<table>
<thead>
<tr>
<th>Upto Rs. 25,000/-</th>
<th>Nil</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Rs. 25,000/- to Rs. 50,000/-</td>
<td>Rs. 200/- plus ½% with a maximum of Rs. 5,000/-</td>
</tr>
</tbody>
</table>

**Deposit for Commitment Charges:**

At 1% per annum for 3 months on the amount applied for, which is refundable if loan is utilised in time.