ANNEXURES
SCHEMES FOR PROVIDING FINANCIAL ASSISTANCE

The Industrial Development Bank of India (IDBI) is one of the main purveyors of term finance to the industrial sector in the country. While projects costing more than Rs. 300 lakhs are provided direct assistance under the various schemes of the Bank, projects below this size are given assistance by way of refinance through State Financial Corporations (SFCs), and State Industrial Development Corporations (SIDCs) and the network of Commercial, Cooperative and regional rural banks set-up throughout the country.

The IDBI provides refinance assistance against term loans not exceeding Rs. 200 lakhs to a single project costing up to Rs. 300 lakhs financed by State-level institutions (i.e. SFCs, SIDCs) and eligible banks. Subject to this limit of Rs. 200 lakhs, the ceiling on the amount of loan normally eligible for refinance from each category of eligible institutions is as under:

i) SFCs - Rs. 60 lakhs
ii) SIDCs - Rs. 90 lakhs
iii) Banks - Rs. 80 lakhs

The individual share of institutions can vary within the overall ceiling of Rs. 200 lakhs depending upon the requirements/nature of the project and subject to the
prior approval of IDBI.

The HSIDC, as a development financial institution, provides financial assistance under the following schemes of IDBI:

1. Normal Refinance Scheme
2. Equipment Refinance Scheme
3. Seed Capital Scheme

A-I.l Normal Refinance Scheme
HSIDC offers term loans up to Rs. 90 lakhs to technically feasible and economically viable medium scale industrial projects and hospitals/nursing homes. As the scheme is operated with assistance from IDBI, the eligibility criteria, terms of assistance etc. are covered by guidelines issued by IDBI from time to time. Under the scheme, term loans up to Rs. 90 lakhs can be availed from HSIDC. In association with Haryana Financial Corporation and Banks, the requirements of term loan for projects up to Rs. 3 crore can be met by the State Level Institutions.

A-I.l.1 Eligibility criteria
Guidelines regarding the eligibility criteria and terms as per the policy in force are mentioned below.

A-I.l.1.1 Promoters
i) Proprietary and partnership firms are not eligible to avail loans from HSIDC. The unit seeking a term loan
should either be a private limited or a public limited company.

ii) If a unit has already availed loan under the refinance scheme, the outstanding balance together with the proposed loan should not exceed Rs. 500 lakhs.

iii) There is no ceiling on own funds of a concern for being eligible for assistance under refinance scheme, except in case of MRTP/FERA Companies and their subsidiaries.

iv) If a unit has availed direct finance from IDBI for any scheme, loan under refinance scheme for projects to be implemented at the existing sites will not normally be considered.

A-I.1.1.2 Project

i) Projects which are in the small scale sector are not entitled to loan under the refinance scheme from HSIDC. Term loan of up to Rs. 60 lakhs for such projects can be availed from HFC.

ii) Cost of the project should not exceed Rs. 300 lakhs. However, if it marginally exceeds Rs. 300 lakhs, say by Rs. 25 lakhs, the proposal may be considered provided the cost in excess of Rs. 300 lakhs is fully met by the promoter's own funds. The latter contribution shall not be taken into account while reckoning the prescribed minimum promoter's contribution.
iii) The paid up capital and free reserves at the time of sanction of loan should not exceed Rs. 2.5 crore.

iv) Financial assistance would not be available for industries in which, according to the financial institutions, adequate capacity has already been created or it is considered that expansion of existing units may be worthwhile rather than promoting new projects. For this purpose, a negative list of industries is prepared by IDBI which is appended in Annexure-V. Certain industries are accorded high priority for assistance. Some of the products included in the priority list are equipment for waste recycling, effluent treatment and ecological engineering, professional electronic equipment and components, essential drugs, etc.

A-I.1.1.3 Rate of interest

The present rate of interest is as follows:

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<thead>
<tr>
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<th>On receipt of refinance from IDBI</th>
<th>Before receipt of refinance from IDBI (after rebate)</th>
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</thead>
<tbody>
<tr>
<td>a) Normal rate</td>
<td>14%</td>
<td>14.5%</td>
</tr>
<tr>
<td>b) Special rate</td>
<td>12.5%</td>
<td>13.5%</td>
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A-I.1.1.4 Security

HSIDC will have first mortgage of the immovable property of the borrowing company with a paripassu charge with other financial institutions as in case of joint
financing. The interim disbursements are allowed against bank guarantee.

A-I.2. Equipment Refinance Scheme

HSIDC also operates equipment refinance scheme of IDBI. Assistance under this scheme is available to the existing industrial concerns in medium sector for the purchase of specific equipment for expansion/diversification/modernisation provided the loanee company,

i) has been in operation for at least 4 years;

ii) has earned profits and/or declared dividends on equity shares in preceding two financial years; and

iii) has not been in default to Institutions/Bank in one payment of their dues.

Industrial concerns satisfying these criteria are eligible for assistance without any ceiling of net worth. Assistance under the scheme may be availed of for purchase of identifiable items of plant and machinery and other equipments including energy saving systems, for modernisation/expansion/balancing/replacement or for any other purpose except for a new project. Only actual users are eligible for assistance. Second hand items are outside the purview of the scheme.

Assistance under the scheme may cover up to 77.5% of the cost of capital goods/equipments to be acquired.
subject to a ceiling of Rs. 1 crore, an outstanding loan
amount under this facility, per concern. The borrower
concern will have to meet a minimum of 22.5% of the cost of
equipment as also allied expenditure out of own resources.
It will be deemed as promoter's contribution.

The interest on loan under this scheme is 14% per
annum irrespective of location of unit. The repayment
period will be between 2 to 5 years inclusive of moratorium
of 6-12 months depending upon the repayment capacity of
borrowers.

A-I.3. Assistance for seed capital

The scheme is intended to help create a new
generation of entrepreneurs who have the requisite traits of
entrepreneurship but whose financial resources to promote
industrial ventures are limited. The scheme is expected to
promote wider dispersal of ownership and control of
industrial undertakings.

HSIDC acts as an agent of IDBI for operating its
scheme of Seed Capital Assistance. The assistance is
available to entrepreneurs implementing projects through
private and public limited companies. The assistance is
provided by way of soft loan carrying 1% p.a. interest, or
participation in equity/preference shares to the extent of
the promoter's gap in contribution up to a maximum of Rs. 15
lakhs.
The small scale units (with investment in plant and machinery of up to Rs. 35 lakhs) and units with capital outlay of Rs. 3 crore and more fall outside the purview of the scheme. The assistance is available to persons who may have started with semi-scale ventures but now propose to graduate into medium and small scale sector.

For the purpose of this scheme a new entrepreneur is a person,

i) who is technically qualified or otherwise considered suitable;

ii) who has a technically feasible and economically viable project;

iii) who should possess or has acquired or secured the technical know-how; and

iv) who has the ability to set up and run the enterprise but lacks financial resources to bring in normal promoter's contribution.