Chapter V
U.P. Financial Corporation
(U.P.F.C.)
ESTABLISHMENT AND OBJECTIVE

Uttar Pradesh Financial Corporation (UPFC) was established in 1954 under the State Financial Corporation Act, 1951 with its Head Office at Kanpur. The main shareholders in the corporation are the State Government and the Indian Industrial Development Bank (IDBI). The corporation has a share capital of Rs.100 crores. Apart from this Rs.18.60 crores has been taken in the form of Quasi Equity from the government and the Indian Industrial Development Bank. The UPFC took a humble step for the industrial development of the State of Uttar Pradesh by providing term loan assistance to small and medium scale units. Several units nurtured by UPFC have now become large enterprises.

Uttar Pradesh is the biggest state of India having a total area of 2,94,411 square kilometers and a population of approximately 140 million. It houses a number of industrial units situated in 89 Industrial Zones and Industrial Parks. Uttar Pradesh is home to a number of Industrial Houses. It is one of the best states of India in terms of buying power and availability of raw materials. The list of identified priority sector industries include agro-based Industries, animal husbandry, engineering, food and meat processing, horticulture, chemicals, petro-chemical, silk, sugar etc.

At present UPFC is one of the premier term-lending State Financial Corporations of India. It has played a pivotal role in the development of entrepreneurship. Till 31.3.97 UPFC has sanctioned loans to 52,069 cases with total assistance amounting to Rs. 36,757.6 million out of which Rs. 925.8 million have been sanctioned to 704 number of accounts pertaining to hotels, restaurants and road-side dhabas. IDBI has granted Category - 'A' status to UPFC indicating overall satisfactory performance of the Corporation.
Focus Area
The key areas of focus of the corporation are prompt realization of outstanding dues, reduce the amount of Non-Performing Assets (NPA) and restructuring of the financial structure of the state. For this the following steps have been taken by the corporation:

- A transparent, one time payment facility for debtors.
- A clear policy regarding the re-calculation and realization of installments.
- Four zonal offices set up and decentralization at the regional and zonal level, to hasten up the decision-making process.
- Extend all possible support to sick units.
- Conduct of seminars at the regional level for solving problems.

Objectives
UPFC provides assistance to industrial and service concerns for their new projects as also for expansion, diversification and modernisation schemes. Small and medium scale units whose paid-up capital and free reserves are under Rs. 1000 million and whose project outlay is upto Rs. 100 million can avail of UPFC's range of schemes. Joint financing with PICUP / Scheduled Banks is undertaken by UPFC and projects with capital outlay upto Rs. 100 million are finalised. Besides this UPFC has also been granted authorisation as Category-I Merchant Banking status by SEBI, which confers on it the right to provide whole range of services such as Issue Management, Underwriting, Equity Participation, Project Certification etc. for raising finance for primary market.

UPFC Ensures
- Fostering growth of small & medium enterprises
- Courtesy & customer friendly approach
- Time bound sanction & disbursement of loan
- Competitive interest rates
- Frequent interaction with entrepreneurs & associations
- Transparency in operations
- Borrower account on internet
• Policy measures introduced to benefit entrepreneurs
• Large network of 19 regional offices with delegated authority to provide service at your doorsteps

Corporation Highlights
• One of the premier term lending State Financial Corporations of India.
• Consistent track record in servicing of debts.
• SEBI authorised Category - I Merchant Banker and Member of OTCEI.
FUNCTIONS AND WORKING

UPFC has to its credit of being granted authorization as category-I Merchant Banking Status by SEBI.

It confers the right to provide whole range of services such as Issue Management, Underwriting, equity Participation, and Project certification for raising finance for primary market.

UPFC provides assistance to Industrial and services concern for new project as well as for their expansion, diversification and modernization scheme.

UPFC confers range of schemes to small and medium scale units whose paid up capitals and free reserves are upto Rs. 10 crores and project outlay is also Rs. 10 crores. It undertakes joint financing with PICUP/Scheduled Banks for projects with capital outlay upto Rs. 10 crores.

For the effective functioning of the corporation, office structure is as follows:

There are 4 zonal offices.

- Zone-I is situated at the office of Deputy General Manager at B-6, Friends Colony, New Delhi.
- Other three zones namely Zone-II, III and IV are situated at UPFC Head Office at 14/88, Civil Lines, Kanpur-208 001.
- There are 21 Regional Offices and one Branch Office working under the supervision of Head Office. The Regional Offices are located at Agra, Aligarh, Allahabad, Bareilly, Dehradun, Etawah, Faizabad, Ghaziabad, Greater Noida, Gorakhpur, Haldwani, Jhansi, Kanpur (City), Kanpur (Dehat), Lucknow, Meerut, Moradabad, Muzaffar-Nagar, Noida, Saharanpur & Varanasi.

UPFC's Role

- Providing financial assistance to industrial & service sector units.
- Assistance under refinance scheme for technology development and modernization (RTDM), refinance scheme for technology upgradation
- Fund for textile and tannery modernisation.
- Fostering growth of schemes
- Providing working capital term loans to units in manufacturing, service and agro sectors.
- Providing seed capital assistance to smaller units & women
- Entrepreneurs under national equity fund & mahila udyam nidhi schemes
- Providing capital investment subsidy to cold storages upto 25% of c.o.p as per scheme of n.h.b.

SERVICES

Leasing
UPFC extends leasing assistance Rs upto 300 lacs to industrial concerns over and above the term loan assistance of rs 2.4 crores for a period between 36 months to 60 month on competitive lease counselling and corporate advisory services as well as under writing of shares.

Deferred payment guarantee
A non fund based activity undertaken by IPFC, it guarantees the payment of amount to be paid by the customers for purchase of capital goods within India, deferred over the period of time. The suppliers selected should be reputed and should be agreeable to supply the capitals goods on deferred payment basis. Maximum amount of guarantee would be rs 200 lacs and maximum period 5 years. The guarantee commission @2% per charged upfront of the entire period.

Hire purchase
This scheme is for medium and SSI units having good track record of three years and are not in default in payment to dues of the corporation or any other financial institutions. It is basically contractual agreement whereby the owner lets good on hire to hirer and offers option for purchasing goods on terms of agreement.
Line of Credit For Capital Goods

This scheme helps the entrepreneurs who had good track record and are in pressing need of funds to acquire capital good as a part of their expansion/diversification/modernization plans. It helps them to implement their project timely as the funds would be available readily. The borrower should be engaged in manufacturing activity, should be in operation for more than 4 years and annual profit during last years after providing depreciation and interest. He must have paid at least 40% of the earlier loan availed from the corporation.

Factoring

Financial service designed to help firm to manage their receivable better under this scheme receivable arising out domestic trade shall be considered for factoring. Supplier/borrower shall draw bills of exchange for good supplied and that shall be accepted by purchaser. After acceptances of bill of exchange, corporation shall make pre-payment of 80% percent of invoice value after deducting its discount charges 19.5 to 20.5 a period of bill of exchange to suppliers. Balance payment 20% of invoice value shall be made after collecting the payment from purchaser. If purchaser fails to pay the due amount on due dates the supplier shall make the payment. Borrower/supplier shall submit bill of exchange along with invoice LR/RR receipt. Suppliers to be eligible for factoring must have minimum track record of 3 years with consistent profitability and minimum net worth of Rs 25 lacs. Maximum limit shall not exceed to month average turn over of the suppliers as per last audited balance sheet of projected turn over of current year subject to maximum of Rs 100 lacs.

Foreign letter of credit

Under this scheme, corporation will open foreign letter of credit to import the capital goods through its banker on behalf of the clients who have been sanctioned term loan for acquisition of importes capitals goods. Corporation will charge/commission @0.5 on the amount of FLCs subject to minimum of Rs 20,000/ per FLC for 90 days from borrower and
additional service charges/commission @0.25 % per quarter of part thereof will be charged from the borrower beyond 90 days.

Operational Improvements
To improve the operational performance of the Corporation the following steps were initiated:

MOU with PNB for working capital
The Corporation has been extending Term Loan for Fixed Assets to small scale entrepreneurs, while working capital is provided by banks. The lack of co-ordination between the two has been one of the reasons for sickness in SSI Sector. Several steps taken in the past to secure better co-ordination between banks and UPFC had only a limited impact.
In 1994, although the Corporation introduced WCTL scheme, it did not meet with expected success, as the Corporation has no institutional mechanism to oversee the utilisation of the loan. To overcome this deficiency, PNB & UPFC have agreed to have joint appraisal and to meet credit needs of working capital as well as term loan. We are confident that this will give a boost to the industrial development of the state as well as reduce fresh accretion as NPA's.

Rationalization of Resource Portfolio
The Corporation has decided to prepay the high cost debt so as to reduce the cost of capital and increase its net interest margin (NIM).

Asset Improvement/NPA Management
Presently, the Corporation is saddled with Rs.756.96 crore of non-performing assets (NPAs). To reverse this trend, the Board approved a two pronged strategy.

a) Revamping the credit appraisal system in order to avoid prospective NPAs;
b) Rationalising the existing NPAs settlement policy.
For revamping the credit appraisal system, the Corporation has retained the services of SSI Caps, who would review the existing credit system and recommend suitable structural and systematic changes. The Corporation staff would be trained in the new appraisal techniques. This would help in improving the quality at entry and reduce the percentage of prospective NPAs. SBI Caps would also structure an Early Intervention & Resolution Mechanism (SEIR) and Management Information System (MIS) for the Corporation. Out of 21 ROs 16 ROs have been linked with Headquarters by E-mail connections.

**NPA Management**

To manage the stock of Rs.756.96 crore of NPAs, the Board approved the new settlement policy.

**The salient features of the New Settlement Policy are**

- **Transparency & Objectivity**: The new policy takes away the discretion and lays down firm categorization and formulation of OTS amount payable, which would be uniform to all.
- **De-linking with valuation for entire UP except Noida & Greater Noida (area under Development Authorities), Ghaziabad Distt. and city limit of Agra, Varanasi, Kanpur, Lucknow & Dehradun.**
- **Further, categorization of D-II assets as their life span varies from 4 to 20/25 years.**
- **Liberal treatment of Loss Assets (Total portfolio - Rs.98.65 crore).**

**Review of Interest rate structure**

To keep itself competitive, the Corporation has reduced its interest rate by 1.5% for SSI and 1% for other than SSI units in all the lending segments and by 50 basis points in Equipment Finance Scheme. Further, the penal interest has been reduced from 7.5% to 2.5%

To encourage the entrepreneurs to be regular in their accounts, the Board also introduced a new scheme "Terminal Interest Benefit Scheme". In this a rebate of 1% would be given to an entrepreneur, who remains regular in repayments with the Corporation throughout the currency of the loan.
Computerisation
UPFC has made all out efforts to avail benefits of fast changing information technology. Electronic Mail and Internet facilities are available throughout all Regional Offices of the Corporation. The Corporation has also been striving to modernise its working operations through Web Enabling Accounting System on Internet which will facilitate the entrepreneurs to operate their accounts on Internet.

The Corporation has its in-house existing computerisation system. For advancement in communication infrastructure, UPFC also purchased latest pentium-III PC's. For all regional offices having Internet facilities which can be used for e-mail and other capabilities of Internet.

The Corporation has created a website on Internet. Facilities to entire account statements, units available for sale and some general information about UPFC are available on the same. This will also facilitate data compilation at the head office sent by regional offices through internet.

Software programmes for new policy of OTS calculation, overdues analysis and recovery follow-up, on-line customer receipt issue programmes were developed in this financial year.

Improvement of Relationship with Borrowers
With a view to improve co-ordination with borrowers and attract good business, the Corporation has initiated the following steps:

Terminal Interest Rebate Benefit
Till now UPFC has been charging default interest on default amount for defaulted period and there was no incentive to keep the account regular. With a view to encourage the entrepreneurs to remain regular with the Corporation, it has been decided with effect from 01.04.1999 that at the time of final payment in a loan account, UPFC shall allow TIRB equal to 1% p.a. to entrepreneurs who remained regular throughout the currency of loan. Thus good borrowers will be benefited with comparatively lower interest and will be effectively charged interest lower by 1% p.a. in comparison to the normal interest rate applicable.
Reduction in Default Interest
As per prevailing policy, the Corporation was charging default interest at a rate of 7.5% on default of all the principal instalments for the period of default and amount of default. With effect from 01.04.1999 the Corporation decided to reduce it 2.5%.

Reduction in service charges
Earlier a borrower had to pay legal service charge before legal documentation, up-front fee of 1% of the sanctioned amount at the time of the first disbursement and incidental charges of 1/2% at the time of each disbursements. All these three charges amounted to almost 2% of the sanctioned amount. With effect from April 1999 it has been decided to club all these charges and reduce them to 1%. Now service charge of 1% will be recovered at the time of first disbursement from the borrower instead of 3 different charges.

Formation of Sectoral Task Forces:
The Corporation has decided to have sectoral task forces (STFs) comprising of the officers of the Corporation with the objective of improving appraisal standard and containment of non-performing assets (NPAs).
Further to be more vigilant and to assure an aggressive monitoring function both for the recovery as well as for liquidating the liabilities of the Corporation the monitoring system of recovery at H.O. has been streamlined into the specific task forces and cells which have been constituted are
(i) Assets Management Cell;
(ii) Chronic Account Monitoring Cell;
(iii) Assets Disposal Cell;
(iv) R.C./P.R.C. Cell; WCTL/Lease Cell;
(v) N.P.A. Cell;
(vii) Settlement Committee Cell;
(viii) Statistical Cell.
To hold 'Vittiya Bandhu' meeting every month in every Regional Office

In order to have better interaction with various industrial associations, the Corporation has decided to hold regular meetings with them. These meetings would be called as 'Vittiya Bandhu' meetings. These meetings would be held in every month in every R.O. under the Chairmanship of Zonal Manager. The R.M. would call at least 2 or 3 industrial associations, operating in their areas, for these meetings. The idea behind the meetings is that there should be cordial atmosphere between the Corporation and various industrial associations/member of Industry so that each could work for the best benefit of the entrepreneurs.
FINANCING PROCEDURE AND DEBT RECOVERY

- Financial Norms
- Debt Equity Ratio

INTEREST RATE [including interest tax]

<table>
<thead>
<tr>
<th>S.NO.</th>
<th>PARTICULARS</th>
<th>PROPOSED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>a. Loans up to rs. 0.50 lacs</td>
<td>11.75 %</td>
</tr>
<tr>
<td></td>
<td>b. Loan above rs. 0.50 lacs to rs. 2.00</td>
<td>12.25 %</td>
</tr>
<tr>
<td></td>
<td>(including loan under sws/mun/nef scheme/marketing scheme)</td>
<td>11.75 %</td>
</tr>
<tr>
<td></td>
<td>for ssi products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>c. All loans under rtdm/iso 9000 scheme</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Above Rs. 2.00 lacs including loan under sws cases/mun/nef scheme/marketing</td>
<td>13.50 %</td>
</tr>
<tr>
<td></td>
<td>scheme for ssi products/rtuf/tannery modernization scheme and information</td>
<td>14.50 %</td>
</tr>
<tr>
<td></td>
<td>technology scheme for &quot;a&quot; &amp; &quot;b+&quot; category*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>for other categories*</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Ers for all categories* efs for all categories*</td>
<td>13.50 %</td>
</tr>
<tr>
<td></td>
<td></td>
<td>14.00 %</td>
</tr>
<tr>
<td>4</td>
<td>Working capital term loan</td>
<td></td>
</tr>
<tr>
<td></td>
<td>For &quot;a&quot; category* only</td>
<td>15.00 %</td>
</tr>
<tr>
<td></td>
<td>For other categories*</td>
<td>16.00 %</td>
</tr>
<tr>
<td>5</td>
<td>Short term loan scheme for &quot;a&quot; &amp; &quot;b+&quot; category* only</td>
<td>16.00 %</td>
</tr>
<tr>
<td></td>
<td>For other categories*</td>
<td>16.50 %</td>
</tr>
<tr>
<td>6</td>
<td>Marketing infrastructure scheme (financing permissible for &quot;a&quot; category* only)</td>
<td>16.00 %</td>
</tr>
<tr>
<td></td>
<td>For other than &quot;a&quot; category* (higher by 1 %)</td>
<td>15.00 %</td>
</tr>
</tbody>
</table>
7 Penal interest 3.5% (per annum on defaulted amount for defaulted period)

Rebate @1% per annum to all the entrepreneurs to remain regular in payment throughout the currency of loan.

8 Terminal interest rebate benefit

*Category will be ascertained at the time of appraisal of loan proposal.

Limit Of Accommodation
1. Up to Rs. 200.00 lacs for Sole Proprietorship and Partnership Concern
2. Up to Rs. 500.00 lacs for Private/Public Limited Company

Security
Like Other Financial Corporations stipulates security clause depending on risk perception on case to case basis. Indicative guidelines are given in suggestive pages

Financial Accommodation
The maximum extent of limit to sanction the loan is upto Rs. 2.40 crores by UPFC.

UPFC provides assistance to Industrial and Service concerns for new projects, as well as for their expansion, diversification and modernisation. UPFC offers a range of schemes to small and medium scale units whose paid-up capital and free reserves are upto Rs. 10 crores and project outlay
is upto Rs.5 crores. It undertakes joint financing with PICUP/Scheduled Banks also. UPFC provides terms loans for fixed assets.

For New Units
The Corporation provides monetary assistance for the purpose of acquisition of fixed assets such as Loan, Building, Plant and Machinery for new units.

For Existing Units
Provides easy assistance for upgrading and improving production capacity, reducing cost of production and modernising the existing units to increase efficiency. The schemes being operated by the Corporation at present are Equipment Refinance Scheme; Equipment Finance Scheme; Schemes for Young Professionals; Nursing Homes; Marketing Assistance; Working Capital Term Loan; Single Window Scheme; Branch Equity Scheme; National Equity Fund; Mahila Udyam Nidhi and Merchant Banking Services under which the Corporation is extending the following services:-
(i) Public Issue Management;
(ii) Project Certification;
(iii) Equity Participation

Current Rate of Interest

<table>
<thead>
<tr>
<th>Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSI</td>
<td>15.5% - 16.5%</td>
</tr>
<tr>
<td>NON SSI</td>
<td>16.5% - 17.5%</td>
</tr>
</tbody>
</table>

Financial Re-Structuring
The high-interest loan are being repaid before the scheduled time, for financial re-structuring. Till date pre-payment of more than Rs.49.50 crores worth of loan mount has been done. Pre-payment of a further Rs.75.00 crores is planned.
Appraisal Process

- The corporation is taking added precaution for the appraisal of new loans, to reduce the chances of creation of NPA.
- The help of the State Bank of India has been sought for the improvement in the process of appraisal.
- A Task Manager is appointed for each unit availing a loan of more than Rs.50.00 crores, who is fully responsible for that particular unit.
- More attention is being paid to Qualitative Loans.
- The corporation is taking special measures to improve the ratio between Stock Capital and Loan Amount.
- The corporation has planned to launch a special scheme for small-scale Industries, under the new Industrial Policy.
- The interest rate has been reduced to encourage promising entrepreneurs.
- The Penalty Interest has been reduced from 7.5% to 2.5%.
- In case of pre-payment of loans, entrepreneurs are being provided a discount of 1% in the interest rate, under the Terminal Interest Rebate Benefit Plan.
- To provide transparency, the account details of all entrepreneurs are being made available on the Internet.

Financial Resources

To effectively implement the above projects, the corporation needs an additional financial resources to the tune of Rs.70.00 crores. Towards this effect, the following steps have been taken:

- It has been decided to take a generous loan of Rs.50.00 crores from the Forest Department.
- The Government loan of Rs.21.25 crores is to be converted into Quasi Equity. UPFC has started preliminary work towards this effect.
UPFC CAPITAL STRUCTURE AND PROFITABILITY

Till date the Corporation has financed Rs.2831.23 crores to 39979 units, thus helping to create a wide industrial base and augmenting State's efforts in the area of SME's development. Presently, the Corporation is supporting a loan portfolio of Rs.1096.32 crores (18105 units) with a narrow capital base of Rs.118.60 crores.

Financial Progress in the last four years (Rs. in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Loan Sanctioned</th>
<th>Loan Disbursed</th>
<th>Loan Recovery</th>
<th>Outstanding</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>707.45</td>
<td>423.14</td>
<td>391.50</td>
<td>1254.38</td>
</tr>
<tr>
<td>1997-98</td>
<td>360.26</td>
<td>268.89</td>
<td>374.84</td>
<td>1310.81</td>
</tr>
<tr>
<td>1998-99</td>
<td>101.83</td>
<td>130.40</td>
<td>329.90</td>
<td>1251.48</td>
</tr>
<tr>
<td>1999-2000</td>
<td>72.29</td>
<td>66.80</td>
<td>385.00</td>
<td>1096.32</td>
</tr>
</tbody>
</table>
TARGETS AND ACHIEVEMENT

1. Normal Financing Scheme For Fixed Assets

Term loan for acquisition of land, building, plant & machinery etc. for setting up project normally at Debt Equity of 1.5 : 1 for the existing entrepreneur and at Debt Equity of 1 : 1 for new entrepreneur. This varies according to the project and the person.

Special Packages: For financing Plant & Machinery to existing units under ERS/EFS/ISO 9000/LOC.

a. Equipment Refinance Scheme (ERS)

Eligibility
All concerns, which have been in existence for 4 years and have earned profit in the last 3 years and which have not defaulted in payment of dues of any financial institution or bank, are eligible for assistance under the scheme.

Rate of Interest
The rate of interest would be 14.00 for A&B + (SSI) and 15% for A&B+ (Other then SSI) as in E.R.S.. The service charge @ 10% sanction of Term Loan shell be payable in live of upfront fee on or before disbursed of loan.

Sanctioning Powers
The I.C. is empowered to sanction loans upto 150.00 lacs under the scheme.

Debt Equity Ratio
The debt equity ratio would normally not exceed 2:1 as in E.R.S. cases. The loan would be sanctioned for the purchase machinery old plant and machinery whether imported or indigenous, would also be eligible for assistance, provided the Corporation has satisfied itself that useful life of
plant and machinery proposed to be financed is not less than 10 to 12 years, but definitely not less than the repayment period of the loan. Apart from cost of Equipments other expense like transportation, installation & errection charges, may also be considered for financing.

**Difference Between E.R.S. & E.F.S.:**

While under E.R.S. refinance would be sought from IDBI/SIDBI, the funds under E.F.S. would come from the Corporation's own resources. While there is a ceiling on the cost of project in E.R.S., there is no such ceiling on the cost of project under E.F.S. Thus the loans of concerns, with bigger projects, which normally, are not refinancable by IDBI/SIDBI can get the assistance, under Equipment Finance Scheme, on terms as favourable as under the IDBI assisted E.R.S.

**b. Equipment Finance Scheme**

**Eligibility**

All concerns, which have been in existence for 4 years and have earned profit in the last 3 years and which have not defaulted in payment of dues of any financial institution or bank, are eligible for assistance under the scheme.

**Rate of Interest**

The rate of interest would be 14.00 for A&B + (SSI) and 15% for A&B+ (Other then SSI) as in E.R.S.. The service charge @ 10% sanction of Term Loan shell be payable in live of upfront fee on or before disbursed of loan.

**Sanctioning Powers**

The I.C. is empowered to sanction loans upto 150.00 lacs under the scheme.
Debt Equity Ratio
The debt equity ratio would normally not exceed 2:1 as in E.R.S. cases. The loan would be sanctioned for the purchase of machinery, old plant and machinery whether imported or indigenous, would also be eligible for assistance, provided the Corporation has satisfied itself that useful life of plant and machinery proposed to be financed is not less than 10 to 12 years, but definitely not less than the repayment period of the loan. Apart from cost of Equipments other expense like transportation, installation & erection charges, may also be considered for financing.

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C. Line Of Credit
This scheme helps the entrepreneurs, who have good track record. Under this scheme the maximum limit is Rs. 25.00 lacs and the Corporation sanctions loan for capital goods to the borrowers for their expansion/ diversification /modernization plans without asking for a formal loan application for their further need of fund as & when required within 1 year to be eligible under the scheme borrower unit should meet following eligibility criteria.

Eligibility
1. The borrower should have repaid at least 40% of earlier availed loan and not be in default.
2. In operation for 4 years The unit should be and also in profit during last 2 years after providing depreciation & interest.
2. Single Window Scheme (ALT and WCLT)

a. Scheme for working capital term loan (WCTL)
This Scheme is meant for small & medium scale industrial units whose net worth is positive and the units which are not financed by UPFC should be in operation preferably for a minimum period of 03 years and should have earned profits in the last financial years.
- Units which has availed working capital loan from the bank would also be eligible.
- Maximum limit of Working Capital Term Loan to a Company/Firm is restricted to Rs. 150.00 lacs.
- Debt Equity Ratio shall normally be less than 1.50 : 1.
- Security Debt ratio should not be less than 1.5 : 1.

b. Short Term Loan
This scheme is meant for meeting short term funds requirement of existing borrowers, to meet temporary working capital shortage, development / expansion of new markets/products, margin money for opening of LC etc. The borrower should be engaged in manufacturing activity and has been in operation for more than 3 years and also be in profit during the last two years after providing depreciation and interest. The borrower should not be in default on payment of dues of the corporation, bank or any other financial institution. The amount of assistance shall be minimum of Rs. 10.00 lacs and a maximum of Rs. 60.00 lacs

c. Scheme For Re-Sanctioning Of Working Capital Term Loan In Seasonal Industries.
The scheme of re-sanction of Working Capital Term Loan was introduced by the Corporation in the year 1995 with a view to help entrepreneurs maintain their working capital level without much problems for smooth running of units. Certain modification were introduced subsequently based on the experience of the Corporation in operation of the scheme. The scheme received very encouraging response from our borrowers. However, entrepreneurs who are running seasonal industries have
requested a different scheme as their working capital funds are required mainly during the season of that particular activity and they have to unnecessary bear interest cost for the fully year making their operations less competitive in market. We have, therefore, devised a scheme for re-sanction of working capital for only seasonal industries, viz; cold storage, rice mills, dall mills etc., where borrowers will have an option to prepay the loan amount (during the off-season) and get in

**Eligibility Criteria**
1. The party has been consistently regular in repayment of loans and has not diluted the security already mortgaged to the Corporation.
2. Existing Working Capital term Loan has been substantially repaid, but there is some outstanding balance in the account.
3. Corporation will have 1st charge on the prime assets and no pari-passu 2nd charge will be permissible in favour of any Bank/Institution.

**Quantum of Assistance**
1. Working Capital Term Loan can be considered for re-sanction only upto the extent of the amount repaid, ensuring there is no dilution of original Security Debt Ratio. R.M. shall have security verified in order to ensure above.
2. If the quantum of assistance is more than the amount already repaid the entire proposal will be treated as a fresh case and shall not be covered under the scheme.

**Procedure**
On a simple application of the borrower, the Regional Office would prepare an appraisal note as per enclosed format on the orders of the R.M. > A.G.M.

**Sanctioning Authority**
The Regional Managers / Asstt. General Manager will be the Sanctioning Authority under the scheme. However, if any R.M. /A.G.M. re-sanctions a
case in violation of [a] Eligibility Criteria or [b] Quantum of assistance, they shall be held personally responsible and liable for disciplinary action.

**Currency of Loan**

Total Currency of re-sanctioned loan will not exceed the currency period of WCTL sanctioned by the I.C./S.L.C. a part of which is being re-sanctioned. However, R.M. / A.G.M. can re-sanction as many times as deemed fit within the currency of loan as per terms and condition of the scheme.

**Main Terms of The Scheme**

1. No processing fee, Legal Fee and Service Charge will be levied.
2. Annual Supervision Charges will be levied @ 1% on amount outstanding on proportionate period on monthly basis.
3. Legal Documentation will be done for extension of charge incorporating various terms and conditions on a simple format to be designed by Law Department, H.O..
4. As per the Standing Circular, no pre-payment premium shall be applicable in seasonal industries.

**Record Keeping**

a) After a loan re-sanctioned by the R.M./A.G.M., a copy of the note be sent to the Project Division who in turn will put up the same for information of the I.C./S.L.C., as the case may be.

b) Complete records regarding re-sanction will be maintained by the Regional Office concerned and they will do pasting etc. of original appraisal notes and orders of re-sanction as per norms re-sanctioned during season.

**3. Composite Loan Scheme**

The scheme is for artisan, village & cottage industries and SSI in the tiny sector are eligible.

- Original Investment in Plant & Machinery should not exceed Rs. 25.00 lacs.
- Assistance only up to Rs. 10.00 lacs [Both for fixed assets + Working Capital].
- Promoter's contribution up to Rs. 2.00 lacs is nil and above Rs. 2.00 lacs to Rs. 10.00 lacs at Debt Equity Ratio 3:1.
- No security up to Rs. 5.00 lacs and above Rs. 5.00 lacs on selective basis depending upon project.

4. Seed Capital Scheme from Central Govt./SIDBI/NEF/MUM

A. National Equity Fund (NEF) Scheme

Objective
The objective of NEF Scheme is to provide equity type support to entrepreneur for setting up new projects in tiny/small scale sector, for undertaking expansion, modernization, technology upgradation and diversification by existing tiny, SSI and service enterprises and for rehabilitation of viable sick units in the SSI sector which fulfill the specified eligibility criteria, irrespective of location. Assistance from NEF helps the small scale units in strengthening their equity base and thereby improving their acceptability for term financing by primary lending institutions (PLIs).

Eligible Institutions
State Financial Corporations, Twin-function Industrial Development Corporations, scheduled commercial banks and select urban and state co-operative banks.

Eligibility Criteria
a) New projects in tiny and small scale sectors for manufacture, preservation or processing of goods.
b) Existing tiny and small scale industrial units, including those which have availed of NEF assistance earlier, undertaking expansion/modernization/technology upgradation/diversification, etc.
c) All new and existing service enterprises, including those which have availed of NEF assistance earlier [except Road Transport Operators].
However, in case of service enterprises, the assistance under NEF would be made available only for acquisition of fixed assets.

d) Sick units in the tiny and small scale sectors including services enterprises which are considered potentially viable. The rehabilitation proposal should conform to the norms prescribed under SIDBI's Refinance Scheme for Rehabilitation.

e) Projects which avail of any margin money or seed/special capital assistance under the schemes of Central or State Government, State Financial Corporations and other State-level institutions or banks (except Central/State Investment Subsidy which may be retained for meeting working capital requirements) will not be eligible for assistance.

f) Availment of refinance in respect of term loan for the project by SIDBI is a pre-requisite for extending equity type assistance under the Scheme.

**Project Cost**

Project cost [including margin money for working capital] should not exceed Rs. 25 lakh in the case of new projects. In the case of existing units and service enterprises, the total outlay, including the proposed outlay on expansion/ modernization/ technology upgradation / diversification or rehabilitation should not exceed Rs. 25 lakh.

**Promoter's Contribution**

- Minimum 10% of project cost.
- Debt Equity Ratio 65:35 or 1.857:1 [excluding State Investment Subsidy]. However, a flexible approach may be followed in the case of rehabilitation proposals.

**Nature of Assistance**

Equity type assistance in the form of soft loan.
Amount of Assistance
Amount as may be required to meet the gap in equity as per prescribed
debt equity norm, after taking in to account promoter's contribution, subject
to a maximum of 25% of project cost or Rs. 6.25 lakh per project,
whichever is lower,

Terms of Assistance
i  Interest
No interest is charged on the soft loan component except service charge
of 5% p.a. to be retained by the eligible PLIs.

ii  Repayment period
7 years (including moratorium upto 3 years) for the soft loan; the
repayment period thereof should, however, be counter minus with the
repayment period of normal term loan for the project. Whenever borrowers
are making repayments / prepayments of term loan alone, the PLIs may
insist on repayment of soft loan and wherever soft loan repayments are
not received, the repayments / prepayments so received may be
proportionately adjusted by the PLIs towards term loan and soft loan;
payments to SIDBI may correspondingly be made.

iii  Security
No security [including collaterals] is to be listed upon for the soft loan

Others
1. The total fund requirement of project in the form of equity assistance
under NEF, term loan and working capital is to be provided by a single
agency.

2. The projects covered under the Single Window Scheme (SWS) can
also be extended assistance under NEF Scheme if it satisfies the
eligibility criteria under both the schemes. NEF assistance in such
cases would be restricted to 25% of the cost of the fixed assets (project cost less margin money for working capital).

3. Credit risk in respect of assistance out of NEF is shared equally by GoI and SIDBI.

4. In the cases of loan proposals where the eligible PLIs are satisfied of the eligibility and need to provide NEF support, they may make necessary provision in this regard even by redrawing the financing pattern so as to provide the required component of equity support out of NEF to all deserving small scale units.

5. Like any other interest/charge, service charge has to be recovered from the borrowers by the eligible PLIs and retained by them. PLIs are not to dispense with recovery proceedings on account of absence of charge on assets etc. and take similar steps for recovery of NEF as in the case of recovery of term loans. The legal expenses incurred for recovery of arrears of NEF assistance will be fully borne by SIDBI. All other terms and conditions applicable to term loan in this regard are applicable mutatis mutandis to NEF assistance.

6. In the event of default in the repayment of instalments of the soft loan of service charge, or any postponement thereof allowed by SIDBI/Bank/Corporation, such instalment(s) and arrears of service charges, unless otherwise agreed to by SIDBI, shall carry interest at a rate which shall not exceed the rate of interest applicable to normal loans lent and advanced by SIDBI at the time of such default or postponement (present rate being 16.5% p.a.).

Procedure for Availing of the Assistance

No separate application is to be submitted for seeking assistance under the NEF Scheme. Entrepreneurs while applying for term loan assistance from the above said eligible institutions can indicate the amount of NEF assistance in their financing plan.
B. Mahila Udyam Nidhi Scheme

It is an equity type assistance to women entrepreneur for setting up Industrial unit in small scale & tiny sector (manufacturing, preservation/processing of goods, service industries except Road Transport). In this scheme Seed Capital Assistance to the extent of 25% is provided at 5% service charge p.a. The Debt Equity Ratio is 1.857 : 1 and the cost of project is only up to Rs. 10.00 lacs. The projects exceeding the limit of Rs.10.00 lacs can be considered under NEF Scheme.

5. Scheme for financing to Construction Activities.

Private Builders/Developers are eligible for loan assistance for construction of Commercial Projects provided they have proven sound financial & marketing track record of at least 3 years with rising turnover & profits. The entrepreneur must have done at least one major project successfully for being eligible under the scheme.

- Minimum promoter's contribution shall be 50% of the cost of project, which will include cost of land and construction thereupon.
- Debt Equity Ratio is 1 : 1.
- Ist charge on tangible/collateral security along with personal guarantee of all the promoter directors.
- The minimum security debt ratio is to be maintained at 2.5 : 1.
- The financing would be done under structural/obligatory route whereby the borrower shall open an escrow account wherein all proceeds received from the customer would be deposited.
- The repayment period would be in between 36 months to 60 months with a gestation period of 12 months.
- There is a ceiling of Rs. 100.00 lacs for proprietorship/partnership firm and Rs. 300.00 lacs to private/public Ltd. Company.
- Trust, cooperative societies and other entities shall not be eligible.
The Borrower should have a market tie up before sanctioning loan under this scheme. Guaranteed revenue model from its existing complex for the repayment of loans & interest thereon through escrow account.

6. Scheme For Financing Cinema Theatre/Multiplexes In The State Of U.P.

1. The Govt. of U.P. vide its notification no. 1151/77-6-99 dated 22.05.1999 have declared "Cinema Halls and Multiplexes" as industry which would be eligible for all consideration as applicable to industries in the state of U.P..

2. To promote setting up Cinema Halls/Multiplexes, the Govt. had already declared following concessions/rebates:

3. The entertainment tax has been reduced from 125% to 100%.

4. To encourage multiplexes which are the latest concept in technologically advance system of film exhibition, it has been decided to promote construction of such Multiplexes which have at least 3 Cinema Halls.

5. The state will provide 100% exemption of entertainment tax in the 1st year and 75% exemption for the 2nd and 3rd year to Multiplexes having investment above Rs. 1.5 Crore.

6. For the revival of closed Cinema Halls, the entertainment tax the entertainment tax exemption up to an extent of 30% for 3 years will be made available to those Cinema Halls which are re-opened.

7. To encourage upgradation of existing Cinema Halls by installing Modern Sound System, Air Conditioning, Major entertainment tax collection over and above the previous year tax collection up to a limit of 50% of the investment made in upgradation of Cinema Halls.

8. For encouraging setting up of New Cinema Halls in smaller towns of population of 3 lakhs, the owner is permitted to retain 50% of the entertainment tax collection for a period of 3 years.
9. The local urban authorities would earmark land in prime locations for future development of Multiplexes and Cinema Cinema Halls. Upto 30% of the covered area of the land would be allowed to be used for commercial purpose provided Cinema Hall is constructed first.

10. Power produced by captive plants will be exempted from electricity duty.

11. As for industry, if a Cinema Hall utilizes as MCG in a few month, then they would be build for actual energy consumptions for the remaining month.

Salient Features of The Scheme

Eligibility
a. Any person who is willing to set-up Cinema House/Multiplexes in the state of U.P. having sufficient means.
b. Any Cinema owner who intends to revive/upgrade it.
c. The location would be in municipal limit.

Term of Assistance
a. The amount of assistance shall not exceed to 100.00 lacs per project.
b. The D.E. be kept at 1:1.
c. The Security margin on tangible assets shall not be less than 25%.
d. The loan shall be repayable in 5 to 7 years in quarterly installments including gestation period of 18 months.
e. Land for the project will be fully paid-up.

Security
a. The UPFC shall hold exclusive charge on the prime security.
b. Security debt on prime assets and collateral security should not be less than 2:1.
c. Tripartite agreement between UPFC/Party/ Entertainment Deptt. for watching the interest of Corporation incase of any eventuality.
Sanctioning Authority
Internal Committee

Mandatory Condition
100% initial investment condition to be imposed.

7. Financing to Technology Upgradation of Central Govt./SIDBI/RTDM /TUFS/ Tannery Modernization

a. RTDM Scheme
- The main objective of the scheme is to encourage industrial units in SSI Sector to modernize their production activities and adopt improved and updated technology. Provided;
- Assistance is available to unit in operation for a minimum period of 03 years and not in default with any financial institution/Bank.
There is a ceiling of cost of project at Rs. 100.00 lacs per unit and the minimum promoter contribution should not be less than 20%.

b. Technology Upgradation Scheme For Textile Units
- To provide encouragement to textile industrial in SSI sector. The Govt. of India has launched Technology Upgradation Fund scheme[TUFS] for jute & Textiles Industries for a period of 5 years w.e.f. 1st April '1999. The activities covered are :-
- Cotton Zinning & pressing.
Textiles industries covering :
- Silk Reeling Industries,
- Wools Scouring and combing,
- Synthetic filament yarn textrising, crimping and twisting,
- Spinning.
- Viscose Filament Yarn
- Weaving knitting including non woven yarn.
- Fabric embroidery and Technical Textiles.
- Garment/Made-up manufacturing
• Processing of fibres, fabric yarn, fabrics, garments & Made-ups.
• Captive power generating in the sector.

The scheme envisages 5% incentive on interest availed by SSI units for technology up-gradation modernization, Eligibility only for the cases in which refinance is sanctioned by SIDBI.

c. Tannery Modernisation Schemes

Objective
To support existing tanneries for undertaking modernization programme for positive environmental impact, becoming competitive, effecting better capacity utilization, achieving productivity gains, and reducing wastage etc.

Eligibility Criteria
All existing tannery units undertaking viable modernization programme will be eligible for assistance. “modernization” will include the following:
• Measures for technology upgradation and productivity improvement.
• Measures for machinery/ facilities upgradation.
• Measures, at individual tannery stage, for adoption of waste treatment technologies including primary treatment of waste.

Modernisation programmes funded by IDBI/SIDBI/SICs/Banks(eligible for refinance from SIDBI/IDBI) as well as those undertaken by existing tanneries from their own resources will be eligible for assistance.

Financial assistance under the Scheme shall be available only for such projects in which the loan by the Bank/Financial Institution has been sanctioned on or after the date of notifying the Scheme. In the case of self-financed modernization undertaken by the units, financial assistance under this Scheme shall be available only for such projects where the order for purchase of machinery has been placed on or after the date of notifying this scheme and subject to necessary documents being field while making the application for assistance under this Scheme.

The project should need to:
• Demonstrable increase in unit value realization and/or
• Increase in production capacities and/or.
• Better compliance of pollution control norms.

**Purpose**
Financial assistance would be available for undertakes following activities:-
• Replacement of pit technology,
• Installation of controls and float recycles,
• Layout and re-organisation of tanneries,
• Installation of instrument process control systems,
• Acquiring in-house chrome recovery and reuse facilities,
• Upgrading of finishing facilities,
• Non-conventional energy applications,
• Creation if in-house R& D and testing facilities,
• Automation of process and Control systems,
• Replacement of obsolete machines,
• Any other activities as decided by the Steering committee

Existing tannery units have option to go for single multiple activities.

**Quantum Of Assistance**
The assistance will be limited to 30 percent of cost machines in case of Small Scale Units and 20 percent for small scale units.
The cost of machines will include:
• Bill value of machines
• Bill value of machines
• Transportation and transit insurance cost
• Custom duty

Installation cost and expenses for foundation and construction will not be included for the above purposes.
The upper calling or assistance to an industrial unit will be limited to Rs. 28.00 lakhs and Rs. 35.00 lakhs for small scale and non-small scale units respectively.

**Terms Of Assistance**
An agreement will have to be executed prior to disbursements.

Assistance will be released after arrival of machines at site and at every stage it will be limited to 20 percent or 30 percent of the cost of machines, as the case may be.

Industrial unit will be required to submit operational and performance details upto two years from the date of completion to the designated agency.

Assistance released would be adjusted towards loan component earmarked for the machines required for the modernization programme.

**Procedures For Sanction And Disbursement**

- The implementing agency would be project Management Unit of national Leather Development Programme (PMU-NLDP)
- The nodal agency for release of assistance, monitoring and interface and coordination with FIs, Banks and the Government would be SIDBI.
- In case of loan availed by an industrial unit for modernization programme, in industrial unit will apply for the assistance in a prescribed application form to the concerned FI/SFC/Bank. They will be forwarding the application along with recommendation and letter for sanction to programme Management Unit of NLDP for consideration of sanction of assistance by a Steering Committee constituted for the purpose.

The Steering Committee will comprise of:

- Nominee of SIDBI
- Nominee of CLRI
- Representative of DIPP (leather)
- Representative of DCSSI
- Representative of Finance Wing of DIPP
- National Programme Manager of SIDE-NLDP (Convener)

In case of programme involving no loan component, the industrial unit will be required to apply in prescribed application form to SIDBI directly and they would be forwarding it to PMU sof SIDE-NLDP for sanction by the Steering Committee.
After sanction of the assistance, FI's/Banks will get an agreement executed by concerned industrial unit on behalf of Govt. of India.
In case of Non-Small Scale Units going to avail assistance from IDBI application fro assistance will be submitted to SIDBI only who will get required formalities completed from IDBI/All Indai Financial Institutions and will be sending the same to PMU-NLDP for consideration of steering Committee.

7. Scheme for Healthcare sector
The Corporation provide assistance for setting up Nursing Home and various equipments for Doctors

8. Scheme for financing to Information Technology Sector.
The Scheme provides the assistance to the following:-

- Cyber Café, Internet Service Provider (ISP) Software/Hardware Development Call Centers. Medical Transcription.
- Designing & Development of wide area Net work. Participating in Software Technology Park. Units having proven track record with rising turnover and profits.
- Minimum 33% promoter's contribution and Debt Equity Ratio is 2 : 1.
- Collateral Security is required to the extent of 100% term loan in form of Immovable property against the cost of hardware & software.
- The financing would be done under structural/ obligatory route whereby the borrower shall open an escrow account wherein all proceeds received from the customer would be deposited.
- The repayment period shall not be more than 5 years and the repayment will be in the shape of monthly installments.
- For loans upto of Rs. 100.00 lacs, no financing on land & building shall be provided.
- For loan above Rs. 100.00 lacs shall be financed to private/public Ltd. and the cost of land & building shall be included for the purpose of financing.
Loan sanctioned above Rs. 100.00 lacs shall be released only after receipt of confirmed orders to the extent of 10 to 15% of projected turnover

10. Scheme for financing to Tourism Sector.
With an aim of giving a fillip to the burgeoning tourism industry in Uttar Pradesh. UPFC provides easy financial aid for establishment of hotels, motels, restaurants, traveling agencies, amusement parks etc. Assistance is also within arms reach for the expansion and refurbishing of existing facilities in the tourism sector.

11. Credit Linked Capital Subsidy Scheme for Technology Upgradation of the Small Scale Industries [CLCSS]

Purpose
The scheme aims to facilitate technology up-gradation of SSI units in the specified products / sub-sectors by providing 12% capital subsidy for induction of proven technologies approved under the scheme.

Scope of the Scheme
To begin with, the scheme would cover the following products / sub-sectors in the SSI:-

- Leather and Leather products including footwear and garments;
- Food Processing (including Ice-cream manufacturing);
- Information Technology (hardware);
- Drugs and pharmaceutical;
- Auto parts and components;
- Electronic Industry particularly relating to design and measuring;
- Glass and Ceramic items including tiles;
- Dyes and intermediates;
- Toys;
- Tyres;
- Hand Tools;
- Bicycle parts;
- Foundries-Ferrous and Cast Iron and
- Stone Industry (including Marble Mining industry)

As the scheme progresses, the above list of products/sub-sectors may be expanded with the approval of the Governing and Technology Approval Board [GTAB] constituted under this scheme.

**Eligible Primary Lending Institutions (PLIs)**

Eligible scheduled commercial banks, National Small Industries Corporation (NSIC) and State Financial Corporations (SFCs)

**Eligible Borrowers**

Sole Proprietorships, Partnerships, Cooperative Societies, Private and Public Limited Companies in SSI Sectors.

**Type of units to be covered under the scheme**

- Existing SSI units registered with the State Directorate of Industries which upgrade with the state-of-the-art technology, with or without expansion.
- New SSI units which are registered with the State Directorate of Industries and which set up their facilities only with the appropriate eligible and proven technology duly approved by the GTAB. As regards Marble mining industry PLIs may decide on the appropriate technology for upgradation so long as the units remain within the ambit of SSI.

**Eligibility Criteria**

- Capital subsidy under the scheme shall be available only for such projects where term loans have been sanctioned by the eligible PLIs [eligible Scheduled Commercial Banks, NSIC and SFCs]
- Cases covered under Refinance Scheme for Technology Modernisation Fund [RTDM] of SIDBI are also eligible for capital subsidy under the proposed scheme subject to the project also conforming to the norms stipulated under CLCSS.
Definition of Technology Upgradation

- Technology upgradation would ordinarily mean induction of state-of-the-art or near state-of-the-art technology. In the varying mosaic of technology obtaining in more than 7500 products in the India small scale sector, technology upgradation would mean a significant step up from the present technology level to a substantially higher one involving improved productivity, or improvement in the quality of products or improved environmental conditions including work environment for the unit. It would also include installation of improved environmental conditions including work environment for the unit. It would also include installation of improved packaging techniques as well as anti-pollution measures and energy conservation machinery. As regards the appropriate technology for upgradation of marble mining industry, the eligible PLIs may decide the same so long as the init remains within the ambit of the SSI definition and is eligible for financial assistance under CLCSS. Further, Lubricants manufacturing units in need of introducing facilities for in-house testing and on-line quality control and equipment for the purpose would qualify for assistance, as the same is a case of technology upgradation. A list of proven technologies is furnished in Appendix – I.

- Replacement of existing equipment / technology with the same equipment technology will not qualify for this scheme, nor would the scheme be applicable to units upgrading with second hand machinery.

Duration of the Scheme

The scheme will be in operation for a period of five years from October 1, 2000 to September 30, 2005, or till the time sanctions of capital subsidy by the Nodal Agency reach Rs. 600 crore, whichever is earlier.

Nodal Agency

Small Industries Development Bank of India (SIDBI) will act as the nodal agency.
Cap on amount of Subsidy

- The financial assistance by the eligible PLIs for technology upgradation will be need based. However, the 12% capital subsidy support would be limited to the loan amount indicated below:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Existing Investment</th>
<th>Maximum calling Limit of loan eligible for support *</th>
<th>Maximum subsidy available under the scheme</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Tiny units with Rs. 8 lakh investment in plant &amp; machinery less than Rs. 10 lakh</td>
<td>Rs. 0.96 lakh</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Tiny units with Rs. 20 lakh investment in plant &amp; machinery between Rs. 10 lakh to Rs. 25 lakh</td>
<td>Rs. 2.40 lakh</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Small units with Rs. 40 lakh investment in plant &amp; machinery above Rs. 25 lakh</td>
<td>Rs. 4.80 lakh</td>
<td></td>
</tr>
</tbody>
</table>

[* the eligible subsidy would be calculated on the actual loan amount or maximum ceiling on loan eligible for subsidy, whichever is lower.]

- Value of Plant & Machinery being acquired under the scheme will be determined by its purchase price.
- Capital subsidy under this scheme will not be admissible for loan amount exceeding the limits indicated above.

Working Capital Requirements

Since success of the technology upgradation scheme, to a large extent, depends upon the availability of adequate working capital, lending institutions would like to be assured that the borrowing units have made adequate arrangements for meeting the working capital requirements.
Commercial banks should also accord priority in providing adequate working capital support to the assisted units.

**Other conditions for loans**

- Promoters' contribution, security, debt-equity ratio, up-front fee, etc will be determined by the lending agency as per its existing norms.
- Entrepreneurs availing credit linked capital subsidy for technology upgradation shall not avail any other benefit including interest Subsidy, under any other schemes of the Central Government.
- Units in the North-Eastern Region which are availing financial incentives/ subsidy from the Government in the Region would, however, be eligible for subsidy under CLCSS.
- One of the main requirements for sanction of assistance under the technology upgradation scheme will be availability of competent management to the unit concerned to carry out the upgradation programme and to manage the operation of the unit efficiently. Towards this end, the lending agencies may stipulate conditions as may be considered necessary.

**Procedural Aspects**

- All the eligible PLIs [except NSIC] will have to execute a General Agreement for availing capital subsidy under the scheme, irrespective of the fact whether refinance is availed by them or not. However, it may be clarified that NSIC may avail capital subsidy under the scheme on the basis of execution a separate General Agreement.
- After sanction of the assistance, eligible PLIs will get an agreement executed by SSI unit concerned on behalf of Government of India. A copy of the draft agreement to be executed by the eligible PLIs with the SSI unit is furnished in Annexure –III.
- The eligible PLIs would obtain application for assistance under CLCSS in the prescribed form [Appendix- II].
- The eligible PLIs shall furnish subsidy forecast on quarterly basis, through their HO, which will act as a nodal office, to RO/BO of SIDBI located in the region. The subsidy forecast information for every
quarter on or before 1st March for April-June quarter, on or before 1st June for July-September quarter, on or before 1st September for October-December quarter and on or before 1st December for January-March quarter, may be furnished as per prescribed format [Appendix –III]

- The eligible PLIs would release the subsidy amount to the beneficiary unit along with the first disbursement of loan sanctioned for Technology Upgradation under the scheme.

- The eligible PLIs shall furnish details of release of subsidy to the beneficiary units, together with the request for replenishing advance money placed with PLIs for release of subsidy, on quarterly basis on March 1, June 1, September 1 and December 1, PLIs request for replenishment of advance money for subsidy, however, would be entertained by SIDBI only on receipt of complete details of subsidy released to the beneficiary units, as per Appendix –IV & IV –A.

- The eligible PLIs shall be responsible for ensuring eligibility for sanction of subsidy to the SSI units in terms of Goll guidelines under the scheme, disbursal and monitoring of the assisted units.

Other Parameters

- The Governmental assistance cannot be utilized for the purposes other than for which it has been sanctioned. The eligible PLIs shall have to strictly follow this norm and no deviation would be permitted.

- In case, it is found that capital subsidy from the Government has been availed on the basis of any false information, the industrial unit shall be liable to refund the Government capital subsidy availed, along with interest to be charged from the date of disbursal to the date of refund. The rate of interest shall be the prime lending rate of PLIs concerned at the time of invoking this penal clause.

- The eligible PLIs shall, therefore, incorporate suitable conditions in respect of points at (ii) above in their security documents entered into with the init, which would give necessary authorization to proceed legally in such eventualities.
The credit risk under the scheme will be borne by the eligible PLIs and as such they will have to make their own commercial judgement while appraising the project. The credit decision of the eligible PLIs will be final.

There shall not be any binding obligation on the part of SIDBI to obtain sanction from Gol for the governmental financial assistance in respect of the proposals which are covered under CLCSS.

SIDBI shall have the right to inspect the books of eligible PLIs and the loan accounts irrespective of whether refinance is availed or not from SIDBI under the Scheme and/or call for any other information as may be required by Gol from time to time.

SIDBI shall have the right to recall from the eligible PLIs the entire amount of the Government capital subsidy in respect of their assisted units whether or not the eligible PLIs have recovered the said subsidy from their units, if SIDBI comes to the conclusion that any of the accounts do not conform to the policies, procedures and guidelines laid down by SIDBI/Gol under CLCSS, from time to time.

Monitoring of the scheme
The scheme will be monitored by a Governing and Technology Approval Board [GTAB]. The Secretary (SSI & ARI) will be the Chairperson of the Board and the Development Commissioner (SSI) will be its Member Secretary. The GTAB would also periodically review the functioning of the scheme.

12. Capital investment Subsidy scheme for Construction Expansion Modernization of cold storage for Horticulture Product

Objective
The objective of the scheme is to provide equity type support to entrepreneurs in the form of capital subsidy for setting-up new Cold Storage / Expansion / Modernization for Horticulture purpose irrespective of location.
Eligibility Criteria

- The Cold Storages who has started its construction activities after April, 1999 shall be eligible under the scheme.
- The Cost of Project for a new Cold Storage would not exceed to Rs. 2.00 Crore.
- The cost of land should not exceed 10% of cost of project.
- Preference shall be given to the Cold Storages for multi chamber/multi product concept and shifting from diffuser system to Gravity Cooling System.

Extent of Subsidy

Under the scheme, back-ended Capital Investment Subsidy is provided to the eligible organization at 25% of the project cost not exceeding Rs. 50.00 per project for the new Cold Storage. In case of modernization of existing cold storages for potato subsidy @ 1000 per Tonne of Storage capacity shall be available and @ Rs. 2,000/- per Tonne for the Cold Storages meant for Onion Storage.

Debt Equity Ratio

For financing to a cold storage there is no restriction from NHB with regard to Debt Equity Ratio. In other words Corporation can finance to any cold storage at 1:1 D/E ratio and subsidy quantum is to be calculated @ 25% of cost of project.

Pattern of Assistance

- 50% of the subsidy would be released to the lending financial institutions after loan is sanctioned and 50% of the loan disbursed and remaining 50% on completion of the project after inspection of the Cold Storage by the Team of Officers of NHB ETC.
- Subsidy released by NHB to the financial institutions shall be adjusted towards loan account of the borrower after adjustment of Term Loan Component.
Rate of Interest
The rate of interest as applicable to SSI Units shall be applicable on term loan assistance which varies from 14% - 15% depending on Credit Rating of the case. For A&B+ category, the rate of interest shall be 14% and for other category @ 15%. However, no interest is chargeable on subsidy portion.

Modus Oprendi For Availing The Subsidy Amount From National Horticulture Board, Lucknow/ Gurgaon
Soon after disbursement of loan to the extent of 50%, the information on enclosed Annexure-III (of operational guidelines of NHB) are to be submitted to NHB along with a copy of Appraisal Note, Building Map, Copy of Bills for Plant & Machines, a Certificate regarding investment towards cold storages along with C.A. Certificate in support of investment, soil and water testing report for cold storages site. On receipt of first installment (50%) of subsidy amount, the same shall have to be kept in a separate account. When the cold storage is complete and ready for operation, a joint inspection of the unit shall be carried-out by the Officers of NHB and on their satisfaction, last installment of subsidy amount (balance 50%) shall be released to the lending institution and total subsidy amount is to be adjusted against the borrower's loan account after repayment of Term Loan installments.

13. Scheme For Financial Assistance To Doctors Under Nef

On review of portfolio of the Corporation it has been observed that performance of the nursing home and diagnostic centers financed by the Corporation, has been exceptionally good. With banks flush with liquidity and offering competitive rate of interest, it is imperative for the Corporation to offer comparable rate of interest to this category of borrowers to retain and attract good business. Since the loan will be sanctioned under NEF, effective rate of interest shall be about 11.5%, which may be highlighted to attract the business under this scheme.
Eligibility Criteria

New or Established Nursing Home & Diagnostic Centers/ Clinics for purchase of Diagnostic Equipments, Medical Equipments for the treatment of ENT diseases, Establishment & Expansion of Dental Clinics, General Surgical Clinics, Pathology Lab etc. with sound track record and market reputation. Loan under this scheme shall be provided to concern promoted/had been promoted by essentially experienced and qualified professional Doctors. (All University Degree Holder in various Branches of Medical Science shall be eligible under this scheme).

Purpose

- The loan shall be granted for setting up new nursing home with minimum 20 beds/ expansion of existing nursing home. However, Nursing Homes below 20 beds capacity will also be covered in the scheme and shall be allowed as Clinic with a few beds for emergency patients. In such cases, cost per bed may be standardized for convenience & uniformity.

- The loan shall be granted for setting up new diagnostic center/expansion of existing activities, Pathology Lab, Dental Clinics, General Surgical Clinic, ENT Clinics, Eye Treatment Clinics, General Clinics etc.

- For purchase of electro medical equipments by practicing Doctors/new doctors as mentioned for activities above

Quantum of Assistance

- For fresh Doctors/ Doctors having experience up to 02 years, maximum assistance shall be restricted to Rs. 2.00 lacs for setting up clinic and purchase of Electro Medical Equipment.

- Maximum assistance that can be sanctioned to new/existing nursing home / diagnostic centers and purchase of equipment as mentioned in para above shall be restricted to Rs. 10.00 lacs including NEF assistance, if is this been / had been promoted by qualified doctor having experienced between 02 to 05 years.
- Maximum assistance that can be sanctioned to new/existing nursing home/diagnostic centers and purchase of equipments as mentioned in para above shall be restricted to Rs. 25.00 lacs including NEF assistance, if it has been promoted by qualified doctor having experienced between 05 years to 10 years.
- Maximum assistance that can be sanctioned to new/existing nursing home/diagnostic centers and purchase of equipments as mentioned in para-2 above shall be restricted to Rs. 32.50 lacs including NEF assistance, if it has been promoted by qualified doctor having experienced above 10 years.
- Soft Loan Component under NEF shall be 25% of the capital cost in case of service sector.

Cost of Project
Since the assistance under the scheme shall be granted under NEF scheme, the total cost of project should not exceed Rs. 50.00 Lacs.

Limit of Assistance
The maximum amount of assistance that shall be sanctioned as per guidelines given in above clause for each category of borrower.

Promoters' Contribution
Minimum 10% of the cost of project as per NEF scheme.

Debt Equity Ratio
Debt Equity Ratio of 1.857 :a be maintained as prescribed in the scheme, However, interest bearing unsecured loans to the extent of 15% of the cost of project may be insisted upon to improve promoter's contribution.

Security
- The basic security for the assistance under this scheme shall be 1st/1st pari-passu charge existing/proposed fixed assets of the concern. And
hypotheeation of existing and proposed plant & machinery by way of 1st charge.

- 5% of the cost of project as Liquid Collateral Security as per norms, which is mandatory.
- Personal Guarantee of the promoters/directors.

Collateral Security
In the case of Nursing Home/Clinics, where Land and Building are available as prime Security, Collateral security to the extent of loan amount minus the value of land, building and 50% of value of plant & machinery and other fixed assets.

Clinics
Collateral Security in Clinics, which are on rent: Loan amount minus 50% of plant machinery and other fixed assets.
The total Collateral Security will include 5% Collateral Security of Liquid assets.
Third party guarantee of a person of repute may be accepted in case Collateral Security as mentioned above is not available.
- A practicing Doctor having an established practice.
- UPFC Loanee having regular account with us (Existing or Past Loanee).
- Any other person of repute having net worth not less than total exposure, i.e. loan amount plus N.E.F. amount.

Moratorium Period
Upto 03 years for NEF components and Maximum 02 years for FATL.

Repayment Period
The repayments shall be made on Equated Monthly Installment basis (EMI).
Processing Fee
Borrower Company shall have to pay processing fees as per prevailing structure of fees depending upon loan amount.

Sanctioning Authority
Loan proposals shall be processed at R.O. and shall be placed before Competent Sanctioning Authority which is Small Loan Committee / Internal Committee.

Interest Rate
As per prevailing interest rate structure for land 5% service charge p.a. for NEF Component.

Penal Interest
- In the event of default in payment of installment interest etc. a penal interest @ 3 ½% per month shall be charged on defaulted amount for defaulted period.
- In the event of default in payment of installment/interest etc. of soft loan component under N.E.F. rate of interest as per prevailing structure for FATL shall be applicable on NEF component.

Service Charge
As per prevailing norms.

Other Terms & Conditions
Since the assistance shall be granted under NEF scheme, all terms and conditions of NEF other than mentioned shall also be applicable.

14. Abhinav Protsahan Yojna
This scheme is meant for entrepreneurs who have availed loan from banks under PMRY, are regular and repaid at least 50% of the loan amount availed under PMRY. The loan shall be granted for creation/acquisition of fixed assets for activities covered under NEF scheme. Promoter contribution shall be 10% at the minimum & Debt equity ratio shall be
In cases where prime security is available, Collateral security to the extent of loan amount minus value of land building & 50% value of plant & machinery and other fixed assets shall be provided. In cases where unit is in on rent Collateral security to the extent of loan amount minus value of 50% value of plant & machinery and other fixed assets shall be provided. Collateral security shall also include 5% liquid security at least. Soft loan component at 5% service charge shall be provided @ 25% of capital cost subject to maximum of Rs. 10.00 lac. The effective rate of interest under the scheme works out approximately to 11.5%.

15. Term Loan scheme for marketing infrastructure development/Construction activities

Eligibility Criteria
Private Builders, developers are eligible for loan assistance for construction of housing and commercial projects for sale to general public, industrial units and corporate entities for their own use. The builders with proven sound financial and marketing track record of at least 03 years with rising turnover and profits would be eligible.

Promoter's Contribution
50% of the cost of project which will include cost of land, cost of land development, building construction with all internal services capitalized, interest on investment during construction period. The debt equity ratio is to be maintained at a maximum of 1:1.

Security
- The Corporation shall hold 1st charge on all the tangible assets/collateral security.
- All promoter directors shall have to give their personal guarantee for repayment of loan to the entire satisfaction of the Corporation.
- Any shortfall in security debt ratio shall be met by obtaining adequate collateral security in shape of immovable assets of urban area/liquid security.
- The loan is to be secured by way of legal mortgage of land and super structure, collateral security and personal guarantee of all promoters. Security debt ratio is to be maintained above 2.5:1. The financing would be done under obligatory rule, whereby the borrower should open an Escrow account, wherein all proceeds received from the customer would be deposited. UPFC would be paid agreed amount out of this Escrow a/c. towards repayment of term loan and interest thereon. At the time of sale of apartments, NOC from UPFC will be mandatory.

Repayment Period:
Total repayment period would be between 36 months to 60 months with gestation period of 12 months. The repayment will be in the shape of quarterly installments.

Extent Of Loan:
Up to Rs. 100.00 lacs to proprietor, partnership concern having adequate experience of construction activities and up to Rs. 300.0 lacs to Private Limited, Public Limited Company being promoted by existing reputed builders with proven track record. Trust. Cooperative societies and other entities not mentioned above shall not be eligible.

Interest Rate:
The interest rate under the scheme will be 16% or as may be revisied from time to time. In case of default the borrower would be required to pay penal interest @ 3.5% p.a. on defaulted amount for defaulted period.

Processing Fee And Service Charges:
As applicable in normal cases of FATL & WCTL will be applicable in this scheme also.
Other Mandatory Conditions

- Before release of the 1st loan installment the borrower, the bank [Escrow account Agent] & UPFC will sign an Escrow Account agreement in the form and substance satisfactory to the UPFC.
- The promoter will not be allowed to appropriate or use any receipts in the project funded by UPFC for any other purpose till UPFC loan with interest thereon and other dues are fully paid.
- The approved building plan from the local authorities shall be required before legal documentation.
- The precise & location proximity to the community facilities and amenities viz. shop, educational and health facilities recreation, entertainment etc. shall be the major requirement for consideration under the said scheme.
- All statutory approval like site development, land use, layout, building design, provision of essential services i.e. water supply, electricity, sewage disposal system, fire fighting equipments and clearance from civil aviation authorities shall be required from the competent authorities before documentation.
- The project wherein the construction work has already commenced prior to 12 months shall be considered only on merits.
- Only those proposals shall be considered in which builder submits the revenue model for guaranteed cash inflow by getting assigned the rent of existing buildings owned by builder or inflow from sale of existing unit of building/complex etc. to ensure the repayment of loan under this scheme.

Initially the Corporation shall finance the project under this scheme in the following areas:–
Agra, Bareilly, Ghaziabad, Kanpur, Lucknow & areas falling under the jurisdiction of Noida & Gr.Noida. The scheme shall be operative only after getting approval of the same from SIDBI to ensure refinance.
UPFC was established by the state government with the objective of providing financial assistance to industrial & service concerns for their new projects as also for expansion, diversification & modernization schemes. The corporation's main aim was to provide term loan for fixed assets of small scale entrepreneurs while the working capital was provided by the banks, the lack of coordination between the two is one of the reasons of sickness of SSI sector. The UPFC must therefore make efforts so as to bring the coordination between the two.

It is widely perceived that competitions in the financial sector has increased since the inception of financial sector reforms in 1992. Even banks have been granted permission for providing the industrial units with the term loan along with the working capital. The banks provide the term loan at a lower rate of interest compared to UPFC. This has brought about a stiff competition between the two which requires the UPFC to review of its interest rate structure.

The corporation in order to avoid prospective Non Performing Assets (NPA) must revamp the credit appraisal system & recommended suitable structural changes and to manage the stock of cases of NPA's, approve the new settlement policy.

UPFC must make efforts to computerize the system & modernize its operations to facilitate the entire in house working & entrepreneurs to operate their accounts on internet.

With a view to improve coordination with borrowers & attract good business, the corporation must initiate few steps like provide terminal interest rebate benefit, reduce default interest & services changes.

Red tapism & bureaucratic hurdles are often noticed against the corporation particularly when the corporation is seeking to expand its operations. Political interference and increasing red tapism must be totally uncalled for and should be discouraged to ensure that UPFC carry an with its operation efficiently.