CHAPTER VI

ROLE OF PICUP

APEX FINANCIAL INSTITUTION
ROLE OF PICUP-AS APPEX FINANCIAL INSTITUTION

PACKAGE OF INCENTIVES FOR INDUSTRIES IN U.P.

Scheme of State Capital Subsidy:

Under this scheme, the New industrial units set up in backward areas will be entitled to the state capital subsidy on fixed capital investment as below:

Category 'A' - 20% (Maximum Rs. 2 million)
Category 'B' - 15% (Maximum Rs. 1.5 million)
Category 'C' - 10% (Maximum Rs. 1 million)

On undertaking expansion/modernisation/diversification of 25% or more, all eligible units shall be entitled for the subsidy:

(i) The units set up in hill areas, over 1000 Meters above sea level or 50 kms. away from the foothills will be eligible for the special capital subsidy of 10% on fixed capital investment (Rs. 1 Million).

(ii) New Industrial units set up in hill districts (More than 100 kms. away from the foothills) are given special state capital subsidy of 15% on fixed capital investment (Rs. 1.5 million).

(iii) The special capital subsidy, as mentioned in (i) & (ii) above shall be available in
addition to the state capital subsidy.

(iv) The special state capital subsidy given in all such cases where expansion/modernisation/diversification has been envisaged.

**Scheme of Special Capital subsidy for Prestige units:**

In any district of the state the first units set up during 1.4.90 to 31.3.95 with a fixed capital investment of Rs.25 crores or more, shall be considered as Prestige units.

A special capital subsidy of Rs.1.5 million would be admissible to this units. Besides this an additional special capital subsidy of Rs. 1.5 million would be admissible if it promotes ancillary industries.

**Special State Capital Subsidy for Pioneer Units at Tehsil level:**

The first units established in any Tehsil with fixed capital investment of Rs.50 million or more would be considered as the Pioneer units at Tehsil level. Special state capital subsidy of Rs. 1 million would be admissible to this pioneer units. Besides this, an additional special state capital subsidy of Rs. 1 million would be available to such unit if it promotes ancillary units.

**Special State Capital Subsidy for pioneer unit at Block level:**

The first three units, established in any community
development block with fixed capital investment of Rs. 2 million or more (Rs. 1 million in hill areas) would be termed as Pioneer unit at Block level 10% of the fixed capital investment would be available as special capital subsidy. Subject to a maximum of Rs. 0.5 million. This special state capital subsidy would be in additional to the General State capital subsidy.

Land at Concessional rates:

Land will be made available at subsidised rates in notified industrial areas/estates in industrially backward districts.

Special Incentives in Power supply:

(1) New units of all categories are exempted from power cuts per 5 years provided they have independent feeders of their own. All industrial areas will be exempted from power cuts.

(2) All new units would be exempted from minimum demand charge for 5 years from the date of commencement of their production.

(3) For rehabilitation of sick units, minimum demand charges for the period of their closure will not be charged provided this is a part of the approved package.
(4) Units located in the following areas, would get development Rebate.

(i) Special rebate in electricity bills at the rate of \(33 \frac{1}{3}\%\) shall be available for a period of 5 years which are set up in hill districts at a height of 610 metres or more.

(ii) In Bundelkhand development rebate of 50% of electricity bills would be given to New units for 5 years from date of commencement of production.

(iii) 20% rebate on electricity bills would be given to the notified industrial estates and the notified industries in the 10 selected districts for 5 years from the date of production.

**Sales Tax exemption/Deferment Scheme:**

The following are the features of sales tax exemption/deferment scheme.

(1) Under this scheme the exemption/deferment has been linked to fixed capital investment. For this scheme the districts have been divided into four categories.

This rebate would be available upto 100% of
fixed capital investment or 8 years in category 'C', 125% or 9 years in category 'B' and 150% or 10 years in category 'A' which ever is earlier. An additional 25% rebate would be given to the small industrial units in each category 'C' rebate would be 125%, 150% and 175% respectively. 

(2) Exemption/diferment of sales tax for expansion/diversification/modernisation has been proposed under this scheme. 

(3) Deferment of sales tax as a substitute of exemption shall be available to all units. 

(4) Restruction under factories Act is not essential for availing the benefit of exemption/deferment under the schme. 

(5) District/divisional level committees have been authorised is issue eligibility certificates. 

Scheme for modernisation, productivity and qualityy improvement of the small scale industrial units in U.P. 

Under the scheme, following facilities are given. 

(1) Grant upto Rs. 10,00 to each unit for carrying out a study for effecting improvement in the level of peoductivity quality and modernisation. 

(2) Arrangement for additional loan and working capital.
(3) 15% capital subsidy to a maximum limit of Rs. 0.01 million per unit.

(4) Interest subsidy against loan for buying machinery (Rs. 50,000/- max.) would be given to small scale industries unit which instate machinery to obtain ISI certificate.

(5) 20% additional allotment of raw material for first 2 year would be available to the unit undertaking modernisation programme.

(6) Priority for sanction of additional power to run the plant.

Rehabilitation of Sick industrial unit:

The Govt. of India has set up BIRF for the rehabilitation of medium and large sick units. For the units covered by BIFR a relief package has been announced which covers reliefs about sales tax, power dues, power cuts, labour problems, permission for sale of land etc. and accordingly the above reliefs are given to such sick units on case to case basis.

A committee of senior secretaries of U.P. Govt. has been formed to examine the matter related to sick units.

(Transport subsidy in hill areas under Govt. of India's Scheme)
75% subsidy on the cost of transportation of raw materials and finished goods from the site of the industrial unit to the specified 'Railhead' and vice versa is available in hill area under the scheme of Central Govt.

**Special Transport subsidy of State Govt.in Hill Areas:**

(1) Industrial units situated in the border districts of Uttarkashi, Chamili and Pithoragarh will get an additional special Transport subsidy of 25% from the state Govt.

(2) A special Transport subsidy of 50% on the cost of transportation of raw materials and finished goods within the hill shall also be provided.

**Special facilities to Scheduled Castes/Tribes, women and ex-servicemen entrepreneurs:**

(i) A special rebate of 1% interest rates on the loans provided by UPFC.

(ii) 5% Special capital subsidy upto a minimum of Rs.0.1 million.

**Special State Capital subsidy to 100% Export Oriented Units:**

The unit registered as 100% export oriented
unit by the Government of India would be eligible for 10% subsidy (maximum Rs.2 million on total fixed capital investment. This special subsidy would be addition to the other subsidies payable/available under this package.)

**Subsidy for Feasibility Report:**

75% subsidy is given by PICUP on cost of feasibility report subject to maximum of Rs. 0.2 million.

**Seed Capital Scheme:**

Under the seed capital assistance schemes of industrial development bank of India, assistance to the limit of Rs. 1.5 million is available to the industrial units.

**Integrated Margin money loan scheme:**

Districts industries Centre are providing Margin money loans at low rates of interest to the entrepreneurs setting up small scale industries. The maximum limit of the loan is 10% of the project cost or 50% of the share capital (max. of Rs. 0.03 million).

**District Industries Centre-Margin money loan Scheme:**

The District Industries Centre with the assistance of Govt. of India (50 per cent) Provide Margin Money loan to tiny units to the extent of Rs. 40,000/- and Rs.60,000/- in case of scheduled Castes/Tribes entrepreneurs.
Special facility to the Minority Community

Entrepreneurs:

The Uttar Pradesh Minority Finance and Development Corp. provides Margin Money assistance at low rate of interest to the entrepreneurs of minority community for the projects costing up to Rs. 0.02 million.

Special facilities to Non-resident Indians:

(i) A special NRI cell has been set up in PICUP to ensure quick processing of loan applications of NRIS.

(ii) Allotment of Plot/sheds to the NRI industrialists in industrial areas/estates would be done on priority. The Developing authorities and Housing Board would also give top most priority, for allotment of residential scheme. These facilities will be available to those NRIS who make the payment in foreign currently.

(iii) Uttar Pradesh State Industrial Development Corp. (UPSIDC) ill extend equity participation to tune of 15% of the total project cost to technically qualified NRI entrepreneurs.

(iv) PICUP & UPFC would provide Seed capital upto a limit of Rs. 1.5 million to the technically qualified NRI entrepreneurs on topmost priority.

Equipment Leasing Scheme:

Leasing is one of the most attractive schemes
of financing the various categories of equipment of the Industrial units. It is not an alternative to project finance but offers finance for the equipment which are to be replaced during the process of modernisation/expansion or the balancing of the plant etc.

2. The corporation procures the equipment at the request of the lessee and gives the same on lease for a specified period. The corporation charges a constant lease rental on a monthly basis. The rental is decided on the basis of the various parameters like track record of the promoters, nature of the equipments, rate of depreciation and risk involved etc. The lessee is given the option to get the lease renewed at the expiry of the lease period.

3. The current rentals are between Rs. 21 to Rs. 23 per thousand per month for 8 years lease on equipment depreciating @ 25% p.a. and between Rs. 26 to Rs. 28 per thousand per month for 5 years lease on equipment depreciating @ 40% p.a. The rates are subject to change without further communication. Besides this, the client is required to pay 1% Lease Management fees at the time of sanction. The corporation also retains a security deposit
equivalent to two months rental. The deposit will be interest-free and would be refunded after the expiry of lease period.

**Commitment Charges:**

There may be no commitment charges on the loan to be sanctioned under the scheme. However, the borrowing concern is required to pay upfront fee @ 1% of the amount of loan sanctioned under the scheme at the time of documentation. The loans are expected to be drawn within a period of 6 months from the date of the sanction. However, this period may be extended upto 12 months at the discretion of Managing Director, PICUP.

**Period of Repayment:**

The repayment period may be between 2 to 5 years inclusive of moratorium of 6 to 12 months depending on the repayment capacity of the borrower.

**Security:**

Loans granted under the scheme will be secured by way of exclusive hypothecation of the capital goods/equipment financed and an extension of mortgage to cover the loan under scheme, in case a mortgage already exists in favour of PICUP. In other cases, PICUP may insist on some
other adequate security besides exclusive by pothecation of equipment for the assistance under the scheme. The other documents which may be executed by the company for availingy the assistance under the scheme may be as follows:

i) A demand promisory note.
ii) Loan agreement
iii) Personal bond of guarantee
iv) Any other document as may be deemed necessary for securing the interest of the corporation.

The powers to sanction loans upto Rs. 200 lacs under Equipment Refinance Scheme are with Managing Director of PICUP. The Managing Director also has powers for the sanction of loans upto Rs.200 lacs for a swingle concern under the scheme, and also for modification of terms and conditions including personal guarantee and collateral security etc.

vi) Interest on the advances paid by the corporation for its share of amount to the supplier would be charged at the prevailing lending rate of the corporation till the commencement of first instalment of payment by the client.

vi) The corporation will not finance transportation, transit, insurance and erection cost etc.
Equipment Finance Scheme:

For the benefit of entrepreneurs a new competitive scheme has been introduced viz. Equipment Finance Scheme. Assistance under the scheme will be available to existing industrial concerns which are financially sound and having positive net worth.

1. Eligibility Criteria:

i) The assistance under the scheme shall be availed for purchase of identifiable items of plant and machinery and other equipment including Energy Saving System or equipment for modernisation expansion/diversification/balancing/replacement or for any other purpose. However, the assistance will not be available for self-fabricated items for plant and machinery. Second hand items will be outside the purview of the scheme.

ii) A part from the cost of equipment, other expenses like transportation, installation and erect on charge may also be considered for financing under the scheme.

2. Amount of Loan:

The assistance under the scheme will be extended upto a maximum extent of Rs. 200 lacs to a company/concern. The borrowing concern will
have to meet the minimum of 22.5% of the cost of equipment and other expenditure of their own sources which will be in the nature of promoter's contribution.

3. **Rate of Interest:**

The borrowing concern under the scheme will pay interest on the assistance sanctioned by the corporation @ 19.25% per annum exclusive of interest tax. The interest will be payable on quarterly basis. The industrial concern would also be required to pay penal intt. @ 7.5% p.a. on the defaulted amount for the defaulted period as per rules of the corporation.

**Equipment Re-finance scheme of IDBI:**

Loans upto 77.5% of the cost of capital goods/equipment (other than second hand)/@ 20% p.a. are available through PICUP to existing industrial concerns who fulfil the following criteria:

i) Have been in operation for atleast four years.

ii) Have earned profits and/or declared dividends on equity shares during the preceding two years.

iii) Are not in default to institution/banks in payment of their dues.
The maximum amount of loan under this scheme is Rs. 150 lacs per proposal up to a ceiling of Rs. 200 lacs per concern including loan given by U.P.F.C. The borrower of the company will have to meet the minimum of 22.5% of the cost of equipment and allied expenditure out of his own resources. New projects are not eligible for loan under this scheme.

The most important feature under this scheme is that sanction is given by PICUP within a maximum period of 15 days from the date of receipt of application and disbursement can be made within 3 days of the sanction of the loan.