CHAPTER IX

ROLE OF PICUP

IN REHABILITATION OF SMALL AND MEDIUM SCALE INDUSTRIES
ROLE OF PICUP IN REHABILITATION OF SMALL AND MEDIUM SCALE INDUSTRIES:

Various Schemes for Rehabilitation of Sick units:

Refinance Scheme of Rehabilitation:

This scheme is applicable for small scale and Medium scale units.

(A) Eligibility Criteria:

1. Small Scale Industries:

A small scale industries units should be considered as sick if it has at the end of any accounting year accumulated losses equal to or exceeding 50% of peak net worth in the immediately preceding five accounting years. In case of the tiny/decentralised sector also a unit may be considered as sick if it satisfied the above definition. However, in the case of such units, if it is difficulty to get financial particulars, a unit/may be considered as sick if it defaults continuously for period of one year, in the payment of interest or Instalments of principal and there are persistent irregularities in the operation of its credit limit with the bank.

2. Medium Scale Industries:

A Medium scale industries should be considered sick for the purpose of this scheme provided.
1) It has commenced production at least 3 years prior to the date of rehabilitation assistance.

2) It has accumulated cash losses equal to or exceeding 50% of the net worth and

3) It has suffered cash losses in the immediately preceding year.

(B) Scope of the Scheme:

This scheme covers all medium scale as well as small scale industries including ancillary units and also units in cottage and village industries and those in tiny sector, financed by the corporation which are classified as sick. It is not necessary the post loans extended by financial institution should have been refinanced by IDBI Assistance under this scheme should be limited to restoring under this scheme should be limited to restoring the unit for normal state of health and not for expansion or modernisation unless these form a part of rehabilitation package.

(C) Quantum of Assistance:

Loan under the scheme and amount of loan already outstanding should not exceed the statutory limit applicable to the corporation where the ceiling act as constraint, package assistance may include from loan from commercial banks/other financial institutions.
Where may/may not have participated for the assistance earlier to the unit. Overall ceiling under the IDBI's scheme would however be applied.

(D) **Purpose of Assistance:**

Assistance may be provided for the following:

1. Minimum capital expenditure required per restarting/operating the unit on available footing.
3. Payment of statutory liabilities and pressing creditors (including borrowings from promoters, their friends and associates) to the extend considered necessary (such dues should be liquidated to the extent. Possible over a period of time in instalment.
4. Cash losses (after excluding interest on both form loans and working capital borrowings) that may be incurred during the period of implementation of the nursing programme.

(E) **Period of Repayment:**

1. **Small Scale Industries Units:**
   (i) **Rehabilitation Loan:**
   The period of repayment of rehabilitation shall be fixed on case to case basis, depending on
DSCR, with adequate moratorium. The maximum period of loan should not in any case, exceed 10 years.

(ii) **Restructured long term debts:**

The repayment period shall not normally exceed 7 years from the date of restructuring and 15 years from the date of first disbursement of original loan. In the case of tiny units. However, the repayment period shall not normally exceed 3 years from the date of restructuring and 10 years from the date of first disbursement of original loan.

2. **Medium Scale Industrial Units:**

(i) **Rehabilitation loan:**

The period of repayment of rehabilitation loan, shall be fixed on case basis, depending on DSCR, with adequate moratorium. The maximum period of loan shall not, in any case exceed 10 years.

(ii) **Funded over dues of Principal:**

The repayment period shall not normally exceed 7 years from the date of restructuring and 15 years from the date of first disbursement or original loan. In the case of tiny units however, the repayment period shall not normally exceed 3 years from the date of restructuring and 10 years from the date of first disbursement of original loan.