CHAPTER - III

ACTIVITIES OF PICUP
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PICUP history began in 1972, when Govt. of Uttarpradesh established it as Multi-dimensional agency to fulfil the state policy of active particepation in Industrial development.

From a Modest begining in 1972-73 when PICUP sanctioned term loans Rs.3.8 million (only to three units) within a short spon of 19 Years. It has been able to raise this figures to all time high of Rs.1595 Million (to 222 units) in 1990-91.

These term loans advanced by the corporation have generated on investment of about Rs.18 million and provided direct employment opportunities to about 1.12000 persons in the state.

PICUP's portfolio covers a diverse range of Industries like electronics, petrochemicals, chemicales, food processing, Tele Communications, engineering, Automotive components, textiles, Nursing homes and Diagnostec centres, Besides a Number of good hotels, Restaurants, convention halls and amusement parks, have been on continous identification, formulation and implementation of Tehno-economically vice projects.

Comprehensive Range of Scheme:

PICUP provides financial Assistance Normally
for projects other than small scale and costing upto Rs.50 million.

**Term Loan:**

1. Requirement upto Rs.15 Million is met by PICUP exclusively.

2. Debt-equity Ratio depends on the Nature of Projects.

   (a) 17.5% in categories 'A' and 'B' Districts.
   (b) 20% in categories 'C' districts.
   (c) 22.5% in Non-backward districts.
   (d) Amount available from other Institutions
       (I) UPFC Rs.9 million.
       (II) Commercial banks balance requirement as per stipulated debts-equity ratio.

**Bridge Loan:**

To aid speedy implementation, PICUP provides bridge loan pending competition of regular legal formalities upto a maximum 75% of term loan.

Rate of interest of bridge loan is 1% higher than that of the term loan.

**Equipment Financing:**

Loans upto 77% of the cost of capital goods/equipment (other than second hand) are available to existing well established industrial concerns. Who have been operation for the last four years, have corned
projects and/or declared dividends during the preceding two years and or not in default with banks/institutions.

**Equipment Leasing:**

PICUP provides also financial assistance by way of leasing of equipment for modernisation, expansion diversification or for balancing requirement of existing industrial units with sound financial base.

**Seed Capital Assistant:**

Seed capital assistant provided through PICUP to a maximum extent of Rs. 1.5 million by way of soft loans.

**Feasibility Study Scheme:**

To facilitate examination of Techno economic feasibility PICUP subsidies such studies to the extent of 75% of the cost for selected projects.

**Other facilities available from PICUP:**

- Assistance in identification of a suitable project.
- Data Bank and Technology cell
- Escort services

**New Industrial Policy:**

It has been decided to the away with industrial licencing for all the industries except few industries
irrespective of levels of investment.

The industries where industrial licencing will be necessary include areas like coal, petroleum sugar, Cigarettes, Motor cars, hazardous, chemicals drugs, and pharmaceuticals and some luxury items.

**Import of Capital goods:**

The policy envisages automatic etearancer for import of capital goods provided the foreign exchange requirement for such imports is ensured through foreign equity.

**Source:** PICUP-An investment guide.

**Broad Banding:**

Existing and new industrial policy will be provided with a broad banding facilities to enable them to produce any article so long as no additional investment in plant and machinery is involved.

**Convertibility:**

The mandatory convertibility clause which enables financial in institutions to converts loans into equity will no larger be applicable for term loans extended by financial institutions for new projects.

**Foreign investment:**

Direct foreign investment has alwyas been
preferred to loans and other forms of assistance. Keeping this in view, the New policy welcomes foreign investment with its attendant advantages of technology transfer, marketing expertise, induction of modern managerial Techniques in the country and export promotion.

Now onward approval will be given for direct investment upto 51% equity in high priority industries which include 34 broad areas like metallurgy electrical equipment. Transportation food processing hotel and tourism industries. There shall be no bottlenecks of any kind in this clearance of proposals for foreign equity participation.

**Foreign Trading Housing:**

Companies with foreign equity upto 51% will be encouraged to act as trading housing primarily engaged in export activities.

**Empowered Board:**

A special empowered Board would be constituted to Negotiate with a number of large international dirms and approve direct foreign investment in selected areas.

**Foreign Technology Agreements:**

Automatic permission would be given for foreign
technology agreements in high priority industries upto a lumpsum payment of Rs. 1 crore, royalty for domestic sales and 8% of sales over a loyear period from date of agreement or 7 years from the commencement of producer.

**Locational policy and Environmental Clearance:**

In locations, other than cities of more than 1 million population there will be no requirement of obtaining industrial approvals from the Central Government except for industries subject to compulsory licencing. In respect of cities with population Nature such as electronics, Computer-soft-ware and printing will be located out side 25 kms. of the periphery except in prior designated industrial areas.

A flexible location policy would be adopted in respect of such cities (with population greater than 1 million) which require industrial re-generation zoning and land used regulation and environmental legislation will continue to regulate industrial locations.

**Other Incentives:**

State investment subsidy is available at the following rates:(given as percentage of investment in land, building plant and machinery etc.) to certain
categories of projects upto Rs.50 million).

(a) Category 'A' Districts - 20% upto a max. of Rs.2.0 million.

(b) Category 'B' Districts - 15% upto a max. of Rs.1.5 million.

(c) Category 'C' districts - 10% upto a max. of Rs.1.0 million.

Other incentives include special subsidies for prestige and pioneer units power rebates in different regions such as Bundel Khand (50%) Hill area (33 \(\frac{1}{3}\)%) certain identified eastern U.P. backward areas (20%) subsidy for 100% export oriented units, transport subsidy in hill area etc.

**Investment by Non-resident Indian:**

The Government of India provides a number of special facilities and incentives to non-resident Indians investing in India, on both repatriable and non-repatriable basis.

N.R.I.'s can open bank accounts in India freely out of funds remitted from abroad for foreign exchange brought from there.

N.R.I.'s are allowed to establish their own business/industrial units in India by forming Indian companies with equity participation basis, even up
to 100% in certain cases, on repartition basis. They can also import equipment without any limits on value provided the cost of the equipment is financed out of their own funds. NRI's are also eligible to subscribe to shares in New issuus. These schemes have been extended to overseas companies, Partnership firm and societies owned directly to the extent of 60% by NIS.

**Special NRI Incentives:**

1. Udyog Bandhu acts as a Nodal Agency for NRIS
2. A special cell for NRIS in Picup processes their loan applications speedily.
3. Priority is accorded in allotment of land/sheds in industrial areas/estates and residential houses/plots in development bodies/housing Board if paid for in foreign exchange.
4. Technically qualified NRIs are provided share capital by UPSIDC and seed assistance by PICUP and UPFC subject to their being eligible.

These are momentous times for the Indian economy the bold New Economy policy has set a dramatic new course for Indian business and Industry. The breathtaking policy measures are leading to radical restructuring of business and economic decision making. The brave new economic world presents great challenges
and opportunities for the financial sector as well. PICUP has environment by financing new roles and redefining its strategies.

The corporation is repositioning itself to remain at the centre stage of the emerging economic environment at a historic meeting on March 28, 1992. PICUP's Board of Directors met to approve its new corporation strategy which will not only open new vistas for the corporation but also give a new direction to its philosophy objectives and activities.

**Change with the times:**

**Merchant Banking Division Launched:**

Indian economy is changing fast. It is becoming more liberal. There is widespread exception in corporate and investment circles of the up surge in foreign investment by foreign companies and participation by Indian companies in Euro-equities fund raising by Indian companies has been on a corporate basis in the past mutual funds. Floated by Nationalised banks and financial institutions have become very attractive in past few years.

Keeping in view the recent changes in the financial system and the sustained buoyance of capital markets in India. PICUP launched its merchant Banking in 1992-93. As a merchant Banker PICUP will take up
the management of public issues as lead manager. Co-lead manager or advisor. To enable PICUP to encourage and promote participation of capital in Industrial enterprises, securities & exchange Board of India has authorised it to act as a category Merchant Banks.

As a merchant Banker, PICUP will undertake activity of issue Management which will among other things, consist of the preparation of prospectus and other information relating to the financial structure the tie-up of financiers and final allotment and refund of subscription.

In addition to this, PICUP will also act as a advisor, consultant Manager, underwriter and portfolio manager. Ourr merchant banking division has made a head start. Certification of thirty three projects with a project cost of Rs.550 crores have already been done. Bridge loan & against public issue has been extended to fourteen companies by some timing Rs. 19.50 Crores. Under writing commitment of Rs. 1.78 Crores has been made to either companies.

PICUP has recently done certification of Rs. 162.50 crores project of M/s.Uniglobe Glycols Ltd. perr manufacture of 25000 T.P.A. Meno Ethylene Glycol and Rs. 52 crores. Wheat extraction unit of M/s.Vidiani
Agrotech Ltd. at Mathura. It is noteworthy that the proposed export-oriented wheat extraction units of VAIL to manufacture Gluten and Starch is the first unit of its kind in India.

**Merchant Banking Division—Range of Activities:**

- Formulation of action plan for complying with formalities relating to the issue and preparation to Tentative budget for total issue expenses.
- Preparation of a draft prospectus and obtaining its approval from the concerned Institutions.
- Assistance in obtaining various consents and approvals from the Govt. financial institution, Reserve Bank of India, Stock Exchange, SBI and Registrar of Companies.
- Advising the company on strategies to market the Issue.
- Right Issue management.
- Project Appraisal.
- Underwriting of shares.
- Bridge loan against public issue.

**Venture Capital:**

**New fast back scheme:**

The scheme aims at financing small/medium
scale industries based on sound project Ideas which are based on new technologies assistance under the scheme is available for projects promoted by Technical enterpreneurs involving innovative technology products, processes, market survey and technology upgradation devolved through in house R&D or recognised research laborationes and institutions:

- The assistance under the scheme will be available to project costing upto Rs.10 crores.
- Emphasis will be on the technology which should have been brought for the first time in the state of U.P. and the existence of resource gap well not be the major criterion. The assistance will be available to projects with innovative technology and product.
- In cases where the project is promoted by an individual or a group of individuals. One of them should be a technologist or a technocrat or a professional processing a reasonable experience of manufacturing or services.
- Only public limited companies are eligible for assistance.
- Assistance under the scheme will also be available to such projects, where the term loan is not likely to be availed of from PICUP.
- Projects, where foreign technology is involved
and foreign collaborators also agree to contribute towards the equity share capital, will also be eligible under the scheme. Even in projects in which an Indian Body corporate wants to contributor toward equity will be eligible for assistance under the scheme.

Maximum assistance under the scheme will be upto Rs.15.00 lacs. per a single promoter and may go upto Rs. 30.00 lacs.

If there are more than one promoters assistance under the scheme will not exceed 50% of the promoters contributors.

Consultancy assignments:

PICUP will under take consultancy services for preparation of rehabilitation schemes for sick public sector undertakings. In case, the expertise from outside is to be engaged on a case to case basis it would be part of the scope of work. Further, the corporation would be associated in piloting the scheme at the institutional forums as well as BIFR until a final decision is taken.

Any modification that may be required in the scheme upto a final decision by BIFR/lead institution would be carried out by the corporation and the services
would be covered in the fees charged by the corporation.

Table No. 3(1)

**LIST OF INDUSTRIES RESERVED FOR THE PUBLIC SECTOR:**

1. Arms and Ammunition and allied items of defence equipment defence, Aircraft and warships.
3. Coal and Lignite.
4. Mineral Oils
5. Mining or iroor, Manganese are, Chrome ore, Gypsum, Sulphur, gold and diamond.
6. Mining of copper, lead, zine, Tin, Molybdenrum and Wolfram.
7. Minerals specified in the schedule to the atomic energy (Control of production and use).
8. Railway transport.

**List of industries in respect of which industrial licensing in compulsory:**

1. Coal and Lignite
2. Petroleum (other than crude) and its distillation products.
3. Distillation and brewing of alcoholic drinks.
4. Sugar
5. Animal fats and oils
6. Cigars and cigarettes of tobacco and manufactures tobacco substitutes.
7. Abestors and Abestor based products.
8. Plywood, decorative vencers, and other wood based products such as particle board, medium density, fibre board, black board as particle board, medium density.
9. Raw hides and skins, Leather, chamois leather and patent leather.
10. Tanned or dressed furskins.
11. Motorcars.
12. Paperand newsprint except bagasesse-based units.
13. Electronic aerospace and defence equipment, all types.
14. Industrial explosives, including detonating fuse, safety fuse, gunpowerr Nitro cellulose and matches.
15. Hazardous chemicals.
16. Drugs and pharmaceuticals (according to Drugs policy)
17. Entertainment electronics (VCRs, TVs, C.D. Players, Tape Recorders).
18. White goods (Domestic Refrigerators, Domestic Dishwashing machines, Programmable domestic washing machines, Microwave Ovens, Air Conditioners).
Table No.3(3)

List of industries for Automatic approval of foreign, technology Agreements and for 51% foreign equity approvals:

1. **Metallurgical Industries:**
   
   (i) Ferro Alloys
   
   (ii) Castings and forgings
   
   (iii) Non ferrous metals and their alloys including aluminium foils
   
   (iv) Iron and steel pipes and tubes and fittings the roof.
   
   (v) Pig Iron
   
   (iv) Sponge iron and petectistion.

2. **Boilers and Steam Generating Plants:**

3. **Prime Morers:** (Other than electrical generations)
   
   1. Industrial turbines
   
   2. Internal combustion engines
   
   3. Alternate energy systems, like solar wind etc and equipment therefore.
   
   4. Gas/hydro/steam burbines.

4. **Electrical Equipments:**
   
   1. Equipment for transmission and distribution of electricity including power and distribution, transporters, Power relays, HT-switch gear synchronous condensers.
(d) Railway equipments.

6. **Industrial Machinery:**
   1. Industrial Machinery and equipments.

7. 1. Machinery tools and industrial robots and their controls and accessories.
   2. Jigs, fixtures, tools and dies for specialised types and cross land tooling.
   3. Engineering production aids such as cutting and forming and tools and dies and mining tools.

8. **Agricultural Machinery:**
   1. Tractors.
   2. Self propelled Harvester combine
   3. Rice Transplanters.

9. **Earth Moving Machinery:**
   1. Earth moving machinery and construction Machinery and components thereof.

10. **Industrial Instruments:**
    1. Indicating, recordings and regulating devices for pressure, Temperature, rate of flow weight levels and the like.

11. **Scientific and Electromedical Instruments** and laboratory equipments:

12. Nitro & Phosphatic Fertilizers falling under
2. Electrical motors
3. Electrical furnaces, industrial furnaces and induction heating equipment.
4. X-ray equipment.
5. Electronic equipment, components including subscribers and telecommunication equipments.
6. Component wires for manufacture of lead in wires.
7. Hydro/Steam/gas generators/generating sets.
8. Generating sets and pumping sets.
10. Optic fibre.
11. Energy efficient lamps.
12. Midget carbon electrodes.

5. Transportation:
1. Mechanised vessels upto 10,000 DWT including fishing Travelers.
2. Ship ancillaries.
3. (a) Commercial vehicles, public transport vehicle including automotive commercial three wheeler jeep vehicles, industrial locomotive, personal transport vehicles.
   (b) Automotive two wheelers and three wheelers.
   (c) Automotive components/spares and ancillaries.
1. Inorganic fertilizers under 18-fertilizers in the first schedule to IDR Act. 1951.

13. **Chemicals (Other than fertilizers)**

1. Organic chemicals including petrochemicals
2. Inorganic chemicals
3. Synthetic resins and plastus
4. Man made fibres
5. Synthetic rubber
6. Industrial explosives
7. Technical grade insecticides, fungicides, weedicides and the like
8. Synthetic detergents
9. **Missellanevous chemicals** (for industrial use only)
   
   (a) Catalysts and catalyst support
   (b) Photogaphic chemicals
   (c) Rubber chemicals
   (d) Specially chemicals for enhanced oil recovery
   (e) Heating fluids
   (f) Coal tar distillation and products there from
   (g) Tomage plants for the manufacture of industrial gases.
   (h) High altitude beathing oxygen/Medical oxygen.
(i) Nitrous oxide.

(j) Refrigerant gases the liquid nitrogen, carbondioxide etc.in large volume.

(k) Argon and other rare gases.

(l) Alkali/acid resisting cement compound.

(m) leather chemicals and auxiliaries.

14. **Drugs and Pharmaceuticals**  (According to Drugs policy)

15. 1. Paper and pulp including paper products.
    2. Industrial laminates.

16. (i) Automobile Tyres and tubes.
    (ii) Rubberised heavy duty industrial belting of all types.
    (iii) Rubberised Conveyor beltings.
    (iv) High pressure braided hoses.
    (v) Engineering and industrial plastic products.

17. **Plastic Glass:**

    (i) Glass shells for Television tubes.
    (ii) Float glass and plate glass.
    (iii) H.T. Insulators.
    (iv) Glass fibres of all types.

18. **Ceramics:**

    1. Ceramics for industrial uses.

19. **Cement products:**

    1. Portland cement.
2. Gypsum boards, wall boards and the like.

20. **Carbon and Carbon products:**
1. Graphite electrodes and anodes
2. Inpervious graphite blocks and sheets

22. **Pretensioned High Pressure RCC Pipes:**

23. **Rubber Machinery**

24. **Printing Machinery:**
1. Wed-fed high speed off set rotary printing machine having output of 30,000 or more impressions per hour.
2. Photo composing/type setting machines.
3. Multi-colour sheet fed off set printing machines of sizes of 18" x 25" and above.
4. High speed rotogravure printing machines having output of 30,000 or more impressions per hour.

25. Welding electrodes other than those for welding mild steel.

26. **Industrial synthetic diamonds.**

27. 1. Photosynthesis improvers
2. Genetically modified free lying symbioties nitrogen fixer.
3. Pheomones
4. Bio-insecticides
28. Extraction and upgrading of minor oils.

29. Pre-fabricated Building materials.

30. Soya Products
   (i) Soya texture proteins
   (ii) Soya protein isolates
   (iii) Soya protein concentrates
   (iv) Other specialised products of soyabean.
   (v) Winterised and deodourised refined soyabean oil.

31. (a) Certified high yielding hybrid seeds and synthetic seeds.
     (b) Certified high yielding plantlets developed through plant tissue culture.

32. All food processing industries other than milk food, malted foods and flour, but excluding the items reserved for small scale sector.

33. All items of packaging for food processing industries excluding the items reserved for small scale sector.

34. Hotels and tourism related industry.

**Under the table No.1:**

It is described that 8 industries are reserved for the public sector. A public entrepreneur can avail the financial assistance from the PICUP at his industrial planning goes under these heads.
**Under the table No.2:**

It is described that in respect of 18 industries, in which industrial licensing is compulsory. PICUP gives a reason about these industries that before availing the financial assistance from the corporation, licence should be given by the Government of India in respect of these industries.

**Under the table No.3:**

It is described that any entrepreneur wants to avail the financial assistance in respect of 34 industries, in which industries for automatic approval of foreign technology agreement and for 51% foreign equity approvals, will be approved by the Government of India.