CHAPTER - IV

Promotional Activities of UPSIDC
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The Uttar Pradesh State Industrial Development Corporation is an agency designed, among others, to serve as an instrument for planned and rapid industrialisation of the State. It is a State Level Financial Institution and is engaged in promotion of large and medium scale industries. All the promotional activities of the Corporation are divided in broad terms into

(i) Developmental Activities and
(ii) Financial Activities.

Developmental Activities

Area Development

Acquisition of land, arrangement of power, water and roads and other infrastructural facilities by private entrepreneurs have been a problem since long. Keeping this in view the Corporation has been developing industrial areas since its inception which is the prime need for any industry. The U.P.S.I.D.C. is the leading agency in the State providing land together with necessary basic facilities.

1. UPSC at Your Service 1984- Page-1.
The Corporation has developed 62 industrial areas on a total land of 18,348 acres in 29 districts in the State. Out of this 33 industrial areas with 10,212 (55.7%) acres of land are in backward districts and rest 29 industrial areas with 8,136 acres of land (44.3%) are in non-backward districts. These industrial areas are located at Agra, Allahabad, Bareilly, Ghaziabad, Hardwar, (Saharanpur) Kanpur, Lucknow, Meerut, Muzaffarnagar and Varanasi in non-backward districts and at Mohen (Almora), Bulandshahr, Attara (Banda), Basti, Khalilabad (Basti), Faizabad, Sandila (Hardoi), Lalitpur, Jhansi, Ramia (Kanpur Dehat), Mathura, Moradabad, Nainital, Pratapgarh, Rae Bareli, Sultanpur, Sitapur, Tehri Garhwal and Una is backward districts.

The Corporation is developing new industrial areas in "No Industry and Special Region Districts" which fall under category 'A' districts and are eligible for 25 per cent capital subsidy to a maximum amount of Rs. 25 lakhs. The districts with sites in brackets which were taken up for development of industrial areas are Kanpur Dehat (Ramia, Jajmpur and Chaubepur), Sultanpur (Gauriganj, Tikaria and Trisundi Udalwa), Jaunpur (Nakhalishahr, Sahariya), Jalaun (Rehia), Fatehpur (Barauna, Saure), Hamirpur (Samarpur), Banda (Gureh on Bauberu Road), Tehri (Muni Ki Reti) Dehradun (Village Selakui near Central Hope Town on Chakrata Road).
Nainital (Kashipur, Bajpur, Bhimtal, Peepalsana), Chamoli (Tatrasu Majyadi), Uttar Kashi (Chinyali-saur, Dilseur), Pauri Garhwal (Srikot, Gangotri, Koteshwar Gund) and Pithoragarh (Chalthi).

The Corporation has been arranging roads, drains and power distribution lines including street lights. Depending upon the needs from place to place the additional facilities are provided in industrial areas, such as the Common Facility Centre Buildings, Field/Transit Hostels, Shops, Houses, Sheds etc. Besides, the various services required by the entrepreneurs, such as banks, post and telegraph, telecommunication, police outpost, passenger transport, dispensaries are secured by the Corporation for various industrial areas/from the concerned department/agencies of State/Central Government. The centralised water supply for non-industrial purposes is also arranged in rocky and hilly areas.

Sizes of plots vary from one industrial area to another. However, broadly the sizes range from 880 sqm. metres to 40,000 sqm metres and above. The Corporation also arranges smaller plots by subdividing plots, whenever there is such demand from entrepreneurs.

2. UPSIDC at Your Service 1984—Page-1.
Rates charged for plots by the Corporation are cheaper than the market rate as rates are fixed by the Corporation at no profit no loss basis. In certain backward areas entrepreneurs are supplied plots even at a loss. They are charged only the development cost and cost of the land is borne by the Government. The Corporation allows rebate in rates in cases of timely utilisation of land by entrepreneurs in backward and non-backward areas both.

Plots and Sheds

The Corporation is engaged mainly in the acquisition and development of industrial areas where plots are allotted to needy entrepreneurs. Construction of sheds are mostly done in industrial estates. However, when requested UPSIDC also constructs sheds in industrial areas. The Corporation has acquired 16,346 acres of land by June, 1985 developed them and allotted 15,935 acres in the form of plots. Out of the total 16,346 acres of land allotted 10,212 acres (56%) are in backward districts and rest 6,134 acres (44%) in non-backward districts upto June, 1985. Construction of sheds is not a regular feature of the Corporation. It constructed 291 sheds by the year 1981-82 and has allotted 257 sheds in this period.
The Corporation has further constructed industrial estates in a number of districts such as Katihar, Srikot, Badaun, Lalitpur, Kanauj, Keaganj, Bakhrauan, Balrampur etc. The Corporation has been allotted works of construction of mini industrial estates by the State Government in various districts of the State. This work of construction of industrial estates is taken up as an agency work.

**Industrial Complexes:**

The complexes are developed to promote particular types of industry. The Corporation promoted so far three complexes namely:

i) **Automobile Complex, Unnao**

ii) **Textile Complex, Sandila (Hardeo) and**

iii) **Forest Based Complex, Mohar (Almora)**

**Automobile Complex, Unnao:**

The complex was promoted in 1975 for the manufacture of Automobile parts to meet the requirements of Uttar Pradesh State Roadways Corporation. Altogether twelve units were sponsored with an estimated investment of Rs. 95 lakhs but only eleven units came into production in 1976. In the absence of any agreement and proper marketing tie-up with
UPSRTC these units could not prosper. Out of the eleven units ten units are surviving and one unit was completely closed. Working of the surviving units are also not satisfactory.

**Textile Complex, Sendila(Nardeo)**

The textile complex was promoted in 1976 by the Corporation in consultation with the Uttar Pradesh State Textile Corporation and National Textile Corporation for the manufacture of items of their requirement. Only 8 entrepreneurs came forward for setting up their units against 16 selected candidates. The Uttar Pradesh Financial Corporation finalised only seven cases with an estimated investment of Rs. 48 lakhs. The working capital facility was extended by the Bank of India. Out of these seven, only five units could set up their projects. Among these only 3 units were in production in 1981-82. One unit is closed due to increased financial liabilities and one unit was auctioned by the Uttar Pradesh Financial Corporation. Apart from marketing tie-up with the U.P. State Textile Corporation and National Textile Corporation these units could not get power in the initial stage which caused into heavy financial liabilities and they failed to survive.
Forest Based Complex, Mohan (Almora)

This complex was promoted by the Corporation in 1978 for projects based on the forest raw materials. A total of 14 units with an investment of about ₹. 85 lakhs were identified in consultation with forest department. Only 7 out of 9 selected units took initiative and deposited margin money. But forest department was not prepared to commit for the allotment of raw material at concessional rate to those units. Now there is no industry in the Complex and the entire complex is transferred to one of the Ayurvedic project of the Government of India.

The UPSIDC has taken up the task of assessing the financial position of the units in three complexes so that some remedial package assistance can be provided to them.

Project Development

Development of projects is one of the latest activities of the Corporation. The Corporation undertakes promotion of projects in joint/assisted sector. For promoting a project in joint sector the Corporation has to identify projects, procure licences, arrange necessary foreign collaboration, if needed select proper and suitable co-promoters who have experience in the line and are financially sound.
Identification of Projects:

Identification of projects is done by the Corporation as well as private investors on the basis of requirement of the State, raw material endowment etc. The Government of India publishes Guide to Industries which helps the entrepreneur and the Corporation in selection of viable projects. Import substitution, export possibilities and demand in the country are the factors responsible in the identification of projects.

Procurement of Letters of Intents & Licences:

On identification of the projects applications are submitted to the Ministry of Industry for issuing the letters of Intent. Applications for letters of intent are submitted by the Corporation in case it identifies projects and by the private promoters in case they identify the projects.

If the Corporation identifies a project and receives a letter of intent it invites collaboration by public notification in the press. If a private investor (promoter) identifies a project and receives a letter of intent it approaches the Corporation (UPFC/UPSIDC/PICUP) for financial collaboration. The maximum limit of collaboration by the State Level Financial Institutions is Rs. 3 crores. Financial collaboration beyond this amount is done by All India Financial
Institutions (IDBI, IFCI, ICICI, LIC, UTI, GIC, IFCI).

After financial collaboration registration with OECO is sought and licence is procured.

Projects in Joint/Assisted Sector—

Under promotional activities the Corporation promotes large and medium scale industries in Joint Sector and Assisted Sector. It plays a significant role in identifying various projects useful for the State. The general pattern of share holding adopted for joint sector is that the Corporation contributes 26%, the collaborator 25% and 49% is offered to the public. In the assisted sector, corporation usually contributes 10% to 15% of the equity, with the private collaborator having a major share of 25% to 30% and 60% is offered to the public.

Financial collaborators are selected taking into consideration their financial, managerial and technical resources. The selection of projects is done with due regard to the resource endowment of the area and the project potentiality for engendering further growth impulses through linkage and spread effects so that the projects promote a balanced development of the various regions of the State. More than 60% of the projects promoted by UPSIDC are located in backward areas.

The Corporation, so far, promoted 15 projects in joint and assisted sector with the combined investment of Rs. 37 crores and direct employment to 3300 persons. The Corporation's investment in these projects is approximately Rs. 630 lakhs. Besides, out of the 15 projects 13 are located in backward areas.

Projects developed by the Corporation are for the manufacture of Dead Burnt Magnesite, Fibreglass, Synthetic Foam, Scooter Tyres and Tubes, Beta Naphthol/Bon Acid, Plastic Film Capacitors, Sulphuric Acid, Ether, Grinding Media Balls, Assembly of wrist Watches, manufacture of watch cases, Biscuits, Cotton Socks for export, Precision Instruments, EAU Tubes and Finished leather.

The Corporation has identified 11 other projects and letter of inten tata/DGTD registration have been obtained. These projects are at various stages of finalisation, of them projects of polyester film and leather Board are under construction. Agreements have been signed for Carbon Block, Maleic Anhydride, Watch Assembly and Rice paper projects and steps are being taken to establish these units early. Collaborators for sintered Metal components and particle Boards projects have been selected and efforts are being made to finalise other projects.
The expected capital investment in these projects is around ₹. 7407 lakhs and the estimated investment in shares by the Corporation is likely to be ₹. 624 lakhs. These new projects are expected to generate direct employment for about 1600 persons. Besides, six applications of letters of intent for the manufacture of items like vanaspati and oxygen, LAB and single super phosphate are under consideration of Government of India.

Consultancy Services:

The UPSIOC extends professional consultancy services through its Architectural Cell, for the preparation of designs of industrial buildings for the entrepreneurs, as a development/promotional activity. Consultancy charges vary from 1% to 2.50% of the cost of the civil works for complete project. The charges for consultancy for small scale, ancillaries and medium and large scale industries are 1%, 1.25% and 2% respectively in backward areas and 1.25%, 1.50% and 2.50% respectively in other areas.

The consultancy services include:

(a) Preparation of preliminary designs,
(b) Preparation of final architectural drawings,
(c) Preparation of municipal drawings,
(d) Preparation of detailed architectural drawings including specifications,
(e) Preparation of structural designs,
(f) Preparation of structural drawings and
(g) Preparation of estimates.
**Other Services Deposit Work**

The UPSIOC also helps other public and semi-public agencies by undertaking their construction and development works. These include development of industrial estates and construction of sheds and buildings of Directorate of Industries, Industrial Complexes, Large Building Projects like Air Cargo Complexes, Silpgram, Textile printing plant etc., and construction of UNICEF assisted projects.

**Industrial Housing**

The UPSIOC is implementing Industrial Housing Scheme as an important infrastructure for the development of its industrial areas. Three such schemes have been executed by it at Sikandrabad, Unnao and Sandila and another scheme is being planned for Jagdishpur Industrial Area.

**Financial Activities:**

The UPSIOC provides financial assistance to medium and large scale industries by way of

1. Underwriting the shares,
2. Equity Participation and
3. Bridging Loans.

**Underwriting:**

The Corporation provides financial assistance by way of underwriting the shares of public limited companies in
private sector which intend to set up industrial units in Uttar Pradesh or take up expansion programme of the existing units.

Before considering financial assistance under the scheme of underwriting of equity and preference shares the Corporation examines all aspects of the project such as basic soundness of the project, marketing aspect, management aspect, capital structure, cost of the project, means of financing profitability and other relevant aspects relating to project promotion. It examines in detail the availability of the raw materials, essential services, technical and managerial personnel and labour. It ensures that technical and financial collaboration, if any, has been satisfactorily arranged, construction schedule is reasonably planned, quality of the equipment proposed for the project is good. It examines the means of marketing, nature of competition prospective prices and the degree to which the enterprise will depend on tariff protection. The capital structure of the project is also examined to confirm whether the promoters have made proper arrangement for its equity and preference share, loans etc. and ensures that project will not fail to materialise for want of necessary finance. The cost of production, sales, annual profit, capacity to repay loans and other liabilities projected in the project report are also examined by the Corporation.
It also examines that the project will be able to build up reserves and to pay reasonable amount of dividends within a reasonable period of time. The Comparative cost of erecting the project vis-a-vis proposed expenditure is also analysed and in the last it is ensured that the proposed management of the company is sound and suitable and technical advice is available to the company for implementation of the project satisfactorily.

The promoter has to apply to the Corporation in the prescribed form in triplicate duly filled in and complete in all aspects along with a fee of Rs. 500 for assistance upto Rs. 5 lakhs and Rs. 1000 for assistance more than Rs. 5 lakhs. On the basis of the data contained in the application Corporation examines the project and places before the Board of Directors for approval. The approved projects are undertaken by the Corporation for providing financial assistance and for availing this facilities the promoters have to abide with certain terms and conditions laid down by the Corporation.

The underwriting assistance is limited to an extent of 15% of the issued capital.

The Corporation has discontinued the facility on the advice of the State Government. This assistance is now being provided by PICUP. In case this facility is not forthcoming from PICUP and the company is facing difficulties, UPSIDC
can grant underwriting assistance on the written request of the Company in limited cases only.

The Corporation has the right to nominate maximum two Directors in the Board of Directors of the Company who will not be liable to retire by rotation or removal. Nominee Directors of the Corporation will not hold any qualification share. The Corporation has the right to receive agenda and minutes and can call reports from the company. It holds the right to have periodical inspection of the Company.

Equity Participation:

The equity participation scheme was started by the Corporation in 1976. It provides financial assistance preferably to public limited companies, by way of equity participation, to meet the unbridgeable minimum gap in promoters' equity. In suitable cases this facility is available to private limited companies also. This assistance is available where the project cost is above ₹. 20 lakhs. The ceiling of assistance is ₹. 15 lakhs in case of projects proposed to be set up in non-backward areas and ₹. 20 lakhs in case of projects proposed to be set up in backward areas. Initially, the scheme provided that the limit of the assistance shall not exceed 40% and 50% of the promoters' equity in the non-backward and backward districts respectively. This limit was subsequently deleted from the guidelines of the scheme.
and the Managing Director was authorised to determine the quantum of assistance taking the above into consideration within the fixed ceiling.

The Corporation shall disburse funds constituting part of the promoters' share in the equity capital in stages depending on the requirement of funds from time to time after the completion of legal formalities and compliance of all material conditions. The material conditions to be fulfilled shall include production of necessary sanction letters from the financial institutions in respect of the entire financial requirements of the project and arrangements made by the promoters to the satisfaction of the Corporation. The promoters can not transfer, assign, sell or encumber in any manner any share without the prior approval of the Corporation. The promoters shall repurchase the shares from the Corporation, after 5 years from the date of subscription of share holdings and within 10 years at a price fixed on given norms by the Corporation.

The project submitted to the Corporation for financial assistance under equity participation scheme is examined thoroughly, as in case of application of underwriting assistance. The application for equity participation shall accompany a non-refundable service charge of Rs. 500/- if the assistance sought is more than Rs. 3 lakhs and Rs. 300/- if such assistance is Rs. 3 lakhs or less.
The Corporation has right to place minimum one Director on the Board of the Company and he will not retire by rotation or removal and will not hold qualification shares. It has also the right to carry-out periodical inspection, to receive agenda and minutes, progress reports etc. In case of misutilisation of fund the Corporation has the right to stop the disbursement of its further contribution and promoters shall be responsible to buy back the paid up value of the shares held by the Corporation.

**Bridging Loan:**

The scheme of bridging loan was also introduced during the year 1976. The purpose of bridging loan is to take care of urgent requirement of funds in cases in which term loans have been sanctioned by the financial institutions but disbursement of assistance is likely to take time. Bridging loan plays the role of a catalyst in the implementation of projects. It is also given against overruns and for expansion of existing undertakings. This loan is available to those units where the capital investment exceeds Rs. 10 lakhs. The loan is normally limited from 25% to 40% of the amount of loan sanctioned by UPFC and or PICUP. The Corporation takes a authority letter from the promoters and receives the loan directly from UPFC/PICUP. Rate of interest charged for this loan is 18% and 16% in non-backward and backward areas.
A rebate of 2% in interest is allowed in case of timely payments. Scheme of bridging loan was discontinued since 1982-83 on the advise of the Government and it is available in restricted cases only. The Corporation has sanctioned an amount of ₹1296.33 lakhs to 62 units upto August, 1982 and disbursed an amount of ₹1022.91 lakhs to 54 units during this period. Principal amount outstanding was ₹153.98 lakhs and an interest of ₹19.19 lakhs were outstanding as on 31st August, 1982.

Developmental and promotional activities of the Corporation have helped industrial development of the State considerably and it is hoped that it will go a long way in the industrialisation of the State.