

Government of Jammu and Kashmir
Industries and Commerce Department

Subject- Procedure for Package of Incentives & Concessions
for revival of Sick Industrial units.

Government Order No. 47-Ind of 1999
Dated 10-2-1999

In pursuance of Para 4 and clause 20 of the Annexure "B" to Government Order No.202/Ind of 1993 dt.27.5.1998, it is hereby ordered that procedure for reviving package of incentives and concessions for revival of Sick Industrial Units shall henceforth be as per Annexure to this Government Order, subject to the following:-

i) Incentives be given only to such units which are potentially viable where the promoters undertake to restart the business and where the track record of promoter is not adverse.

ii) At the refund/survey stage the financial institutions/Banks be consulted.

This issues with the concurrence of the Finance Department conveyed vide their U.O.No.FD/25/Industries/98 dated 28.1.1999.

By order of the Government of Jammu and Kashmir,

Sd/- (M.S.Pandit)
Additional Chief Secretary
Industries and Commerce

Dated: 10-2-1999

Department.

No.Ind/IS/1/95(plan)

Copy to:-

1. All Financial Commissioners & Secretaries to Government.
2. All Principal Secretaries to Government.
3. All Commissioners/Secretaries to Government.
4. Divisional Commissioner Jammu/Srinagar.
5. Director Industries and Commerce.
6. Director Handlooms/Handicrafts Department.
7. Managing Director SIDCO/SICO/Handloom Dev. Corpn./JK
8. Minerals Ltd./JK Industries/JK Cements/Handicrafts(S&E)
9. Corporation/Khadi & Village Industries board.
10. All deputy Commissioners.
11. Resident Commissioner J&K, Govt. S. Prithvi Raj Road, New Delhi.
12. All Pvt. Secretaries to Hon'ble Ministers/Minister or State.
13. Pvt. Secretary to Hon'ble Chief Minister.
14. Pvt. Pivate Secretary to Chief Secretary.
15. All General Manager or D/Gs.
16. President Chamber of Industries & Commerce Jammu/Srinagar and other Associations
17. General Manager, Govt. Press, Jammu for publication in govt. Gazette.
18. Pvt. Secretary to addl. Chief Secretary, Industries and Commerce Deptt.
19. Government Order file.
20. Stock file.

Sd/ K.H.Padha
Additional Secretary to Government
Industries and Commerce Deptt.

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PACKAGE OF INCENTIVES AND CONCESSIONS FOR REVIVAL OF SICK INDUSTRIAL UNITS.

1. TITLE OF THE SCHEME

The scheme shall be called Package of Incentives and Concessions for Revival and Rehabilitation of Sick units 1998.

2. SCOPE AND EXTENT

The scheme shall be applicable to all the sick units tending towards sickness which are assessed as potentially viable as per norms and guidelines laid down for the purpose.

3. DEFINITIONS

Unless the context otherwise provides, the terms and titles used in this Scheme shall have the same meaning and intention as assigned in this scheme.

A/ Sick Industrial unit:- A SSI unit should be considered "Sick" if it has (a) incurred cash loss in the previous accounting year and is likely to continue to incur cash loss in the current accounting year, and has an erosion on account of cumulative cash losses to the extent of 50% or more of its net worth and/or (b) continuously defaulted in meeting four consecutive quarterly installments of interest or two half yearly installments of principle on term loans and there are persistent irregularities in the operation of its credit limits with the bank. While both the conditions (a) and (b) should be satisfied in the case of larger SSI units it would suffice if either alternative (a) or (b) is satisfied in the case of tiny and decentralized units.

B/ "Industrial unit tending towards sickness" shall mean SSI unit not falling in the definition of "sick units" which falls in "generation of enough cash to meet its current liabilities and thereby its working capital account with its Bank becomes sticky and/or which is not in a position to liquidate its liabilities of repayment of term loan. This will not include failure to meet the current liabilities on account of willful diversion of cash, assets in any other form or opportunities to another party/company or industrial unit whether related to the owners/directors of the unit under reference in any manner whatsoever or not, and shall however include a unit which has remained un-commissioned after availing term loan/assistance in part or full due to reasons beyond his control.

Note: The financial statements required in respect of A or B above shall be prepared by a registered Chartered Accountant or an approved Consultant.

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EXPLANATION

- For the purpose of above clause-
- i) "Cash loss" means loss as computed without providing for depreciation.
 - ii) "Net worth" is the sum total of the paid-up capital and free reserves.
 - iii) "Free reserves" means all reserves credited out of the profits and share premium account but does not include reserves credited out of evaluation of assets. Write back of depreciation provision at amalgamation.
- C/ "Financial Institution" shall mean the Financial Institution which has initially provided the term loan or where more than one institution has provided this facility to the unit by such Financial Institutions.
- D/ "Commercial bank" shall mean a commercial bank or any other financial institution which might have given working capital to the unit or who has made commitment to provide working capital to the industrial unit or in absence either, a commercial bank which is ready to participate in providing assistance to sick unit or unit tending towards sickness.
- E/ "District Revival Committee" shall mean a committee constituted by the Government at the district level for considering/sanctioning assistance to the sick units for revival under this scheme and shall here-in-after be referred to as "DRC"
- F/ "State Revival Committee" shall mean a committee constituted by the Government at the State Level for considering/sanctioning assistance to the sick units/ units tending towards sickness etc. for their revival under this scheme and shall hereinafter be referred to as "SRC"

4. CLASSIFICATION OF SICK UNITS

- Sick units may be classified into following broad categories-
- A. Industry which remained closed because of the occupation of the premises by the Security forces.
 - B. Industry which remained closed for a long period due to militancy or otherwise, but not because of occupation of the premises by the Security Forces.
 - C. Industry not falling in categories A and B above, which functioned irregularly during the last few years and presently is not in a position to carry on its production at a commercially viable scale.
 - D. Industry not falling in categories A, B and C above.

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5. PROCEDURE

The following procedure shall be followed to handle the problem of sickness in the industry:-

- a) Identification of sickness shall be done on the initiative of the concerned unit holder who shall approach the General Manager, DIC concerned with a rehabilitation plan giving out all the relevant information and balance sheets and trading and profit and loss account for the previous three years under an intimation to the concerned financial institutions and commercial banks in form A appended to this scheme
- b) A sub-committee of the representatives from the concerned financing institution, commercial Bank, and the DIC shall examine the case and see that the entrepreneur has worked out some viable plans through which he intends to revive his sick unit including requirement of additional term loan, additional working capital, modernisation, diversification, improvement in the skills of management etc. The General Manager of the concerned DIC and in case of Jammu and Srinagar Districts such other officer as may be notified for the purpose by the Director, Industries and Commerce shall act as convener of the sub-committee. The sub-committee shall also see whether the sick unit can be put back to rails only by certain waivers of penal and compound interest and re-scheduling of loan and sanction of additional loans within the competence of the financing institutions/commercial banks without any additional or external assistance from the government. If that may be possible, action may be taken accordingly.
- c) However, if such an arrangement is not arrived at in the sub-committee, the convener may prepare a brief report and make recommendations for consideration by the concerned DIC/SRC as the case may be for determining such revival package as may be decided with participation of the government, financing institution and the commercial bank. This report shall inter-alia, indicate as to which of the following factor(s) have caused sickness to the unit:-

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- a) Shortage of working capital/term loan
- b) Non availability of raw material
- c) Non availability of regular power supply
- d) Mis-management including non-availability of market for end products, inefficiency in salesmanship
- e) Technological obsolescence
- f) Any other cause peculiar to a unit or class of units

1) Constitution of the Committees

District Level Revival Committee (DRC) shall consist of the following:-

- 1. District Development Commissioner Chairman
- 2. Joint Director I&C Department (to be nominated by Director, I&C) Vice Chairman
- 3. Lead Bank Officer Member
- 4. Sr. Officer not below the rank of Dy. General Manager to be nominated by the Managing Director, SIC Member
- 5. Senior Manager of the concerned Bank Member
- 6. General Manager, DIC Member
- 7. One member representing sick industries or district Association of SSI units to be nominated by the Chairman.

Note: In the absence of Chairman, Vice-Chairman will act as Chairman

State Level Revival Committee (SRC) shall consist of the following:-

- 1. Addl. Chief Secretary, I&C Chairman
- 2. Director, I&C Member Secretary
- 3. Managing Director, SIDCO Member
- 4. Managing Director, SICOP Member
- 5. Managing Director, S.P.C. Member
- 6. Financial Advisor and Chief Accounts Officer, I&C Member
- 7. Officer in Charge Local SIDBI office in the State Member
- 8. A.G.M. I.C. S.I.I.C in local State Office of RBI Member
- 9. Regional Manager of the concerned Bank Member
- 10. Sh. Ab. Majid Khan, President, Industrial Reconstruction Forum, Kashmir Member
- 11. Sh. Satinder Gupta, President, Sick Industrial Forum Phase IIIrd, Gangyal, Jammu Member

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e) The concerned revival committee will go through the scheme along with recommendations of the Sub-Committee, consider its pros and cons and then determine and declare the revival package for only potentially viable sick units.

f) In respect of sick units where the premises had remained under occupation the security forces, the Sub-Committee will go into the statement prepared by the owner of the sick unit and after making such verification as may be prescribed by the government may send a report to the government in the Home Department for their consideration as per norms to be laid down by them separately. The amount of compensation which may be sanctioned or which may be due as per norms shall be taken into account for determining any other assistance from the government under this packages for revival of sick units.

g) Where the units have been closed otherwise i.e. not due to occupation by the security forces, the aforementioned Sub-Committee shall verify whether the entrepreneur closed his operations for good and sufficient reasons. If the Sub-Committee is satisfied about the intentions of the unit holder, it will consider the possibility of rehabilitating the unit.

h) The amount of subsidies, financial assistance, claims on any account and other payments, if any, due from government departments, semi-government organisations shall also be taken into account by the DRC/SRC while formulating the revival package.

ITEM ON WHICH DRC/SRC SHALL MAKE RECOMMENDATIONS:

- 1) Relief to be provided on interest including penal and compound interest as per general guidelines drawn up for the purpose.
- 2) Re-scheduling of outstanding term loan with a moratorium to be decided on merits not exceeding two years.
- 3) Conversion of working capital loan into term loan with a moratorium to be decided on merits not exceeding two years.
- 4) Interest freeze on the outstanding amount of interest thus converting into term loan in accordance with RBI guidelines.
- 5) Sanction of additional term loan and additional working capital as per requirement.
- 6) The margin money for additional term loan/additional working capital and funding of interest arrears.
- 7) Steps to be taken by the unit holder for modernisation/diversification.
- 8) Any other recommendation considered necessary.

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MODALITIES OF PROVIDING SOFT LOAN/FINANCIAL ASSISTANCE

1. The recommendations of the DRC/SRC for grant of assistance in the form of Soft Loan as indicated above shall be communicated by the Director Industries and Commerce alongwith rehabilitation plan and shall thereafter be disbursed by the J&K SIDCO out of the line of credit from IDBI/SIDBI on the normal terms and conditions applicable to loans under the said line of credit. The unit holder shall enter into an agreement with the J&K SIDCO for this purpose in a format as may be prescribed by J&K SIDCO.
2. In order to reduce the liability of the unit holder in regard to the interest, the Government shall pay interest subsidy to the extent of the difference between the rate of interest as may be prescribed by J&K SIDCO and 1%.
3. Government shall constitute a fund to be called "Fund for revival of sick units". Financial assistance in the form of interest subsidy, financial assistance for feasibility studies to be got conducted through recognised consultancy agencies etc. shall be made out of this fund in accordance with rules to be formulated for the operation of the fund and as per delegation of powers as indicated below:-

DRC
Total assistance not exceeding Rs 5 lakhs in each case.
SRC
Total assistance not exceeding Rs 30 lakhs in each case.

2) GENERAL

1. Any facility sanctioned by BIFR under the Sick Industrial Companies Act, 1985 (SICA) shall be dealt with under the provisions of that Act, and shall be outside the purview of DRC/SRC. However, the government may refer any case pending before BIFR for consideration and advice of SRC for taking an appropriate stand before BIFR.
2. Units which had become sick and which had entered into a one time settlement with financial institutions/banks before the operation of this scheme shall also be eligible for financial assistance under the above package if such assistance is required for their continued viable operation or for the purpose of preventing them from going into sickness on account of such liabilities as they have not already discharged.
3. Where assistance in the form of soft loan is sanctioned in favour of a sick unit on account of liabilities towards the Government Department the same shall not be paid to the unit holder in cash but shall be paid directly to the concerned Government Department.

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- ✓ In those cases where soft loan is sanctioned for meeting the margin money requirements the amount shall be disbursed through the concerned financial institutions/commercial banks.
- ✓ The J&K SIDCO shall raise a claim on quarterly basis in respect of interest subsidy payable to them on behalf of the unit holder in whose favour soft loan has been sanctioned/dispensed. The J&K SIDCO shall also send a quarterly utilisation certificate in respect of amounts of interest subsidy received from the Government during the previous quarter.
- 6 Unit holder shall be required to execute an agreement with the General Manager, DIC concerned in such a form as may be prescribed, binding the unit holder to adhere to the conditions based on which the rehabilitation package is sanctioned. Any violation of these conditions will render the unit holder liable to recall of the soft loan as well as recovery of amount of interest subsidy paid on this account in lump. In addition to the financial institution/commercial bank, it shall be the duty of the concerned General Manager, DIC to oversee the proper utilisation of the assistance provided under the scheme.
- 7 SRC, either on their own motion, or, on the directions of the Government, may deliberate upon the cases or revival of sick units, where the nature and extent of soft loan or assistance in any other form is beyond the scope of this scheme and may make appropriate recommendations for consideration of the Government

Sd/-
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