

GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

SICK INDUSTRIES - REVIVAL OF SICK INDUSTRIES - A.P. SMALL SCALE
INDUSTRIES REVIVAL SCHEME 2006 - REVISED GUIDELINES - ISSUED.

INDUSTRIES & COMMERCE (SPIU) DEPARTMENT

G.O.Ms.No.203.

Dated:20-07-2006.

Read the following:-

1. G.O.Ms.No. 30 Ind. & Com. (SSI) Deptt. Dt.04-02-1999.
2. G.O.Ms.No.359 Ind. & Com. (IP) Deptt. Dt.25-06-2001.

ORDER:

Government have issued detailed guidelines vide G.O.Ms.No.359 Ind. &Com. (IP) Dept. Dt. 25-6-2001 by announcing a scheme for revival of Small Scale Industries. Since the intended policy of the Government has not been operationalised at field level it has become necessary to issue revised guidelines. Government have initiated district-wise studies in the year 2004 to ascertain the feasibility of revival of the sick industries in the small sector through various agencies/institutions like the A.P.Industrial & Technical Consultancy Organization (APITCO), National Institute for Small Industry Extension Training (NISJET), Federation of Andhra Pradesh Small Industries Association (FAPSIA). Government also have ascertained the views of the Industries Association and Chambers like the Federation of Andhra Pradesh Small Industries (FAPSIA), Federation of Andhra Pradesh Chamber of Commerce and Industry (FAPCCI), Confederation of Indian Industry (CII) etc.

2. After taking due consideration of the views expressed by the associations and after comparing sick units revival policies of various industrialized states, it has been decided to modify the existing policy on revival of sick enterprises to cover rehabilitation of potentially viable enterprises and to prevent incipient sickness. Commissioner of Industries has therefore sent proposals in this regard after taking into consideration of the aforesaid factors. Having carefully examined the proposal of the Commissioner of Industries, Government, have decide to rectify the problems associated with implementation, and hereby decide to issue a new revised scheme i.e., "A.P. Small Scale Sick Industries Revival & Rehabilitation Scheme-2006 (APSSSIRRS)" in modification of the G.O.Ms.No.359 Industries & Commerce (IP) Dept. dt.25.6.2001.

3. The scheme basically focuses at units that are considered potentially viable after a careful scrutiny by the financing banks/institutions for feasibility of revival and rehabilitation. There upon the State Level Special Cells will consider the recommendations of the financial institution for the sanction of rehabilitation/revival package as per guidelines. The scheme with a package involves part compensation of a few sacrifices by the financing institutions and the Government agencies involved.

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i) Commencement of the scheme:

The revised scheme called A.P. Small Scale Sick Industries Revival & Rehabilitation Scheme-2006, comes into effect from the date of issue of the order.

ii) Applicability of the Scheme:

The scheme shall be applicable to industrial units/ancillary units (except Rice Mills) Permanently Registered as SSI with Department of Industries. The scheme would not be applicable to Business Enterprises and the units which shall be covered under SICA.

iii) Definitions:

The definitions on sickness which are attributed and in concurrence with the guidelines issued by the Reserve Bank of India, will automatically apply to this scheme.

iv) Small Scale Sick Industries Revival and Rehabilitation Fund:

a) The State Government shall set up a revival and rehabilitation fund for the purpose of partially compensating the sacrifices made by the Financing Institutions, Banks, etc. The Government shall set apart an earmarked Fund in the Budget for rehabilitating sick Small Scale Industries. The entire Fund shall be drawn before the end of third quarter in installments and kept at the disposal of Commissioner of Industries and kept as a deposit in the name and style "A.P.Small Scale Sick Industries Revival and Rehabilitation Fund" and shall be operated by him. Necessary funds to operate the scheme and to meet the financial sacrifices on behalf of Government and its Agencies shall also be provided in the budget allocation of Industries & Commerce Department. The number of units to be provided relief shall be restricted to the funds available in any of the financial year.

b) A unit which has been closed due to sickness during the pendency of the incentive scheme of the State Government normally faces recovery of the incentives enjoyed by it. However, the APSSSIRRS may waive the recovery and consider rehabilitation package under the scheme, provided, the unit resumes production for at least 5 years or remaining period of incentives under the incentive scheme.

4. Reliefs and Concessions:

The Government accepted in principle for according a rehabilitation package. Accordingly the following reliefs and concessions are being made available.

i) Relaxation from ULC Act :

Grant of permission to mortgage surplus land by exempting under section 20 of, the Urban Land Ceiling Act in favour of banks/financial institutions, as proposed in the Industrial Investment Promotion Policy 2005-2010.

ii) Healthy industrial relations:

The Labour department would take pro-active action for amicable settlement of disputes between management and representatives of labour so as to ensure success of the rehabilitation package with the cooperation of the workers.

iii) Interest rebate to Banks/Financial Institutions:-

The backbone of the new revised policy is to encourage the Banks/Financial institutions for servicing the sick units and provide a rehabilitation package for their quick revival to join the main stream. 6% interest subsidy will be provided to all identified/eligible sick units, subject to maximum of Rs.2.00 lakhs per year for a maximum period of three years. However, the component of the interest to be reimbursed shall be projected by the financing bank to the State Level Committee after following the guidelines. Once the State Level Committee accepts the proposal, the Commissioner of Industries shall draw the eligible interest subsidy on annual basis and reimburse to the financing bank.

iv) Deferment of CT Arrears":

Arrears of payment of purchase tax, sales tax and interest towards non-payment of Sales tax shall be deferred for 3 years from the date of grant of revival package. The amount so deferred will be recovered in six equal half-yearly installments effective after three years tax holiday.

v). Relief in Energy Charges:

The following concessions will be provided to the sick units basing on their option of repayment of dues in any of the following modes.

a) If the sick industrial unit under consideration has to pay arrears of CC charges, it may be given choice either to pay the entire arrears of CC charges up to the date of disconnection with interest and 4 months minimum charges during closure period without interest + CMD charges in one lumpsum for new connection, the percentage of interest charged by APTRANSCO/DISCOM on the arrears of CC charges will be subsidized to the extent of 15% of interest charged from out of the percentage of the total interest charged and the same will be paid to APTRANSCO subject to a maximum of Rs.5.00 lakhs and the balance percentage of interest charges shall be borne by the beneficiary.(which includes surcharge and penal interest etc.,)

OR

b) If the Industrial unit under consideration opts for payment of arrears of CC charges up to the date of disconnection with interest and 4 months minimum charges during closure period without interest + CMD charges in 3 annual installments then it will be permitted to pay by 1/3 of the dues each year, with reimbursement of 15% of the interest charged from out of the percentage of the total interest charged to APTRANSCO by Government, subject to a maximum of Rs. 3.00 lakhs per year for a period of three years, and the balance percentage of interest charges shall be borne by the beneficiary. (which includes surcharge and penal interest etc.,)

5. Procedure for sanction of interest reimbursement to APTRANSCO:

After approval by the state level rehabilitation committee, APTRANSCO/DISCOM will furnish a report to the Commissioner of Industries on details of the reconnection made, charges to be reimbursed by the Government and to be paid by the beneficiary, Commissioner of Industries will reimburse the eligible interest to APTRANSCO from the "APSSSIRR Fund" kept at his disposal.

6. Procedure for sanction of interest reimbursement to Banks:

After the approval by the State Level Committee, the Commissioner of Industries shall draw the eligible interest subsidy from "APSSSIRR Fund" kept at his disposal and pay the same to the Bank/financial institution concerned by way of a Demand Draft, subject to the following guidelines:-

- a. The first installment of 50% of the value of 6% interest rebate on the additional financial assistance sanctioned by the Bank/Financial Institution will be released within 60 days from the date of intimation of release of the sanctioned financial assistance by the Bank.
- b. The second installment i.e. the balance 50% of the 6% interest rebate eligible for the first financial year shall be drawn after completion of 12 months period of successful running of the Unit and on receipt of a certificate from the financial institution as per the format enclosed.
- c. If the performance of the unit is found not satisfactory to the financial institution even after the completion of 12 months from the date of sanction, the unit is not eligible for release of the 2nd installment of interest rebate.
- d. The financial Institution/Bank is at liberty to submit a detailed report to COI regarding unsatisfactory performance of the unit with reasons to enable the later to stop all further concessions under the APSSSIR&R Scheme-2006"
- e. The procedure enumerated above from (a) to (d) shall be followed for Release of interest rebate for subsequent years.

7. State Level Rehabilitation Committee:

A State Level Committee Headed by the Commissioner of Industries is constituted for processing and extending reliefs and concessions as also to formally approve the recommendations of the Financial institutions/banks.

The State Level Committee.

1. Commissioner of Industries	....	Chairman
2. Nominee of A.P. TRANSCO	....	Member
3. Nominee of CMD of Power Distribution Company concerned.	.....	Member
4. Managing Director, APIIC or nominee	.....	Member
5. Managing Director, APIDC or nominee	....	Member
6. Managing Director, APSFC or nominee	....	Member
7. Commissioner, Commercial Taxes or nominee	....	Member
8. Commissioner, Labour	....	Member
9. General Manager/Zonal Manager of concerned Bank	....	Member
10. Representative of Appraisal Agency	....	Member
11. Nominee of Secretary (SSI) (Industries & Commerce)	....	Member
12. Additional Director of Industries	....	Member Convenor

The Chairman, the State Level Rehabilitation Committee may Co-opt additional members as deemed necessary. The special cell will have the following functions:

- To give wide publicity of the scheme
- To register the applications.
- To examine the eligibility and viability of the unit.
- To circulate the details of the applications amongst the members of the State Level Committee and to obtain their views within a period of 15 days.
- To refer to appraisal agency to complete its study within 30 days and submit its report to the Special Cell.
- To examine the appraisal agency to complete its study within 30 days and submit its report to the Special Cell.
- To examine the appraisal report and sanction reliefs and concessions.
- To sanction reliefs and concessions.
- To operate and monitor the scheme.

8. Procedure for implementation of the Rehabilitation Package:

i) Application for Registration.

Application for revival is available at website www.apind.gov.in and it can be freely downloaded. They are also available with the General Manager, DIC. And Bank Managers of Banks/Financial institutions (Managers should keep enough copies). Small Scale Sick Industries submit the proposal in the prescribed application in duplicate seeking rehabilitation package to the concerned bank or the financial institution along with the following documents.

- a. Registration certificate of the firm/company
 - b. SSI Certificates
 - c. List of directors/partners
 - d. Brief note on the reasons for sickness and potential of the firm to turnaround performance.
 - e. Revenue projections of the firm for next 3 years and its ability to meet the old overdue debt obligations and service of new debt.
 - f. Audited accounts for the preceeding two years.
- ii. Bank/financial institution carry out initial scrutiny of the proposal in the light of the scope of the revival policy and register the case within 7 days.
- iii. If the bank manager is convinced about the viability of the sick unit, he shall sanction the rehabilitation/rivival package pending disbursement factoring in the concessions to be extended to the unit by the State Level Committee under the APSSIR&RS. The bank can complete this action with in 15 days. If in his opinion the unit is not having potential for revival he may reject and record the reasons.
- iv. If the bank Manager feels that the proposal needs fresh appraisal, he may forward the appraisal report by engaging any one of the approved appraisal agencies like APITCO, CRISIL, ASCI or any other similar agency listed in the Directory of Industrial consultant published by IDBI which according to him will be able to prepare an appraisal report of the unit on the potential for revival and rehabilitation. Within 7 days, Banks shall ensure that the appraisal agencies shall not take more than 15 days to submit the appraisal report to the Bank.
- v. Banks/financial Institutions on receipt of the appraisal report examine proposal and either sanction the rehabilitation/revival package and take action as mentioned at para above or reject the proposal and intimate the sick unit accordingly within 7 working days from the date of receipt of the proposal/appraisal report.
- vi. Banks shall forward the proposal together with the revival/rehabilitation package and administrative sanction accorded by the competent Authority of the bank to the State Level Committee operating from Commissioner of Industries.
- vii. The sanction orders of the bank shall include the details of the amounts sanctioned towards additional plant and machinery, working capital, interest burden for three financial years etc. The Bank shall also indicate the number of installments in which the amount so sanctioned would be released giving the details of amount and date of release of each installment. It shall also give the rate of interest at which the package is sanctioned and the actual interest amount due in the first 12 months from the date of release of the first installment together with the interest amount being claimed as rebate for the first year from Commissioner of Industries.

viii. The State Level Committee shall examine the report of the financial institution and the appraisal report submitted by the bank to ensure that it confirms to the guidelines laid down in the scheme and it gives its approval within a maximum of 30 working days from the date of receipt of a proposal. For the purpose of granting approval it shall meet at least once a month to review all the cases received by them under this scheme. The decision of the State Level Committee is final and shall be communicated to the unit through the bank within 7 days from the date of its approval.

ix. The State Level Cell shall review all the cases where such relief has been granted once in six months to evaluate the performance of the units under the rehabilitation and their conformity to the guidelines given in this policy. As approved by the special cell.

x. Time Frame:

- a. Bank for initial scrutiny and process 7 days
- b. Appraisal agency for appraisal report 15 days
- c. Bank for evaluation of the report, according financial approval/sanction and submission to the State Level Committee - 7 days.
- d. State Level Committee shall accord approval or rejection within 60 days from the date of receipt of the proposal.

Total time to process the application under this scheme is not exceed 89 days.

9. Procedure to release the fees to the appraisal agency.

The fee payable to the appraisal agency will be determined by the Bank or Financial Institution which initiates the case for viability appraisal. The fee shall not however exceed 1% of the total value of rehabilitation package proposed and it shall be paid only after complete satisfaction of the banks/financial institution. 25% of the appraisal fee determined to be paid by the beneficiary and balance 75% to be paid by the Commissioner of Industries from the sick SSIs Revival and Rehabilitation Fund on receipt of communication to that effect from the concerned Bank/Financial institution by way of a Demand Draft/Cheque to the Bank/Financial Institutions. The Commissioner of Industries however shall release the appraisal fee only after a final decision is taken on the proposal received by him on the rehabilitation package. The amount shall be released along with the first installment of the interest rebate due to the Bank.

10. Terms and Conditions for grant of reliefs:

- a) The State Level Committee shall carry out periodical reviews apart from annual review of the performance of the unit. The unit which avails reliefs under this scheme shall neither declare dividend nor pay; interest on the deposits put up by the promoters during the period of the rehabilitation package.
- b) The industrial unit availing the incentives under this scheme shall install and effectively operate and maintain pollution control measures as per standards prescribed and approved by competent authority in this regard.

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- c) The industrial units shall have to remain in production continuously at least till the expiry of the rehabilitation period granted under the scheme.
- d) The industrial unit shall furnish details regarding production, employment or any other information that the state Government and the Special Committee may require from time to time.

11. Rehabilitation Board:

As the entire procedure indicated is time bound, the Government hereby, constitutes an "AP Small Scale Sick Industries Rehabilitation Board" for taking policy decisions for implementing AP Small Small Sick Industries Revival and rehabilitation Scheme-2006. It shall review the action taken by the Banks/Financial Institutions and the State Level Committee including the quantum of assistance released to sick industries under this scheme.

The A.P.Small Scale Sick Industries Rehabilitation Board shall consist of:

1. Chief Minister	....	Chairman
2. Minister for Finance	....	Member
3. Minister for Small Scale Industries	....	Member
4. Minister for Major Industries	....	Member
5. Chief Secretary	....	Convener
6. Chairman APSFC	....	Member
7. Prl. Secretary, & CIP.	....	Member
8. Prl. Secy./Secy., Energy Deptt.	....	Member
9. Prl. Secy./Secy., Rev. Deptt. I/C of C.T. (VAT)	....	Member
10. Prl. Secy./Secy. (L.E.T &F)	....	Member
11. Secretary, Ind. & Com. Deptt.	....	Member
12. Secretary, Revenue, Revenue ULC	....	Member
13. Managing Director, APTRANSCO	....	Member
14. President of FAPCCI. or authorised representative	....	Member .
15. President FAPSIA - SSI	....	Member
16. State Financial Corporation	....	Member
17. SIDBI	....	Member
18. Convener of State Level Bankers Committee	....	Member
19. Chairman & Managing Director, State Bank of Hyderabad. ..	....	Member
20. Chairman & Managing Director, Andhra Bank.	....	Member
21. Regional Director, Reserve Bank of India,Hyderabad	....	Member
22. Commissioner of Industries	....	Member

12. The Commissioner of Industries shall liaise with Banks/Financial institutions and Government Agencies and take necessary action accordingly.

13. This order issues with the concurrence of Finance vide their U.O.No.2819/236/Expr/ Ind. & Com./2006 dt.28.3.2006.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Y. SRILAKSHMI,
SECRETARY TO GOVERNMENT.

To
The Commissioner of Industries, A.P., Hyderabad..
All Heads of Departments/Corporations.
All District Collectors.
The Small Industrial Development Bank of India, DFID Division 10/10,
Madan Mohan Malviya Marg, Lucknow.
The Director of Printing Stationary and Stores Purchase with a request to supply
1000 printed copies.
The Regional Director, Reserve Bank of India, Regional Office, Saifabad, Hyderabad.
Convenor of State Level Bankers Committee, Saifabad, Hyderabad.
The Chairman & Managing Directors of all Nationalised and Scheduled Banks.
Copy to:-
The P.S to Chief Secretary.
The P.S. to Minister (Major Industries).
The P.S to Principal Secretary & CIP, Industries & Commerce Deptt.
The P.S. to Secretary to Govt., Ind. & Com. Dept.
S.F/S.C.

//Forwarded::By Order//

SECTION OFFICER.