



INDUSTRIES (J) DEPARTMENT

G.O. (P) No. 47/99/ID., Thiruvananthapuram,

Dated 29th March 1998

S.R.O. No.280/99.-In exercise of the powers conferred by sub section (1) of section 3 of the Kerala Industrial Revitalization Fund Ordinance, 1999 (1 of 1999), the Government of Kerala hereby make the following Scheme for the establishment of a fund for the revitalization of public sector industrial undertakings and other industrial undertakings in the state and for matters connected there with, namely:-

**THE KERALA INDUSTRIAL REVITALIZATION FUND
SCHEME, 1999**

1. *Short title and commencement.*- (1) This Scheme may be called the Kerala Industrial Revitalization Fund Scheme, 1999.
(2) It shall come into force at once.
2. *Definitions.* - In this Scheme, unless the context otherwise requires,—
 - (a) “C and AG” means Comptroller and Auditor General, India;
 - (b) “DPR” means Detailed Project Report referred to in paragraph (1) of paragraph 10 of the Scheme;
 - (c) “Newly Constituted Undertaking” is an undertakings which has not carried out production for at least one year after commissioning;
 - (d) “Ordinance”, means the Kerala Industrial Revitalization Fund Ordinance, 1999;
 - (e) “Public Sector Restructuring and Internal Audit Boars” or “RIAB” means the public Sector Restructuring and Internal Audit Board of the Industries Department of the Government;
 - (f) “Undertakings” means public sector industrial undertakings or their industrial undertakings specified in sub paragraph (1) of paragraph 3 of the scheme.
 - (g) “Zero Rate Redeemable Investment” or “ZERRI” means financial assistance by the Board which does not carry interest and to be recovered after a period which shall be pre-fixed;
 - (h) All other words and expressions used herein out not defined in this scheme and defined in the Ordinance shall have the meanings respectively assigned to them in the Ordinance.
3. *Eligibility of Undertakings foe assistance.*-(1) An existing Company established under the Companies Act, 1956 (Central Act 1 of 1956), or an existing co-operative Society registered or deemed

to have been registered under the Kerala Co-operative Societies Act, 1969 (21 of 1969) and under the control of the Industries Department of the Government; or an existing corporate body established under the Companies Act, 1956 (Central Act 1 of 1956) in joint sector, where the investment of Government is not less than 40 per cent of the total paid-up share capital, and under the Industries Department of the Government, shall be eligible for financial assistances from the Fund:

Provided that undertakings in the manufacturing sectors such as Chemical, electrical Equipment, Electronics, Engineering, Textiles Plantation and Agro based, Wood based and Ceramics and Refractories, as classified by the Bureau of Public Enterprises Government of Kerala shall be eligible for financial assistance from the Fund.

(2) Newly constituted undertakings shall be given financial assistances from the Fund.

3. The Undertakings that submit proposals for availing financial assistance from the Fund should have completed their internal audit for the latest financial year ended and the accounts certified by a Chartered accountant.

4. Comprehensive restructuring proposals that are referred to by the Industries department, Government of Kerala after scrutiny by RIAS alone shall be considered for long term assistances from the Fund. Proposals for short term assistances referred to by the Industries Department after scrutiny by RIAB shall be considered only in case of extreme urgency.

5. Restructuring proposals with short pay back period or lesser investment per employee shall be given priority.

6. Restructuring proposals that can attract financial assistance from a consortium of institutions shall also be given priority.

4. *Establishment of the Fund.*-(1) The Fund established under the scheme may consist of an authorized capital of Rs. 180 crores.

(2) There shall be credited to the Fund the amounts mentioned in sub-section (2) of section 3 of the Ordinance.

(3) The Fund shall be deposited into the Public Account of the Government opened for this purpose.

(4) Notwithstanding anything contained in sub-Para (3), the Board may with previous approval of the Government open Treasury Savings Bank account in any Scheduled bank for the purpose to deposit of any amount.

5. *The purpose for which the assistance be given and the mode of assistance.*-(1) Financial assistance from the Fund shall be in the form of long term loans and ZERRI for acquisition or fixed assets for manufacturing purpose, financial restructuring and man power rationalization. Short-term loan assistances for a period not exceeding six months may also be provided for purpose including bridge loan for working capital:

Provided that not more than twenty the form of long term loans and ZERRI for acquisition or fixed assets for manufacturing purpose, financial restructuring and man power rationalization. Short-term loan assistances for a period not exceeding six months may also be provided for purpose including bridge loan for working capital:

Provided that not more than twenty percent of the funds mobilized in a year shall be earmarked for short-term loans and at least per cent of the funds mobilized in a year shall be set apart to meet the interest commitments on bonds as a moratorium of one year on interest payment will be for the undertakings assisted.

(2) The exact composition of lending portfolio shall be worked out by the Board on a case by case basis. The Board may also conceive and introduce innovative lending instruments ideally suited for the undertaking to be assisted on the basis of a realistic assessment of the health of the Undertaking.

(3) Working capital requirements of the under takings shall ordinarily have to be met through commercial borrowings.

6. *Appraisal and sanction procedure.* - (1) Application for availing long-term financial assistances for short-term financial assistance from the Fund shall be submitted to the secretary, Industries Department of the Government. This may be referred to RIAB for detailed scrutiny:

Provided that the application for long term financial assistance shall be accompanied by a Detailed Project Report.

(2) If, after scrutiny by RIAB, the Industries Department is satisfied that the proposal for financial assistances can be referred to the Board, it shall be placed before the Board for appraisal and decision on sanction.

(3) The Board shall meet at least once in two months and consider the proposals for sanction.

(4) A loan agreement shall be signed the assisted undertaking and the board Once the financial assistance is sanctioned.

(5) Before sanctioning and financial assistance the Board shall satisfy that the assisted and Undertakings can be revived or rehabilitated and brought back to profit lines, if the required funds are infused.

(6) An undertaking which is beyond revival shall not be sanctioned any financial assistance from the Fund.

7. *Disbursement procedure.* - (1) for projects that are assisted by long term loans or ZERRI by the Boards, a portion of the sanctioned amount by the disturbed immediately after the execution of loan agreement.

(2) In case mentioned in sub- paragraph (1) above, with reference to the project implementation schedule, the Board shall verify utilization and the balances may be disturbed in instalments, subsequently, subject to satisfactory utilization.

(3) For Projects that are supported by long term loans by a consortium, the Board may disburse funds based on the schedule agreed upon by subsequently subject to satisfactory utilization.

(4) In the case of short term loan the amount may be released immediately after the execution of loan agreement.

(5) All disbursements from the Fund shall be made as per the approval by the Fund manager.

8. *Security for assistance.* - (1) The long-term loan and ZERRI shall be conversed by hypothecation of assets purchases utilizing the funds provided and the Chief Executives and the Board of Directors of the Undertaking shall be personally responsible for achieving operational targets in the Performance Contract between the Government and the undertaking.

(2) As far as possible, the long term loans and ZERRI shall be extended to undertakings that can hypothecate their assets with value equivalent to the assistances hypothecated otherwise.

(3) For short term loans post-dated cheques shall be submitted by the undertaking or current

assets hypothecated as may be required by the Board.

(4) No objection certificate shall be obtained from Banks and Financial Institutions, if any which have lent to the Undertaking being assisted.

9. *Interest and penal Charges.*-(1) Annual interest rate on long-term loan shall not exceed the cost of borrowings by more than 2 per cent and the interest shall be paid by the undertaking on a quarterly basis after a moratorium period of the one year from the date of first disbursement.

(2) ZERRI shall not carry interest.

(3) Annual interest rate on short-term shall not exceed the cost of borrowings by more than 2 per cent and the interest shall be paid by the undertakings on a quarterly basis from the date of disbursement.

(4) Any default in payment of interest by the undertaking shall carry penal charge of 2-75 percent per annum on the defaulted amount over and above the lending rate of interest.

(5) The terms and conditions fixed for loans can be reviewed by the Board periodically.

(6) In case of any dispute on interest payment, penal interest, etc., the matter shall be referred to the Government and the decision of the Government shall be final.

10. *Repayment of Principal.*-(1) In case of term loans the Undertakings assisted the Board shall repay the Principal amount borrowed in six years time including a moratorium period of two years and such repayment shall be made in quarterly installments.

(2) ZERRI in undertakings shall be recovered annually during the fourth, fifth and sixth year from the date of disbursements.

(3) Short-term loan shall be repaid in full within a period of six months from the date of disbursement is not more than two installments.

11. *Introduction of Performance Contract System.*-(1) All undertakings that will be assisted by the Board shall be brought under the Performance Contract System, as may be introduced by the Government.

(2) Performance Contract system shall be used to devise performance incentive/disincentive systems for various levels in the undertakings assisted. Payment of interest, repayments of principal and recovery of ZERRI by the undertakings shall be given due weightage in the performance Contract.

12. *Recovery Procedure.* - (1) payment of interest, repayment of Principal and repayment of ZERRI by the undertakings shall be made in favour of the Board.

(2) Payment of interest, repayment of Principal and repayment of ZERRI by the undertakings shall be monitored as a specific item in the Governing Board Meeting of Undertaking by the representatives of these Industries Departments.

(3) Any default may immediately be brought to the notice of the Industries Department by the Nominee Director of the Industries Department and the Chief Executive of the Undertaking may be held personally responsible for the default through relevant clauses in the Performance Contract.

(4) In case of long-term loans and short term loans, if there is a default of two instalments the charge over the assets hypothecated will be invoked or the undertaking will be directed to open an account for direct deduction from invoice through relevant clauses in the Performance contract.

(5) In case of recovery of ZERRI, if there is default of one instalment, the procedure stated in sub-Para (4) above shall be followed.

13. *Monitoring system.*- (1) The utilization of funds provided by the Board and interest payments or principal payments to the Board and interest payments or principal repayments to the Board and other financing agencies in the consortium by the undertakings shall be monitored by the Board.

(2) The Government shall monitor the performance of all undertakings assisted from the Fund through a monthly monitoring system and on-line computer based network set up in RIAB.

14. *Investment of Surplus Funds.*- (1) The Board shall be authorized to invest surplus or unutilized funds after identifying suitable instruments.

(2) The Principal repayments from the undertakings and the surplus funds available from interest collections after interest payments shall also be invested along with the grants provided by the Government each year to the Fund and the interest accrued on this investment shall be used for extending need based assistance to the undertakings under the ambit of the Fund and the Principal portion shall be used for redemption of bonds.

(3) Once the bonds are redeemed, the surplus funds shall be used for providing margin money for enhanced working capital requirements of the undertakings under the ambit of the Fund in future.

15. *Constitution of the Board and the manner in which the Directors of the Board shall be chosen.* (1) The Board shall consist of even Directors appointed by the Government as hereinafter provided,-

(a) The Fund Manager of the Board who shall be the Chief Executive of the Board.

(b) Two directors representing finance and Industries Departments;

(c) One Director who is an officer serving under the Government or in any undertaking owned by the Government.

(d) Three Directors who have proven experience in development banking or industrial management. (2) One of the Directors shall be appointed by the Government to be its Chairman.

16. *Meeting of the Board.* (1) The Board shall meet at least once in two months, with a minimum of seven days notice to the Members.

(2) The chairman shall preside over the meeting of the Board. If the Chairman is absent at any time, the members present shall elect one member among themselves to preside over the meeting and the Directors so elected shall exercise all the powers of the Chairman at the meeting.

(3) No business shall be transacted at any meeting of the Board unless at least four Directors are present of whom two shall be the Directors appointed under clause (b) of sub-paragraph (2) of paragraph 15 of the Scheme.

(4) Actual travel, boarding and lodging expenses for attending the Board Meeting will be reimbursed to all the Members and sitting fee of Rs. 500 (Rupees Five hundred only) shall be paid to the members other than officers of the State Government.

17. *Manner in which the accounts shall be kept by the Kerala Industrial Revitalization Fund Board, Procedure for defraying the expenditure incurred for administration of the Fund, the audit of accounts and the submission of reports to the Government.*- (1) Funds sourced by the Board shall be deposited in an account opened in the name of the Board. After sanctioning of proposals for financial assistance, the disbursement shall be made with approval from the Fund Manager. Loan accounts shall be maintained by the Board.

(2) A demand Collection Balance (DCB) statement shall be placed before the Board in all

its meetings.

(3) The incidental expense and the expenditure on administrative matters of the Board shall be met from the Fund.

(4) The accounts of the Board shall be audited by a Chartered Accountant Appointed by the Board and the accounts as audited by the Chartered Accountant together with the audit report Government, Finance department, Government of Kerala and the C and AG for their comments. The audited accounts together with the comments of the Principal Secretary to Government, Finance Department and C and AG shall be forwarded to the Industries Department of the Government for placing it before Legislature along with the annual report.

(5) The annual report of the Board shall be prepared under the direction of the Board and after approval by the Board; a report shall be submitted to the Government before the end of July, every year.

(6) The Government shall, as soon as the annual report is received, place it together with the audited statement of accounts, on the table of the Legislature.

18. *Basic Documents to be submitted.*- The following shall be the basis documents to be submitted along with the application for long-term financial assistance, namely:-

(1) Three copies of the D.R.R. (The D.P.R. shall contain and analysis of commercial viability, demand-supply gap, current and future strategies to be employed in marketing, particulars of turnover projections, cost sheets, man power plan, organizational aspects, schedule on salaries on salaries and wages, particulars of technology selection, process chart, power charged computation, building plan and estimate (if required), schedule of implementation. working capital assessment., cost of project means the finance, projected profitability statements projected cash flow statements, projected balance sheet during the pendency of loan sensitivity analysis, break-even analysis and Internal Rate of Return. The D.P.R. shall also contain the strategies suggested foe financial restructuring man power rationalization and non-fiscal concessions, obtained/to be obtained from Government and other agencies.)

(2) Balance sheet and Profit and Loss Account (with schedules) certified by a Chartered Accountant for the past five years including the just previous half year ended.

(3) No objection certificate from all India Financial Institutions (FIs) and bankers associated with the undertakings for availing assistance from the Fund.

(4) Draft of Performance Contract.

(5) Sanction letter regarding power allocation from the Kerala State Electricity Board (K.S.E.B). Prior to formulation of D.P.R. the company will have to take up the matter of power allocation and tariff with K.S.E.B. as this is an extremely critical input for achieving the projected level of turnover and for achieving the desired profitability.

(6) Daft of a tripartite agreement to be signed between the Government management and trade unions clearly specifying all matters relating to long-term agreements, wage revisions and incentives assumed foe formulation of the D.P.R. and the Draft Performance contract.

(By order of the Governor)

K. MOHANDAS

Principal Secretary to Government).

Explanatory Note

(This does not form part of the notification but is intended to indicate the general purport)

The Kerala Industrial Revitalization Fund, Ordinance, 1999 (Ordinance 1 Of 1999) provides for the Constitution of a Fund to revitalize Public sector industrial Undertakings and other industrial undertakings under the Control of the State and the matters connected therewith or incidental thereto in the state of Kerala. As per sub-section 1 of section 3 of the said Ordinance, the Government may, by notification in the Gazette, frame a scheme to be called “the Kerala Industrial Revitalization Fund Scheme” for the establishment of a Fund under this Ordinance to revitalize public Sector industrial undertakings and other industrial undertakings in the state. This notification is intended to achieve the above object.