



INDUSTRIES (J) DEPARTMENT

G.O. (Ms.) No. 137/91/ID., Thiruvananthapuram,

Dated 25th November 1994

Abstract. - Sick Industrial Companies (special provisions) act, 1985-Fiscal and non fiscal concessions for rehabilitation of sick industrial companies—Adoption of model package of relief and concessions formulated by B.I.F.R. - Order issued.

Read.-. 1. D.O. letter No. 54/CH/BIFR/91 (I), dated 19th August 1991 from the Chairman, Board for Industrial and Financial Reconstruction.
2. Statement of Industrial Policy announced on 23rd September 1991.

ORDER

1. In the letter read above, the Board for industrial and Financial Reconstructions has communicated a model \packages of fiscal and non fiscal and concessions that may be extended by state Governments to sick Industrial Companies coming within the purview of the sick Industrial Companies (special provisions) Act, 1985. The package was developed in consultation with state Governments, and indicates the outer limits of relief's and concessions. The actual relief's and concessions will be decided on merits by B.I.F.R on a case – to-case basis.
2. In the Statement of Industrial Policy announced on 23rd September 1991, Government have accepted the model package for adoption wherever applicable.
3. Government are therefore pleased to order that the guide lines in the model package, which is appended, will be followed by all state Government departments and agencies while formulating rehabilitations schemes for sick Industrial Companies coming within the purview of the sick Industrial Companies (special provisions) Act, 1985.
4. The approach regarding relief and concessions to be extended to individual units will be decided on a case-to case basis, keeping in view all relevant factors, by the Government in the Industries department.

(By Order of the Governor)

V. SOMASUNDARAN,

Additional secretary to Government

Model Policy package of relief/concessions to sick Industrial Companies by state Government

Provision of relief/concessions/assistance for revival of sick industrial has been integral part of the policy/efforts of all concerned agencies including the State Government. The extent on relief and concessions actually extended by the State Governments, vary from state to state and in some cases even from unit to unit within the same state. Soon after its establishment, the Board for Industrial and Financial Reconstruction (B.I.F.R) addressed itself to the task of evolving an appropriate procedure for dealing with reference from sick industrial Companies, arising from the provisions of the Sick Industrial Companies (Special provisions) Act, 1985. As a part of this exercise the chief Ministers of all the States were addressed to evolve a suitable package of relief and concessions for revival of sick industrial units within their State and coming within the ambit of SICA, so that the actual relief and concessions to be extended to a particular sick industrial company for its revival could be calibrated by the Operating Agency/B.I.F.R. within these packages. As a result, policy packages have been received from most of the States. Though they vary substantially in content, the packages have helped the O.As./ B.I.F.R to formulate rehabilitation schemes.

2. Based on the experience gained and based on the policy packages received from the States, B.I.F.R. had now formulated the following model policy packer for consideration and adoption by the State Governments. Needless so say that the reliefs/concessions envisaged in this package from only the outer limits and the actual relief/concession to individual units will be relevant factors viz., the strength of the promoters importance of the product of the economy, number of workers employed etc.

A. Non-Fiscal

1. Exemption from power cuts and if power cut becomes inevitable reduction of the cut 50 percent, in the case of sick companies. Preference in power connection/re-connection and protection from unilateral disconnection,

2. Permission for sale/mortgage/lease Act, especially in the case of proposals of worker's co-operative to take over the sick company.

3. Permission for re-location of the Industrial unit when so envisaged in the revival package.

4. Government guarantee for fresh advances/incremental funding, where call for.

5. Non-insistence on bank guarantees for arrears of dues of state Government/State Government instrumentalities.

6. Assistances in reaching settlement (s) with labour including wages stabilization, rationalization agreement on productivity and productivity linked incentives.

7. Non recourse to revenue action.

8. Price preference and, where marketing support through quota reservation for specified period for purchases by Government/Government instrumentalities.

9. Assistances in supply controlled raw materials, if any.

10. Declaration of the company as Relief Undertaking.

B. Fiscal

1. Exemption/deferment of sales tax, purchases tax and electricity duty for two years but not exceeding 5 years or the date the net worth of the company become positive, whichever is earlier. The deferment will be interest free/simple interest not exceeding 12 percent per annum. Dues deferred repayable in, say, 36 monthly instalments, repayment commencing after one/two years' moratorium from date of sanction of B.I.F.R. scheme.

2. Deferment of (i) octroi, if any, and (ii) arrears of water charges.

3. Deferment of energy dues for repayment in say, 36 monthly installments
4. Deferment of turnover tax/sales tax on sale, if any, of electricity.
5. Waiver of compound interest and penal charges, if any, levied on state dues.
6. Waiver of past minimum demand charges by the Electricity Boards for period (s) of closure of the sick industrial company and /or during the period(s) of power disconnection.
7. Deferment of recovery of past State excise dues, if any.
8. Deferment/funding of interest in outstanding term loans of state financial corporations, waiver of penal interest/compound interest thereon and rescheduling such dues. Interest on funded interest to be at 10 per cent per annum/6 percent per annum/or even nil in exceptional cases.
9. Consideration of sanction of additional funds, if any called for.
10. Sick industrial units also to be granted the same incentive as are granted by the state Government for setting up new industries.
11. Bridge loan by the State Governments/S.F.C.
12. Sales tax loan against current collection.

C. *Promotion of Co-operatives*

1. If labour evinces interest in reviving a sick industrial company, render necessary assistance to them to form co-operatives with the participation of majority of the workers and if required take up necessary verification of membership of Union(s).

Contribute to the equity of the sick industrial companies under revival so as to match the contribution of labour.

Consider waiver of whole part of Governments/S.F.C.S dues so that a workable revival scheme through workers' co-operatives can be formulated.