PART – I

FINANCIAL NORMS OF IDBI BANK LTD.
LOANS UNDER TUFS

Loans under TUFS will be provided on the following terms and conditions:

Amount of loan :

The assistance will be need-based.

Promoters' contribution :

Minimum promoters' contribution of 20% of the project cost, relaxable to 17.5% in extremely deserving cases.

Rate of interest :

a) Rupee loan

Loans under TUFS shall carry interest at normal applicable rates of IDBI Bank prevailing at the time of sanction/execution of loan documents.

b) Foreign currency loan

As applicable for normal FC loan.

Upfront fee :

Generally 1% of the amount of the loan. However, it may vary on a case-to-case basis depending upon credit worthiness/rating of the borrowing concern.

Period of loan :

The period of repayment of principal amount of loan to be fixed on the basis of projected cash flow of the borrowing concern. Normally, loans may be extended for a maximum period of 8 to 10 years, including an initial moratorium of 1 to 2 years.

Security :

Term loans to be normally secured by way of a first charge, both present and future, on all the movable and immovable assets of the borrowers. However, the security may vary on a case-to-case basis depending on the credit worthiness/rating of the borrowing concern. Additional security, such as personal / other guarantees and/or pledge of promoters' shareholdings might be stipulated by the lender, if considered necessary.

Conversion option :

May be stipulated under certain circumstances like defaults, etc.

Debt-equity ratio :

1.5:1, relaxable in deserving cases.

Management

One of the main requirements for sanction of assistance under TUFS will be the availability of competent management to the unit concerned to carry out the project implementation and also to manage the operations of the unit efficiently. Towards this end, IDBI Bank may stipulate conditions relating to broad-basing of the Board, appointment of senior technical/financial executives, professionalisation of the management and constitution of such committees as may be considered necessary.

Working capital requirements

Since the success of the project would crucially depend upon the availability of adequate working capital to achieve the full benefit of the modernisation programme, IDBI Bank would like to be assured that the units have made adequate arrangements with their bankers for meeting working capital requirements.

PART – II

FINANCIAL NORMS OF SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA (SIDBI)

I. SCHEME FOR DIRECT ASSISTANCE:

Small and medium sector enterprises will be covered under the scheme. A unit having investment in plant and machinery upto Rs.10 crore would be considered as medium sector enterprise (MSE).

PROMOTERS' CONTRIBUTION

Minimum

- 20% of the cost of the project for rupee term loans.

DEBT EQUITY RATIO

Not to exceed

- 2:1 for the company/firm/concern as a whole.

TERMS OF LOAN

Amount of Loan

- Amount of term loan shall be need-based, but not below Rs.10 lakh.
- Such of the units which are investment in plant and machinery below Rs.10 crore may also be considered for assistance by SIDBI provided that after implementation of the proposed expansion programme, the investment in plant and machinery remains within Rs.10 crore.

Rate of Interest

- As per internal rating and applicable bond rate.

Security

- Exclusive charge over assets covered under the Scheme, first/second charge on existing fixed assets and other collateral security and personal guarantee(s) as may be required.

Period of Repayment

- Not exceeding 10 years, including moratorium upto 2 years, based on merits of individual case.

Upfront Fee

- 1% of the loan amount.

Working Capital Requirement

- The unit should arrange with its bankers for need-based working capital/additional working capital facility.

PROGRAMME PERIOD

- The scheme has been extended during the 11th plan period upto March 31, 2012

TERMS OF INCENTIVE

- As per OTxC guidelines..

PROCEDURE FOR SANCTION AND DISBURSEMENT

- The application for financial assistance in the prescribed form should be made to the nearest branch/regional office of SIDBI. The borrowing unit will be required to execute loan agreement and such other documents in the prescribed form for availing of assistance under the scheme. The disbursement of loan would be made either directly to the machinery suppliers or through 'No Lien Account' to be opened by the borrower with its bank. The borrower will be required to lodge claims for reimbursement of interest reimbursement from SIDBI on a quarterly basis. SIDBI will settle the claims within a reasonable period of time, upon receipt of relative interest incentive from the Government of India. Till such time, the interest incentive is received from the Government of India, commercial lending rates of SIDBI shall be applicable. The credit decision of SIDBI as regards the proposal shall be final.

NOTE : The parameters and guidelines are subject to change from time to time as may be required.

II. REFINANCE SCHEME UNDER TECHNOLOGY UPGRADATION FUND (RTUF):

- Such of the technology upgradation projects that avail term loan from Primary Lending Institutions would also be provided refinance assistance and interest reimbursement on the same terms and conditions as applicable under its direct assistance scheme. Full details in this regard can be obtained from the respective Primary Lending Institutions (PLI), comprising StateFinancial Corporations, State Industrial Development Corporations, Scheduled Commercial Banks, State Co-operative Banks and Scheduled Urban Co-operative Banks.

  SSI units graduating out of the sector after implementation of the scheme would also be covered.

MODE OF ASSISTANCE

- By way of rupee term loan.

PROJECT COST

- All the eligible proposals from textile industrial units in the micro and Small Enterprises Sector, irrespective of the cost of the project would be eligible for assistance.

FINANCIAL NORMS

(a) **Promoters' Contribution**

- Minimum 20% of the cost of the project.

(b) **Debt Equity Ratio**

- Not to exceed 2:1 for the company/firm/concern as a whole.

AMOUNT OF LOAN/REFINANCE

- Assistance under the scheme will be need-based. The refinance against rupee term loans provided by the PLIs under the scheme would be to the extent as may be decided by SIDBI from time to time (currently 100% in respect of loans).

TERMS OF ASSISTANCE

A. Banks

(a) **Rate of Interest**

Sr. No.	Amount of assistance in respect of projects / activities eligible for assistance under the scheme	Interest on Term Loan % p.a. (excluding interest tax)	Interest on Refinance % p.a.
i.	Upto Rs. 2.00 lakh	With a maximum spread of 3% over and above applicable refinance rate	10.00-10.75
ii	Above Rs.2 lakh		
	(a) for period above one year and upto two years	As may be decided by the PLI	11.00 –11.75
	(b) for period above two years and upto 5 years		11.50-12.25
	(c) for period above five years		12.00 – 12.75

B. SFCs / SIDCs (irrespective of quantum and period of loan)

9% p.a to MoU Corporations
9.5% p.a. to non-MoU Corporations

The above rates are based on current lending rates prescribed by SIDBI. As and when the rates are revised by SIDBI, the rates of interest on refinance will also be revised. Reimbursement of five percentage points of interest shall be available to the units from Government of India through PLIs.

(b) **Security**

- Exclusive charge over assets purchased out of the loan, first/second charge on existing fixed assets and other collateral security, as may be deemed necessary.

(c) **<u>Period of Repayment</u>**

- Period of repayment is to be decided between lending agencies and the textile units.However, banks are free to give loan for more than 10 years including upto a maximum of two years moratorium.

WORKING CAPITAL REQUIREMENTS

- The unit should arrange with its bankers for need-based working capital/additional working capital facility.

PROCEDURAL ASPECTS

- It will be the responsibility of eligible PLIs to make necessary assessment, both as to the need for modernisation as also the quantum of financial assistance required. The eligible institutions should superscribe the refinance application "Technology Upgradation Fund Scheme for Textile Industries" to specifically indicate that the proposal is related to TUFS.

- Proposals covered under the Automatic Refinance Scheme shall be accompanied by a separate statement indicating that they relate to TUFS. The PLIs shall specifically mention in the statement that the proposals listed are for technology upgradation/modernisation of the respective industrial units and that the proposals meet the parameters contained in the GOI Resolution and guidelines on TUFS to the extent applicable to SSI units.

- As SIDBI is required to furnish a forecast to GOI for interest payments on quarterly basis, we advise that all the PLIs shall furnish interest forecast on quarterly basis to SIDBI, irrespective of whether refinance is availed or not. The PLIs shall furnish, through their nodal offices to our respective ROs / BOs, on or before 1st April-June quarter, on or before 1st July for July-September quarter so on and so forth in the format prescribed by SIDBI.
- SIDBI shall have right to inspect the books of the PLIs and the loan accounts irrespective of whether refinance is availed or not from SIDBI and the scheme / or call any other information as may be required by GOI.

- SIDBI will have right to recall from the PLIs, the entire amount of interest incentive / cover for exchange fluctuation paid and the PLIs shall undertake to refund the entire amount of interest incentive / cover for adverse exchange rate fluctuations not exceeding 5% p.a. in respect of foreign currency loans of their assisted unit :-

  a) The scheme has not been operated by the PLI in terms of guidelines issued by GOI from time to time; or
  b) Either during implementation and/or currency of the loan, accounts do not conform to the policies, procedures and guidelines laid down by GOI/SIDBI, from time to time.

- The PLIs are required to furnish data in the proformae prescribed by Textile Commissioner (TXC) – 4 proformae having periodicity of 3 monthly and 1 quarterly reports. The PLIs are requested to send a consolidated progress report of all the branches of the PLI concerned as per the prescribed proformae, separately for SSIs (SIDBI as nodal agency) and medium /large scale units (IDBI as nodal agency). The quarterly information has to be sent in the proformae IV alongwith the monthly proformae-I to III. Such information may be furnished monthly/ quarterly in prescribed proformae to the office of TXC, invariably before the 10^{th} of following month, irrespective of whether assistance has been sanctioned during month / quarter or not. Copies of the data in respect of small scale sector being sent to the TXC should be forwarded to SIDBI. The information could also be sent to SIDBI through e-mail at the address **rtuf@sidbi.com.**

PROGRAMME PERIOD

- The scheme has been extended upto March 31, 2012.

TERMS OF INTEREST REIMBURSEMENT

- The interest incentives will be made available to eligible SSI units through SFCs, SIDCs, Scheduled Commercial Banks and selected co-operative banks (irrespective of whether they avail refinance or not). Complete information as per the format prescribed need to be furnished for the purpose of considering reimbursement of interest incentive by SIDBI. Incomplete application will not be considered by SIDBI in as much as SIDBI as nodal agency would continue to be responsible for verifying the interest reimbursement claims of the PLIs, and actual reimbursement thereof.
- Both new and existing industrial concerns in the SSI sector will be eligible for interest reimbursement of five percentage points on the interest payments made by them on the loan outstanding to the PLIs in respect of loans sanctioned to them on or after April 1, 1999. The units will be eligible for interest reimbursement from the date of disbursement of loan by the PLIs during the period of loan as specified in the Letter of Intent and/or as may be specified in the loan document.
- The units which are in default in payment of principal/interest will not be eligible for the interest reimbursement.

  The PLIs may lodge their claims for reimbursement of interest incentives form SIDBI on a consolidated basis once every month. However, such claims in respect of a unit shall remain to be on quarterly basis. SIDBI shall settle the same within a reasonable period of time upon receipt of relative interest reimbursement amount from Government of India (GOI). Till such time, the interest incentive is received from the GOI, commercial lending rates of the PLI shall be applicable.
- The credit risk under the scheme will not be borne by SIDBI. The PLIs will make their own commercial judgement while appraising the project. The credit decision of the PLIs will be final.

` • The decision of SIDBI as regards coverage of projects for extension of refinance under the scheme shall be final.

FINANCIAL NORMS FOR DIRECT FINANCE BY CO-OPTED PLI'S

- SIDBI would not insist on adherence to refinance norms such as promoters' contribution, DER, security, period of repayment in respect of cases where refinance has not been availed under TUFS.
- Co-opted PLIs lending under direct finance can adopt their own financial norms for sanction of TUFS loans. However, such norms can not be stricter than those outlined for direct finance by the SIDBI.
- Other norms and criteria regarding technology, machinery, other investments, etc. as prescribed by GOI would, however, be strictly adhered to by the PLIs while considering assistance under TUFS.
- There will be no cap on direct finance by co-opted PLIs. Thus, they can lend directly to the textile units upto the SSI limit or even larger amounts to existing SSI units graduating out of SSI sector.

NOTE : The parameters and guidelines are subject to change from time to time as may be required.

PART - III

FINANCIAL NORMS OF INDUSTRIAL FINANCIAL CORPORATION OF INDIA (IFCI) LOANS UNDER THE TUFS

Loans under the TUFS will be provided on the following terms and conditions:

Amount of loan :

The assistance will be need-based.

Promoters' contribution :

Minimum 20% of the cost of the scheme. (relaxable to 17.5% in extremely deserving cases).

Rating of the Company:

CRISIL equivalent investment credit rating of minimum BBB or
CRISIL equivalent corporate rating of minimum CCR BBB or
CRISIL equivalent short term instrument rating of minimum P3.

Company presently having no rating, but assisted by IFCI in the past with good track record are also eligible.

Networth :

Minimum Rs.100 crore.

GP Margin :

GP margin to total income ratio in line with particular industry trend for last 3 years.

Debt-equity ratio :

1.5 : 1after taking into account the proposed loan.

DSCR :

Manimum average DSCR 1.5:1

Current Ratio:

Minimum Current Ratio: 1.33:1

Profit History:

The Company should be profit making for the last 3 years.

Rate of interest :

a) **Rupee loan :**

Loans under TUFS shall carry interest at normal applicable rates of IFCI prevailing at the time of sanction/execution of loan documents. Ministry of Textiles, Govt. of India will reimburse interest as per the TUFS Scheme amended from time to time.

b) **Foreign Currency loan :**

As applicable to the normal FCL. Ministry of Textiles, Govt. of India will reimburse interest as per the TUFS Scheme amended from time to time.

Period of Interest Reimbursement :

Applicable interest reimbursement, as also cover for exchange fluctuation will be available during the period of loan as specified in the Technology Upgradation Fund Scheme.

Upfront Fee :

1% plus applicable tax, if any, of the sanctioned amount payable on or before the time of execution of loan documents.

Period of loan :

8-10 years (including moratorium) depending upon cash flow.

Security :

First charge on the entire fixed assets of the borrowing company with a minimum FACR of 1.5 besides the personal/corporate guarantee of promoters/group and pledge of promoters' shareholdings, as may be decided on the merits of the case.

CONVERSION OPTION:

Not applicable, except in case of defaults.

PRE-REQUISITES FOR ASSISTANCE UNDER TUFS:

i) **Detailed project report:**

Textile/Jute mills are expected to prepare detailed project report, quantify the physical and financial requirements of the scheme including margin money for additional working capital and also bring out clearly the specific technological improvements in crucial areas of operations with their impact on productivity and profitability.

ii) **Management:**

As in part IV of Govt. resolution, dated 31/03/1999.

iii) **Working Capital Requirements:**

As in part V of Govt. resolution, dated 31/03/1999.

PROCEDURE FOR APPLICATION:

The applicant companies may submit the loan application in the prescribed format alongwith Detailed Project Report (DPR) to IFCI at its Head Office or any of the Regional Offices. IFCI will process the application / carry out appraisal for assessing the viability of the scheme. Assistance will be considered strictly on commercial viability including track record of the promoters and existence of prudent systems and procedures including corporate governance.

TIME FRAME FOR SANCTIONS:

All efforts will be made to process the application and sanction assistance on merits to deserving concerns within two months form the date of receipt of complete application with full information and DPR.