

State level schemes

State : Tamil Nadu

Industries Department

POLICY NOTE 2005-2006

TAMIL NADU INDUSTRIAL INVESTMENT CORPORATION LIMITED

The Tamil Nadu Industrial Investment Corporation Limited, (TIIC) incorporated in the year 1949 as a Company under The Indian Companies Act, is the premier State level financial institution in the Country and it presently provides financial assistance upto Rs.10 crores by way of term loan for purchase of land, plant and machinery and construction of building for setting up of new industrial units as well as for expansion / modernisation of the existing units and to the service sector anywhere in Tamil Nadu.

TIIC, which was consistently making profits till the year ended 2000, had a set back for a period of three years till 2003. With the financial / organisational restructuring, TIIC has been able to turn around in the financial year 2003-04 and posted a net profit of Rs.2.21 crores. For the first time, no further provisioning on loans and advances was required after introduction of prudential norms.

In order to establish quality management systems, TIIC has recently obtained ISO:9001:2000 certificate (Quality Management Systems Certification Licence as per IS/ISO:9001:2000) from Bureau of Indian Standards (BIS) for sanction of loans at Head Office and at Chennai Branch Office of the Corporation, excluding design and development, which is valid till 28.11.2007.

Schemes operated by TIIC:

In order to continue the pace of industrial promotion in the State, TIIC is operating many schemes for the benefit of entrepreneurs/industrialists. The salient features of some of the important schemes operated by TIIC are detailed below:-

Small and Medium Enterprises Fund (SME Fund) :

The Small Industries Development Bank of India (SIDBI) has created a Fund known as SME Fund for giving impetus to the growth of Small and Medium Enterprises (SME) sector in our Country. This Fund will have a corpus of Rs.10,000 crores spread over next two years. TIIC, with effect from 1.4.2004, is sanctioning loans to SSI and MSI units under SME Fund with a reduced rate of interest of 11.5% p.a for any type of assistance including modernisation and technology upgradation.

National Equity Fund (NEF) Scheme:

In order to provide equity support to deserving small entrepreneurs particularly first generation entrepreneurs to establish new projects and to expand the existing projects, the scheme has been envisaged under which SSI units whose project cost does not exceed Rs.50 lakhs can avail assistance with a minimum promoters' contribution of 10% of project cost. Soft loan to the extent of 25% at 5% rate of interest is also considered to bridge the gap in equity. The remaining 65% of the project cost is given as Term Loan at 11.5% interest rate.

Textile Industry under Technology Upgradation Fund (TUF) Scheme:

The Government of India has launched a Technology Upgradation Fund scheme for Textile and Jute industries to provide encouragement for upgradation of technology and modernisation of production facilities. Under the scheme, loan is extended by TIIC for purchase of equipments and machinery specified in the booklet published by the Government of India with a minimum promoters' contribution of 20% of the project cost and at a concessional interest rate of 6.5% after taking into account the interest subsidy of 5%.

Wind power projects:

The State of Tamil Nadu, with more than 3500 wind turbines commissioned, is the forerunner in this sector. TIIC has acquired expertise in funding this sector and to suit the needs of different clients, TIIC is operating two schemes viz., General Term Loan Scheme where upto 75% of the project cost is funded, and Equipment Finance Scheme where upto 85% of the cost of equipment and allied expenses are funded for wind power projects. TIIC has a special lending rate of 10.5% p.a. for wind energy projects for captive consumption / sale of electricity to Tamil Nadu Electricity Board (TNEB).

Subsidy schemes operated by TIIC:

TIIC is operating various subsidy schemes for the benefit of entrepreneurs to reduce their financial burden in setting up of industries / expansion / modernisation of the existing units in the State of Tamil Nadu. They are:-

Credit Linked Capital Subsidy Scheme (CLCSS):

TIIC is one of the operating agencies for the CLCS scheme for technology upgradation of small scale industrial units covering 30 sectors wherein 12% capital subsidy on the loan amount is provided subject to a maximum of Rs.4.80 lakhs. TIIC is also the operating agency for the CLCSS under Technology Upgradation Fund (TUF) scheme for small scale Textile and Jute industries wherein 12% capital subsidy on the eligible investment or 5% interest subsidy whichever opted by the unit is granted.

In order to enable the Powerloom industry to modernise, as against 12% capital subsidy in the past, the CLCSS-TUFS presently offers 20% capital subsidy subject to a ceiling of Rs.12 lakhs or 5% interest subsidy, whichever is beneficial.

The Government of Tamil Nadu have extended back ended interest subsidy assistance for (a) term loans obtained for technology upgradation/ modernisation, (b) term loans obtained under National Equity Fund Scheme, and (c) term loans obtained for ISO certification and Research & Development. Under the scheme, which is in operation from 01.4.2003, a maximum of 3% reduction in interest rate is given as back ended interest subsidy.

Under New Anna Marumalarchi Thittam (NAMT), incentives like 15% special capital subsidy / 15% generator subsidy / 5% women worker subsidy are extended.

Concessions:

During 2003-04, TIIC operated a non-discretionary and non-discriminatory (ND&ND) one time settlement (OTS) scheme for term loans upto Rs.10 lakhs and a separate OTS scheme for term loans above Rs.10 lakhs. The one time settlements were found to be useful in enabling sick units to settle their accounts and in ensuring speedy recovery of the dues of the Corporation particularly from the chronic defaulting units and units under the

category of defunct, under possession, loss assets, written off and suit filed, where the normal recovery measures initiated by the Corporation have not yielded desired results. Hence, the Corporation has introduced a revised OTS scheme for the year 2004-05 as detailed below :-

a. For loans disbursed upto Rs.5.00 lakhs:

- The borrowers will have to pay the principal outstanding as on date along with other dues, if any.
- The entire interest outstanding in the account will be waived.

b. For loans disbursed above Rs.5.00 lakhs and upto Rs.10 lakhs (other than loss assets, written off, suit filed and under possession cases) :

- The borrowers will have to pay the principal outstanding and interest outstanding as on the date on which the account was categorized as doubtful Non Performing Assets (NPA) and other dues.
- The entire penal, compound and the balance simple interest outstanding in the account will be waived.

c. For loss assets, written off, under possession and suit filed cases irrespective of loan amount:

- The borrower will have to pay the principal outstanding as on date along with other dues, if any.
- The entire interest outstanding in the account will be waived.

Apart from the above, TIIC is operating an OTS scheme for loans above Rs.10 lakhs depending on the merits of each case. TIIC considers waiver of penal / penal & compound / penal, compound + a portion of simple interest taking into account factors like coverage of security and its realizable value, demise of promoter(s), sales tax and other statutory liabilities to be met by the borrowers etc.,

The extension of above one time settlement (OTS) scheme for the year 2005-2006 with or without modifications will be considered by the Corporation based on the performance of the OTS scheme implemented during the year 2004-2005.

Measures for improvement:

To help the borrowers who have availed financial assistance from the Corporation and to speed up the process of documentation, the Corporation has simplified its draft legal documents.

The Corporation has recently introduced a simplified application form for all the loans and advances being extended by it to the benefit of prospective entrepreneurs.

TIIC has been identified as the Nodal Agency by the Government of Tamilnadu for formulating schemes under UNIDO (United Nations Industrial Development Organisation) programme viz.,

(a) tracking productivity trends to promote productivity growth in the Small and Medium Enterprises (SME) segment of the textile manufacturing India, and

(b) SME capacity building for promotion of light engineering industries.