



COVID-19-MSME-VYAVASAYA BHADRATHA- Interest Subvention Scheme on Term loan and Working Capital Loan- Apply Online (http://dic.kerala.gov.in/iss/web/index.php)

District Industries Centres

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Revival & Rehabilitation Scheme

## Revival & Rehabilitation Scheme

### The Kerala stressed MSMEs Revival & Rehabilitation Scheme

#### Introduction

Industrial sickness leads to problems, such as unemployment, revenue loss to the State and Central Government, reduced flow of institutional finance, increase in non-productive assets etc. The factors responsible for sickness in small scale industries may include obsolete technology, non-availability of skilled manpower, poor management, diversion of funds, lack of entrepreneurship/professionalism, marketing problems etc. Industrial sickness is an integral part of the process of development. Hence, it is desirable to take effective steps by the Government and other agencies concerned for timely detection of sickness at its initial stage.

There is need to formulate a comprehensive package for revival of viable sick MSMEs in Kerala. With this in view, scheme called "The Kerala stressed MSMEs Revival & Rehabilitation Scheme, is introduced as under:

#### 2.0 Background

The Government of Kerala launched an umbrella scheme namely Entrepreneurs Support Scheme and being implemented through Department of Industries & Commerce, by merging all the existing schemes, with effect from 01/04/2012.

Government of Kerala, vide G.O(Ms)No.113/88/ID dt.28.07.1988, G.O(Ms)No.136/89/ID dt.02.09.1989 and G.O(P)No.115/2005/ID dt.25.08.2005, had launched sick unit Revival Programme and implemented through the Department . At present the scheme is not in existence and the SURP is not seen merged with ESS. As per the data collected by Geo Tagging under the ongoing vyavsaya Jalakam project implemented by Industries Department, there are many number of declining or closed units found all over Kerala. Therefore it is the need of the hour to take up a separate scheme fund for revival of MSMEs with stressed Assets. This schemes aims at reviving Micro, Small & Medium manufacturing enterprises which suffer due to stressed assets. The MSME units in the state suffer from various constraints such as lack of finance, problems in marketing and ineffective management practices and external factors, such as a general slowdown in demand, that cause sickness in firms. This scheme aims to revive micro, small and medium manufacturing enterprises in Kerala that suffer due to stressed assets. It will instill greater faith among entrepreneurs to undertake innovative projects in Kerala. During 2018-19 an amount of Rs. 3 Crores is earmarked for this purpose, under the head of account, 2851-00-102-33(P)

#### 3.0 The Scheme

This scheme shall be known as "The Kerala stressed MSMEs Revival & Rehabilitation scheme.

#### 4.0 Objectives

The scheme intends to provide financial and other handholding support to the MSMEs which show signs of stress and to convert their non-productive assets into productive assets.

#### 5.0 Definitions

The definitions for the terms mentioned in this manual are used only for the purpose of this scheme and not applicable elsewhere.

#### 5.1 Stressed MSME:

As per the latest Notification of Reserve Bank of India, an MSME can be treated as stressed if:-

- (a) Principal or Interest payment not overdue for more than 30 days but account showing signs of incipient stress
(b) Principal or Interest payment overdue between 31 - 60 days
(c) Principal or Interest payment overdue between 61 -90 days

This may vary in accordance with the guidelines issued by Reserve Bank of India time to time.

#### 5.2 Sick Unit

An MSME should be considered sick if

- a) Any of borrowal accounts of the unit remains substandard for more than six months i.e. principal or interest in respect of any of its borrowal accounts has remained overdue for a period exceeds one year or more. The requirement of overdue period one year or more will remain unchanged even if the period for classification of an account as sub-standard, is reduced in due course;

Or

- b) There is erosion in the net worth of the unit, which is to the extent of 50 per cent of its net worth due to accumulated cash losses during the previous accounting year;

And

The unit has been in commercial production for at least two years for closed units and one year for working units.

#### 5.3 Closed Unit

An MSME is referred as a closed unit, if the unit has been in commercial production for at least two years before its closure, and it has remained closed continuously for a period of 6 months. This must be supported with ample proof such as electricity disconnection due to closure or the prescribed return of commercial tax for this period has been nil or any other reason as the expert committee may deem fit.

#### **Accounts**

Accounts would mean such audited accounts of the units, which it has been reported to the Registrar of Companies or which are audited by a Chartered Accountant.

#### **Net Worth**

In case of a limited company, net worth means the sum total of paid up capital and free reserves. In case of a partnership/proprietary concern net worth means the sum total of partners' /proprietor's capital and free reserves.

#### **5.6 Free Reserves**

Free Reserves means all reserves created out of profit and share premium account but does not include reserves created out of revaluation of assets, written back depreciation under amalgamation provisions.

#### **5.7 Potentially Viable sick unit**

A sick unit can be considered as Potentially Viable if it would be in a position, after implementing a relief package spread over a period not exceeding five years from the date of commencement of package from banks, financial institutions, Government (Central/State) and other agencies concerned, as may be necessary, to continue to service its repayment obligations as agreed upon including those forming part of the package without the help of concessions after the aforesaid period.

#### **5.7 Dues payable**

Means amounts outstanding as dues to all statutory authorities, such as Commissioner of Commercial Taxes, Collector of Customs and Central Excise, Commissioner of Income Tax, Statutory dues under various Labour Laws, Regional Provident Fund Commissioner, KSEB or such other authorities which have legal authority to receive payment from the unit.

#### **5.8 Appraisal Agency – Expert Committee**

Expert Committee is the committee constituted to appraise the viability of the sick unit with the consent of the financing institution/bank and the District Level Rehabilitation Committee called 'Vyvasayamithra'.

#### **Sanctioning Authority**

Besides the expert committee a District Level Rehabilitation Committee called 'Vyvasayamithra' will also be formed with District collector as the chairman and GM DIC as convener. The sanctioning of assistance is vested with this committee.

#### **6.0 Eligibility for applicants**

The eligibilities required for the applicant unit for getting Assistance mentioned in clause 8, are mentioned below

- a) MSME in the manufacturing category and set up in the state
- b) Does not come under Negative List
- c) Must have filed EM part II/UAM
- d) Must come under the definition of Sick Unit and
- e) Must be Potentially Viable to be revived or restructured based on a definite Revival Project Report.

For the purpose of this scheme, an industrial unit eligible for the assistance shall be an independent legal entity.

The applicant has to

- a) Apply in the prescribe proforma
- b) Provide necessary documents and accounts and
- c) Execute an agreement with the General Manager, District Industries Centre to avail the assistance.

#### **7.0 Entitlement of a successful applicant**

Entitlement in the scheme shall be limited to an amount of Rs.5 (Five) lakhs per applicant unit to be availed as one time assistance only. The industries included in Negative list and notified as such from time to time, Government controlled industries, public sector undertakings, units started by Government controlled agencies, units financed by KVIC/KVIB etc. shall not be eligible for any assistance under these rules.

#### **8.0 Assistance/Relief Available from Government**

##### **8.1 Restructuring of existing loan account**

If the bank is willing to restructure the existing loan account and extend additional term loan/working capital loan based on the Revival Project recommendations of the Expert Committee, the unit is eligible for the following one time Assistances. These assistances are also eligible for self financed units availing term loan/working capital loan as part of the Revival Package recommended by the Expert Committee.

#### **Margin Money Grant**

50% of the margin insisted by the bank/Financial Institution towards additional working capital loan and term loan, will be payable as Grant Assistance limited to Rs 2 lakhs.

#### **Interest Subvention Assistance**

To provide a financial assistance in the form of interest subvention on a reimbursement basis for the additional term loan and additional working capital loan availed by the units based on the Revival Project Report recommended by the expert committee. The interest subvention is 6% per annum subject to a maximum amount of Rs 1 lakh. The interest subvention is limited for one (first) year on the loan sanctioned by the financial institution/bank. The component of interest to be reimbursed shall be projected by the financial institution/bank to the committee, Vyvasayamithra. 50% of the 6% interest subsidy shall be released within 60 days from the date of release of the loan from financial institution/bank. The second installment i.e. balance 50% of interest subsidy eligible for the 1<sup>st</sup> year shall be paid after the completion of 12 months period of successful running of the unit and shall be based on a report from the concerned financial institution/bank with regard to the performance of the unit. The interest subvention amount shall be released to the loan account of the unit.

## Restart Expenses

The following one time assistances shall be payable as Re-start expenses based on the Revival Project recommendations of the Expert Committee.

In cases where no term loan is availed for the purchase of brand new additional/balancing plant & machinery, 50% of the cost of Additional/Balancing Plant and Machinery limited to Rs 1.50 lakhs will be payable as one time assistance.

50% of the cost incurred for the inevitable repair and maintenance of existing Plant and Machinery and Building limited to Rs 1.00 lakh will be reimbursed.

## Clearance of Statutory Dues

The following assistances shall be payable for clearing the Statutory Dues for the unit based on the Revival Project recommendations of the Expert Committee.

If there is statutory dues existing for the unit related to the agencies like KSEB, GST/Commercial Tax, Excise, Pollution Control Board etc. 50% of the dues limited to Rs 40,000 shall be payable as one time assistance.

### 8.4 Cost of Revival Project Report

Cost of preparation of RPR will be reimbursed @100%, Rs.10,000/- per unit.

The maximum assistance admissible for each unit, all reliefs and assistances put together, under the scheme will be limited to Rs. 5 Lakhs

## 9.0 Procedure for Applying and Sanctioning the Assistance

- (i) Those industrial units who satisfy conditions as given in clause 6 may forward application through their financing agency if any or directly to the General Manager, District Industries Centre concerned in the prescribed form. Self financing units can apply for assistance directly to the concerned General Manager. Acknowledgement shall be given on receipt of the application.
- (ii) The financing agencies may forward cases of viable sick units to the General Manager, District Industries Centre concerned with their recommendations on rehabilitation package. If there is more than one financing agency, the General Manager may get clearance from all other financiers, if found essential. The General Manager shall maintain a register for assuring the seniority of applications which are received with all supporting documents, with date and time.
- (iii) The General Manager forward the proposal along with Revival Project Report, Recommendation from the financial institution if any and other documents to the Expert Committee constituted for appraisal of the proposal. The Expert Committee appraise the proposal and with clear recommendation, whether the proposal can be considered for assistance or not, based on the guidelines of this scheme and shall be handed over to the General Manager. General Manager shall prepare a seniority list of recommended applications for revival based on the seniority in the application register.
- (iv) With the appraisal and recommendations of the Expert Committee, the General Manager shall place the proposals of potentially viable sick units, in the District Level Rehabilitation Committee called 'Vyavasayamithra'. This committee is responsible for sanctioning the eligible assistance based on the guidelines of this scheme. The Assistances sanctioned by the 'Vyavasayamithra' shall be released to the applicant by the General Manager after executing agreement in stamp paper by the applicant. The releasing of assistance shall be strictly based on the seniority list prepared.

## 10.0 Powers and Services offered by Different Committees

### 10.1 Expert Committee

The applications received in the office of General Manager, District Industries Centre will be made preliminary scrutiny and cases found eligible on preliminary scrutiny will be forwarded to the Expert Committee. The Expert Committee make appraisal on the proposal and recommend to General Manager for placing in the District MSME Development Committee called 'Vyavasayamithra' for taking decision. The expert committee is constituted with the following members.

- (i) General Manager, DIC - Chairman
- (ii) Manager (Credit), DIC – Convenor
- (iii) Lead District manager – Member
- (iv) Concerned Bank Managers - Members
- (v) One Project Consultant to be nominated by Vyavasayamithra
- (vi) One Expert (Technocrat) preferably with experience in production and marketing to be nominated by Vyavasayamithra.

Quorum of the committee shall be 4.

### 10.2 District Level Rehabilitation Committee – Vyavasayamithra

Besides the expert committee an MSME development Committee called 'Vyavasayamithra' will also be formed at District level with District collector as the chairman and GM DIC as convenor.

All the cases recommended by Expert Committee are referred to 'Vyavasaya Mithra' for sanctioning the assistance based on the guidelines of the scheme. The 'Vyavasaya Mithra' Committee will consists of:-

- |   |   |          |
|---|---|----------|
| 1. District Collector                                       | - | Chairman |
| 2. General Manager, District Industries Centre              | - | Convenor |
| 3. Lead Bank Manager  | - | Member   |
| 4. District President KSSIA                                 | - | Member   |
| 5. District Manager, KFC                                    | - | Member   |
| 6. Representative of concerned financial institutions/Banks | - | Members  |
| 7. Deputy Chief Engineer, KSEB                              | - | Member   |
| 8. Deputy Commissioner, GST                                 | - | Member   |
| 9. Representative of MSMEDI Thrissur                        | - | Member   |

Quorum of the committee shall be 5.

### 10.3 State Level Rehabilitation Committee

There will also be a State Level Rehabilitation Committee consisting of the following members to consider the appeal filed by applicants against the decision of the District Level Committee "Vyavasayamithra". The committee will consists of the following members

1. Director of Industries and Commerce – Chairman
2. Additional Director of Industries and Commerce – Convenor
3. Managing Director, KFC - Member
4. State President, KSSIA - Member
5. Two Representatives of Commercial Banks - Members
6. State Level Bankers Committee or representative - Member

Quorum of the committee shall be 4.

### 11.0 Obligation of the applicant unit

- (i) The applicant unit shall provide all required details in time and declare such information as to be true.
- (ii) The applicant unit shall provide clarification if any sought by vyavasaya mithra.
- (iii) The applicant unit shall utilize the amount received as assistance only in the manner agreed upon.
- (iv) The applicant units thus revived shall restart within one month of the date of receipt of financial assistance and shall be under obligation to function continuously for a further period of 5 years. Otherwise the assistance given shall be recovered under Kerala Revenue Recovery Act.
- (v) Units becoming sick on account of willful mismanagement, willful default, unauthorized diversion of funds, dispute among partners/Promoters etc. should not be considered for rehabilitation.

### 12.0 General Provisions

It is emphasized that only those units which are considered to be potentially viable should be taken up for rehabilitation. The reliefs and concessions specified are not to be given in a routine manner and have to be decided in the Committee for stressed assets and in vyavasaya mithra based on the Commercial judgment and merits of each case. Banks have also the freedom to extend relief and concessions beyond the parameters in deserving cases

### 13.0 Funds

Funds for the scheme shall be met from the head of account 2851-00-102-33 (P) during 2018-19 an amount of Rs.300 lakhs is earmarked for Revival of MSMEs with stressed assets. A corpus fund shall be formed with the assistance of Financial Institutions/Banks which will aid the implementation of the scheme.

### 14.0 Appeals

The State Level Rehabilitation Committee is competent to dispose the appeals, if any, received in the prescribed format against the orders of the District Level Rehabilitation Committee and even competent to reconsider the decision of the District Level Rehabilitation Committee. The State Level Committee is also competent to issue clarifications wherever necessary in respect of the Scheme. The Appeals shall be filed within 90 days from the date of issue of orders of the General Manager, DIC/District Level Committee at the office of the Convenor of the State Level Committee concerned. No appeal after this period will be entertained. The Convenor shall place the case before the Committee after getting the views of the recommending authority, if found necessary. The appeal shall be disposed of, as far as possible, within three months from the date of receipt of appeal after giving the appellant an opportunity of being heard, wherever necessary.

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Annexure-III

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