

Government of India
Ministry of Commerce & Industry
(Department of Industrial Policy and Promotion)

NOTIFICATION

New Delhi, 22nd October, 2002.

F.No.1(11)2002-NER. The Government of India is pleased to make the following scheme of Interest Subsidy on Working Capital Loans for Industrial units in the state of Jammu & Kashmir with a view to accelerating the industrial development in the state.

1. **Short Title :-** This scheme may be called the **Central Interest Subsidy Scheme, 2002.**
2. **Commencement and duration of the Scheme :-** It will come into effect from the 14th June, 2002 and remain in force upto and inclusive of 14.06.2012.
3. **Applicability of the Scheme :-** The scheme is applicable to new industrial units or existing units on * their substantial expansion in the Growth Centres or IIDC or industrial estates/parks/export promotion zones and commercial estates set up by the state in Jammu & Kashmir and new industrial units or existing units on * their substantial expansion in the specified industries (as at Annexure) located outside these growth centres and other identified locations.
4. **Eligibility period :** The subsidy will be available during the duration of the scheme to an eligible industrial unit for a period of ten years from date of commencement of commercial production.
5. **Definitions :-**
 - (a) **'Industrial Unit'** means an industrial undertaking, suitably servicing unit as defined in Ministry Small Scale Letter No. 2(3)/91-SSIBd. Dated 30.9.1991 other than that run Departmentally by Government of India/State Government.
 - (b) **'New Industrial Unit'** means an industrial unit for the setting up of which effective steps were not taken prior to 14th June, 2002.
 - (c) **'Existing Industrial Unit'** means an industrial unit existing as on 14th June, 2002.
 - (d) **'Substantial Expansion'** means increase by not less than 25% of installed capacity of an industrial unit for the purpose of expansion of capacity/ modernization and diversification.
 - (e) **'Effective steps'** means one or more of the following steps:-
 - (i) **that 10% or more of the capital issued for the industrial unit has been paid up.**
 - (ii) that any part of the factory building required for manufacturing activity has been constructed.
 - (iii) that a firm order has been placed for any plant and machinery required for the

industrial unit.

- (f) **'Fixed Capital Investment'** means investment in land, building, plant and machinery for the purpose of this scheme.

Total fixed capital investment will be assessed as follows:

- I) Land: The actual price paid for the land to the extent needed for the purposes of the plant. Charges for the leased land will not be taken into account.
- II) Building : Same as in the case of land. Rent of a hired building will not be taken into account.**
- III) Plant and machinery:
- (i) In calculating the value of plant and machinery, the cost of plant and machinery as erected at site will be taken into account which will include the cost of productive equipment such as tools, jigs, dies and moulds. Their transport charges and insurance premium, etc. will also be taken into account.
- (ii) The amount invested on goods carriers to the extent they are actually utilised for transport of raw materials and marketing of the finished products, will be taken into account.**
- (iii) **Working capital** including raw materials and other consumable stores will be excluded for computing the value of plant and machinery.
- (g) **Fixed Capital** represents the depreciated value of fixed assets owned by the factory as on the closing day of the accounting year. Fixed assets are those which have a normal productive life of more than one year. Fixed capital covers all types of assets, new or used or own constructed, deployed for production, transportation, living or recreational facilities, hospitals, schools etc. for factory personnel. It includes the fixed assets of the head office allocable to the factory and also the full value of assets taken on hire-purchase basis (whether fully paid or not) excluding interest element. It excludes intangible assets and assets solely used for post manufacturing activities such as sale, storage, distribution etc.
- (h) **Physical Working Capital** is defined to include all physical inventories owned, held or controlled by the factory as on the closing day of the accounting year such as the materials, fuels and lubricants, stores etc., that enter into products manufactured by the factory itself or supplied by the factory to other for processing Physical working capital also includes the stock of materials, fuels and stores etc. purchased expressly for re-sale, semi-finished, goods and work in progress on account of others and goods made by the factory which are ready for sale at the end of the accounting year. However, it does not include the stock of the materials, fuels, stores etc. supplied by others to the factory for processing. Finished goods processed by others from raw materials supplied by the factory and held by them are included and finished goods processed by the factory from raw materials supplied by others are excluded.
- (i) **Working Capital** is the sum total of the physical working capital as already defined above and the cash deposits in hand and at bank and the net balance of amounts receivable over amounts payable at the end of the accounting year. Working capital,

however, excludes unused overdraft facility, fixed deposits irrespective of duration, advances for acquisition of fixed assets, loans and advances by proprietors and partners irrespective of their purpose and duration, long-term loans including interest thereon and investments.

6. Extent of Admissible Subsidy: -

All eligible industrial units in the state of Jammu & Kashmir shall be given an interest subsidy to the extent of 3% on the Working Capital advanced to them by the Scheduled Banks or Central/State financial institutions for a maximum period of 10(ten) years from the date of Commencement of production.

7. Norms for Working capital calculation: -

For the purpose of this scheme, the minimum working capital requirement of a unit shall be worked out @ 25% of their annual turnover. Inventory norms may be applied, if necessary, after providing for aforesaid minimum level. In respect of such units for which norms have not been laid down/are not applicable (due to the units coming below the cut off point of Rs.10 lakhs of working capital), the request of working capital should be considered favourably so long as the working capital is not very much above such minimum level. Special norms can also be evolved for inventory and receivables. Working capital below the minimum level may be justified under special circumstances in which the requirement is demonstrably lower, as in the case of ancillary units in the small scale sector with assured supply of inputs and off-take of output.

8. Designated Agency for disbursement of Subsidy: -

Jammu Kashmir Development Finance Corporation (JKDFC) shall be the designated agency for disbursement of interest subsidy on the basis of the recommendation of the state Government.

9. Procedure for claiming Interest Subsidy :-

Industrial units eligible for subsidy under the scheme will get themselves registered with the state department prior to taking effective steps for setting up the new units or undertaking substantial expansion of the existing units and indicate their assessment of the total working capital likely to be required for a unit. Such of the units as had taken effective steps on or after 14.6.2002 i.e. the date of announcement of the scheme will get themselves registered by 30.6.2003.

10. Procedure for disbursement of Interest Subsidy :-

State Government will set up State Level Committee consisting of a representative of the state Department, the State Finance Department, State Directorate of Industries, JKDFC or its designated agency and the financial institution concerned, to go into each case to decide whether it qualifies for the grant of subsidy and also about the quantum of subsidy.

11. The subsidy will be disbursed to the unit by JKDFC on the recommendation of the

State Level Committee/Government of Jammu & Kashmir.

12. Rights of the Center/State Government/Financial Institutions :-

If the Central Government/State Government/Financial Institution concerned is satisfied that the subsidy or grant to an industrial unit has been obtained by misrepresentation of the essential facts, furnishing of false information or if the unit goes out of production within 5 years after having availed the subsidy under the scheme, the Central Government/State Government/Financial Institution concerned may ask the unit to refund the grant or subsidy after giving opportunity to the concerned to be heard.

13. Without taking prior approval of the Ministry of Industry, Department of Industrial Policy & Promotion/State Government/Financial Institution concerned, no owner of an industrial unit will be allowed to change the location of the whole or any part of the industrial unit or effect any substantial contraction or disposal of a substantial part of its total fixed capital investment within a period of 5 years of receiving a part or the whole of the grant or subsidy under the scheme.
14. After receiving the grant or subsidy, each industrial unit shall submit annual progress report to the Ministry of Industry, Department of Industrial Policy and Promotion/State Government about its working for a period of 5 years after going into production.

(S.Jagadeesan)
Joint Secretary