

Gujarat Industrial Policy 2003
Scheme of Interest Subsidy to
Small and Medium Enterprises (SME)

Government of Gujarat
Industries & Mines Department
Resolution No.APN/102004/1161(2)/I
Sachivalaya, Gandhinagar.
Dated: 10th JUNE 2004

- Read: 1. Gujarat Industrial Policy 2003
2. Industries & Mines Department Resolution No.APN-102000-17(i)I dt.14.11.2000

1.0 Preamble:

Under Gujarat Industrial Policy, 2003, the State Government has placed emphasis towards development of Small & Medium Enterprises(SME) and make them globally competitive. The Small and Medium Enterprises are the major contributor to the economy. Especially, SMEs have provided large employment opportunities. Under Gujarat Industrial Policy 2000, a separate scheme to provide interest subsidy assistance to SSIs was introduced. The State Govt. intends to continue the scheme with certain modification in view of fluctuating interest rates and extending benefits to medium enterprises.

2.0 The Scheme.

The Scheme will be known as Interest Subsidy Scheme to Small and Medium Enterprises and it will come in force from the date of issue of this G.R and remain operational for 5 years.

3.0 Definition

3.1 SME Industrial Units:

Units which are registered as SSI or SSSBE with respective DIC or the unit registered/ approved under Industries Development and

Regulation Act 1951 amended from time to time with the Government of India (GOI) and having investment in gross fixed asset (land, building, Plant & Machinery) not exceeding Rs.10 Crore.

3.2 New Unit:

SME Industrial unit commencing commercial production during operative period of the scheme.

3.3 Existing Unit:-

SME unit defined as in 3.1 above which was existing prior to implementing expansion/ diversification/ modernization project.

3.4 Expansion or Diversification

Existing SME taking up expansion or diversification with investment more than 50% in its existing gross fixed capital investment provided the unit continues to satisfy conditions 3.1 above.

3.5 Modernization

Existing SME investing more than 25% in its existing gross fixed capital investment for any of the following purposes will be treated as modernization for the purpose of interest subsidy under the scheme.

- (a) For adopting new production process to achieve savings in Power, Pollution and improve productivity.
- (b) Installing new equipments, machineries etc., for adopting new technology or to make relevant change in the existing Plant and Machinery for the same purpose.

- (c) To change existing layout plan for improving quality of products.

3.6 The unit is to satisfy condition 3.1 after modernization.

NOTE:

Mere replacement of existing machineries will not be qualified as modernization.

Existing fixed investment means investment of the unit in fixed capital viz. Land, Building, Plant & Machinery before it commences expansion/ diversification/ modernization of the project and/or obtained sanction of financial assistance from Banks/Financial Institutions.

4.0 Quantum of Assistance:

- (i) Interest subsidy will be available for establishing new units or for expansion/ diversification and modernization of existing units.
- (ii) For the purpose of interest subsidy, the SME unit may get term loan from Financial Institution/Bank recognized by Reserve Bank of India.
- (iii) Disbursement of the loan should be within the operative period of the scheme.
- (iv) The unit must start commercial production within the operative period of the scheme.
- (v) Maximum interest subsidy at the rate of 5% will be available to SME. However, unit will be required to pay minimum 5% interest per annum to the Financial Institutions. Accordingly, if the rate of interest is less than 10%, the interest subsidy shall be reduced to

that extent. If the unit is availing benefit under Government of India, Scheme, total interest subsidy by Government of India & the State Government shall be granted in such a way that the unit shall have to bear minimum 5% interest on the loan.

- (vi) The interest subsidy will be available only on interest lavied by the Financial Institution. Penal interest or other charges will not be reimbursed.
- (vii) The interest subsidy will be available for maximum 5 years limited to maximum Rs.5 lakhs per year. The total interest subsidy will not exceed Rs.25 lakhs. in 5 years period. This 5 year will be calculated from the date of 1st disbursement by Financial Institutions.
- (viii) If the unit has availed term loan from more than one financial institution the unit will get benefit only for one Financial Institution /Bank which it selects.
- (ix) The interest subsidy will be for 5 years OR for the period of repayment of loan whichever is earlier.
- (x) The interest subsidy will be disbursed only after the unit starts commercial production.
- (xi) Interest subsidy will be given to the unit which are paying regular installments and interest to the financial institutions. If the unit becomes defaulter, it will not get interest subsidy for the default period and such defaulting period will be deducted from 5 years period.

Closer of Earlier Scheme:

1. The Industrial unit which in provisionally registered as SSI unit with concerned DIC from the issue of this G.R. will be eligible to get cash subsidy provided under G.R. dated 14.11.2000 and will not entitle under this Resolution.

2. In case of interest subsidy, the unit which has obtained provisional/ permanent SSI registration/LOI/IEM/LOP but has not commenced the commercial production prior to issuance of the G.R. will have option to choose this scheme or earlier scheme.

5.0 Procedures for Sanctioning interest subsidy:-

- 5.1 The eligible unit under the scheme will apply to the concerned DIC in a prescribed format along with Sanction Letter from Financial Institution and other documents as indicated in the format.
- 5.2 After receiving such application from the unit, DIC will scrutinize the applications and General Manager will issue sanction letter to the eligible unit.
- 5.3 After going into production the unit will have to apply for reimbursement claim to the DIC along with necessary certification from Bank/Financial Institution on regular payment of interest and installments.
- 5.4 The amount will be paid to Bank/Financial Institution with intimation to the unit.

6.0 Other conditions:

Unit availing interest subsidy under the scheme will have to observe following conditions and if unit will violate these conditions than it will be liable to pay back the assistance paid to it and the same will be recovered as arrears of land revenue.

- (i) Unit will have to observe pollution control measures as prescribed by GPCB or other competent authority.
- (ii) Unit will have to remain in production at least for 5 years from the commencement of commercial production.

- (iii) Unit will have to furnish information regarding production, employment etc., whenever asked by the Government.
- (iv) Unit will have to employ at least 85% of the total employment from local persons and at least 60% in supervisory and managerial employment.
- (v) Unit getting subsidy from other scheme of State Government or any other State Agency under any other scheme will not get interest subsidy under this scheme. However, the unit receiving benefits under Government of India Scheme would be eligible to avail benefit under this scheme.
- (vi) Unit getting benefit under GBIFR scheme will not get incentive under this scheme.
- (vii) For expansion, diversification or modernization the unit will get assistance only once during operation period of this scheme.
- (viii) If unit has any pending Government dues, it will not get assistance under this scheme unless it pays all such pending dues.

7.0 The expenditure will be met. from the provision made under

8.0 Demand No. 49

Major Head 2851 Village & small Industries,
102- (16) IND 1 Financial Assistance to Industries
3135 Grant - in- aid (C) to others

This is issued with the concurrence of Finance Department dated 28/5/2004 on this department file of even number.

By order and in the name of Governor of Gujarat.

R.S.Dave
Section Officer
Industries and Mines Department,

Copy to:-

- 1 Secretary to Hon. Governor
- 2 Secretary to Hon. Chief Minister.
- 3 Personal Secretary to all Ministers.
- 4 Advisor to chief Minister
5. Under Secretary to Chief Secretary.
6. Principal Secretary ,Finance Department.
7. Industries Commissioner,Udyog Bhavan, Gandhinagar.
8. Sales Tax Commissioner, Ashram road ,Ahmedabad.
9. Managing Director ,Index -B ,Udhyog Bhavan, Gandhinagar.
- 10 . All Board/Corporation under I&MD
11. Accountant General, Ahmedabad/Rajkot
12. All Officers I&MD
- 13 All Branches I&MD
14. Select File