

GOVERNMENT OF HIMACHAL PRADESH
DEPARTMENT OF INDUSTRIES
A-SECTION

H.P. State Emblem
Karnapur No. 6662
Date 12.10.17

No. Ind-A(F)19-22/2016. Dated Shimla-2, the

09th October, 2017.

NOTIFICATION

The Governor of Himachal Pradesh is pleased to notify the "HIMACHAL PRADESH SCHEME FOR REVIVAL OF SICK MSME UNITS, 2017" as under :-

1. INTRODUCTION :

- 1.1 Himachal Pradesh, during the last three decades has recorded impressive progress in industrialization and established itself as one of the major industrialized states in the Northern India by harnessing its exquisite resources. The mountainous State with diversified geographic and climatic zones, surplus and uninterrupted power supply with lowest power tariff rates, liberal and affordable fiscal tax regime, excellent road network, adequate skilled & semi-skilled manpower, abundant water resources, state of art infrastructure and finally excellent market access, bestows tremendous opportunities for investors.
- 1.2 The existing industries in various industrial clusters which include Baddi, Solan and Parwanoo in Solan District, Mehatpur, Tahliwal and Amb in Una District, Kala Amb and Ponta Sahib in Sirmour District and few other small industrial clusters in the State have been enjoying excellent and harmonious industrial relations.
- 1.3 The State is not oblivious of the immense efforts, sacrifices and glorious contributions of the industry in catalyzing the growth and development of the state with specific reference to generation of employment, growth in GDP which is ultimately reflecting on substantial increase in per capita income of the people.
- 1.4 The recent developments in the country with reference to Industry viz. the Startups, single window clearances, ease of doing business, online cashless transactions, introduction of GST regime and central inspection agency usher industry into new trajectory for seamless growth which ultimately catapults GDP growth.
- 1.5 The state is alert and reckons the needs of the industry and new investors. It also recognizes the hard ship being faced by the industry and readily renders "Good Samaritan" gesture and lends much needed support to the sick and

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ailing industrial units to bring them back on viable and sustainable productive path.

- 1.6 The policy statement envisages to focus on the rehabilitation and revival of sick units through technology up-gradation, innovation, quality improvement and productivity, so that such industrial manufacturing units set up in the State can effectively compete and also keep pace with global standards.
- 1.7 The cut throat competition from the neighboring states and the ushering of GST regime has put an additional accountability on the State to continuously scan and review the practices followed by more progressive States in Country and fine tune it with our approach, strategies and policy so as to keep in tandem with the speedy changing economic scenario, nationally and internationally.
- 1.8 After taking due consideration of the views expressed by the associations and after comparing sick units revival policies of various industrialized states, it has been decided to formulate a policy on revival of sick enterprises to cover rehabilitation of potentially such viable enterprises and to prevent incipient sickness.
- 1.9 The scheme basically focuses on such units that are considered potentially viable after a careful scrutiny by the financing banks/institutions for feasibility of revival and rehabilitation. There upon the State Level Industry Revival Forum will consider the recommendations of the financial institution for the sanction of rehabilitation/revival package as per guidelines.
- 1.10 Furthermore, in case of such eligible small-scale units promoted by entrepreneurs, if forced to close down for reasons beyond their control, the interest of entrepreneurs must be safeguarded by evolving a suitable mechanism of risk insurance by banks in collaboration with Insurance agencies of Government.
- 1.11 Thus, the main thrust of the policy is to reduce the incidence of sickness in industry and dishonest management.
- 1.12 The Central Government has announced a series of fiscal measures to boost the manufacturing sector and also to help sick units to stand on their own feet. This action has bestowed the State government with more responsibility and demands a proactive role for the rehabilitation and revival of the sick units in the State. The policy will be a bench mark for bringing the sick units out of the world of darkness towards growth after the implementation of this policy.

2. OBJECTIVE AND AIMS OF THE POLICY:

This policy intends to:

- Make the sick units competitive and at par with the existing manufacturing units.

- Provide incentives to help the sick units to overcome the fiscal difficulties.
- To encourage the sick units to go for technology up-gradation, innovation, modernization and diversification.
- To recover the State Government dues.
- Specifically address the issues impeding industrial growth by easing out the bottlenecks obstructing the fiscal health of the sick unit.

3. INCENTIVES, EXEMPTIONS/ CONCESSIONS BEING PROVIDED TO INDUSTRY IN THE STATE:

- a. Incentives/ exemptions/ retention are important to encourage revival and rehabilitation of the sick units.
- b. The main objective of these Incentives/ exemption/ concession is to encourage sick units to undertake technology up gradation / modernization / Innovation / diversification so as to enable such units to establish them at the initial stages of production and become more competitive.

4. SIMPLIFICATION OF RULES/PROCEDURES :

- 4.1 To facilitate such sick units the procedure has been simplified for availing Incentives/ exemption/ concession to provide maximum freedom to operate to the entrepreneurs so as tap the full potential of industry.
- 4.2 The setting up of State Level Industrial Revival forum under the chairmanship of the Hon'ble Chief Minister clearly indicates the importance of revival of the sick units.

5. SHORT TITLE:

This Scheme may be called HIMACHAL PRADESH SCHEME FOR REVIVAL OF SICK MSME UNITS, 2017 (hereinafter referred to as the 2017 Scheme) for revival of sick MSME manufacturing enterprises set up in the State.

6. COMMENCEMENT AND DURATION:

Unless specifically mentioned against the respective items of incentives sanctioned under 2017 Scheme it shall come into effect on and from the date of this notification in the whole of Himachal Pradesh and shall remain valid for such sick units who submits the application for availing incentives under this scheme up to 31st of December 2018.

7. OPERATION OF THE 2017 SCHEME:

The 2017 Scheme will be implemented by Department of Industries and other concerned Departments of the Government of Himachal Pradesh for the purpose of administering any or all of the concessions notified hereunder and forming the part of the Accepted Rehabilitation Proposal for the rehabilitation or revival of Micro, Small and Medium manufacturing enterprises, as defined in the Scheme.

8. DEFINITIONS:

- 8.1 In the 2017 Scheme for the purpose of this scheme, unless the context otherwise requires:-

- i. "Accepted Rehabilitation Proposal" means a viable proposal for utilizing the industrial assets of a Sick MSME Unit, having the support of the Financial Institutions and/or Banks having interest, that has been accepted by the State Government on the recommendation of the State Level Industrial Revival Forum.
- ii. "Accepted Revival Proposal" means a viable proposal for revival of a "Sick", MSME unit supported by the Financial Institutions and/or Banks having interest, which has been accepted by State Level Industrial Revival Forum (herein referred as SLIRF) on the recommendation of the Expert Committee
- iii. "Capital Investment" means investment made in land, building, plant and machinery, other fixed assets and equipment installed for pollution control measures in respect of any Unit;
- iv. "DOI" means Department of Industries, Himachal Pradesh.
- v. "Earlier Incentive Schemes" means any earlier Incentive Scheme in force at the time of unit becoming eligible for incentives under this scheme administered by the Department of Industries of the State Government;
- vi. "Eligibility certificate" means the certificate granted to the eligible unit by the Director of Industries on the recommendations of SLIRF which will specify the incentives, concessions and period of incentives/concessions and support measures provided to the unit in accordance with the scheme on the basis of which Industries Department and other departments shall issue the enabling notification.
- vii. "Eligible Unit" means a Sick MSME Unit as defined under clause 8(xiii) to which the 2017 scheme is applicable and the rehabilitation or revival proposal in respect of which has been accepted by State Government and which has as a consequence thereof, been granted eligibility certificate under the 2017 scheme by the DOI.
- viii. "Expert Committee" means a Committee set up under the Chairmanship of ACS/Principal Secretary (Industries) who will scrutinize the rehabilitation/revival proposal prepared by the concerned lead lending bank of the unit and or Chartered Accountant examine in detail the recommendations made in the proposal with regard to concessions proposed, period of rehabilitation and expected benefits of the proposal. Such Committee shall consist of the following Members:
1. Representative of the rehabilitating Bank,
 2. Representative of lending bank
 3. Representative of the Reserve Bank of India,
 4. Representative of the HPSIDC/HPFC,
 5. Representative of the Department of Excise and Taxation,
 6. Representative of the Power Department,
 7. Representative of Revenue Department
 8. Director Industries (Member Secretary)
 9. Concerned Joint Director/ General Manager DIC/ Member Secretary, Single Window Clearance Agency (SWCA).

10. Concerned Programme Officer, Directorate of Industries, Shimla.

This Expert Committee after detailed scrutiny and due diligence will make specific recommendations to the SLIRF as regards the concessions to be granted to such eligible unit and grant of eligibility certificate to the enterprise. Only one opportunity for rehabilitation /revival would be given to sick industrial unit. No second opportunity shall be given unless decided by the SLIRF on the basis of merits of the case.

- ix. "Fixed Assets" means the land, building, Plant & Machinery and equipment installed for pollution control measures of the unit.
- x. "Incentives" / "Concessions" for the purpose of this scheme means relief or concessions granted by State Government as per this scheme;
- xi. "Micro, Small, Medium Unit" means an industrial unit engaged in the manufacturing of goods as defined under the relevant clause of MSMED Act, 2006 by the Government of India as amended from time to time.
- xii. "Net Worth" in case of Limited Company, net worth means the sum total of the paid up capital of the unit and its free reserves. In case of Partnership/ Proprietary concern, net worth means the sum total of partners'/ proprietor's capital and free reserves means all reserves created out of profit & share premium account but does not include reserves created out of revaluation of assets, and written back depreciation under amalgamation provisions.
- xiii. "Sick Unit" means micro/small/medium scale industrial manufacturing Unit having registration certificate under MSMED Act, 2006. The units not registered earlier may get themselves registered to avail the benefits. The benefits shall be admissible if according to its audited accounts for the last three years up to the financial year 2015-16:-
 - a. The borrower account of the unit finalized and audited upto 31st of March, 2016, shows that it had remained sub standard for more than six months i.e. principal or interest in respect of its borrower account had remained overdue for a period exceeding one year

OR

there is erosion in the net worth of the unit due to accumulated losses at the end of the Financial year 2015-16 at least to the extent of 50 per cent of its net worth and which has been granted eligibility certificate as such by the Department of Industries after such declaration by the SLIRF on the recommendation of the "Expert Committee" as defined under these rules.

AND

- b. In case of a closed unit, the unit has been in commercial production for at least two years before 31/03/2016 of its closure. The closure of such unit shall be after 31/03/15, and it has remained closed continuously for eighteen months thereon. In addition there has been an electricity disconnection due to closure or the prescribed return of commercial tax for this period has been nil.
- c. Accounts would mean such audited accounts of the unit which it has reported to the Registrar of Companies and which is audited by a chartered accountant.

xiv. "State Government" means the Government of Himachal Pradesh and "Central Government" means the Government of India.

xv. "State Level Industrial Revival Forum" means the forum constituted as under for taking the final decision on Rehabilitation & Revival Proposals.

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| 1. | Chief Minister | Chairman |
| 2. | Industries Minister | Vice Chairman |
| 3. | Chief Secretary | Member |
| 4. | Managing Director, HPSEBL | Member |
| 5. | ACS/Pr Secretary(Industries) | Member |
| 6. | ACS/Pr Secretary(Revenue) | Member |
| 7. | ACS/Pr Secretary (Finance) | Member |
| 8. | ACS/Pr Secretary (MPP & Power) | Member |
| 9. | ACS/Pr Secretary (Labour) | Member |
| 10. | ACS/Pr Secretary (Excise & Taxation) | Member |
| 11. | ACS/Pr Secretary (Forest) | Member |
| 12. | The Regional Head, RBI | Member |
| 13. | Representative of concerned bank | Member |
| 14. | Any other special invitee | Member |
| 15. | Director of Industries | Member Secretary |
| 16. | | |

The SLIRF would also review the impact of incentives received by eligible sick units under this scheme on half yearly basis.

xvi. "Unit" means any 'micro', "small scale unit " or "medium" scale unit as defined under MSMED Act 2006 set up to manufacture goods registered with Department of Industries set up in the State.

9. APPLICABILITY OF THE 2017 SCHEME:

- 9.1 The 2017 Scheme shall be applicable to all "Sick" manufacturing micro, small and medium scale enterprises as defined under these rules proposing the rehabilitation or revival of such Units and also to the diversification or modernization etc. of existing sick units if forming part of such rehabilitation or revival proposal as accepted by State Government.
- 9.2 Incentives disbursed to such Units under any earlier Incentive Schemes of State Government shall continue to be governed by the provisions of registration and sanctions already issued under the respective State/ Central schemes.
- 9.3 The benefit under this scheme will be available to Micro, Small Manufacturing industrial units as defined under MSMED Act, 2006 and also to only those Medium manufacturing enterprises which proposes to employ at least 50 Himachali workers on direct basis after revival or rehabilitation.
- 9.4 All incentives pertaining to other Departments shall be available from the date of notification to be issued by the concerned Departments and will be subject to such conditions as may be notified.

10. PROCEDURE AND ELIGIBILITY CRITERIA FOR THE 2017 SCHEME:

- 10.1 Any eligible MSME Unit to which this Scheme applies shall be considered for grant of eligibility certificate provided that the unit applies for the same on or before 31st of December 2018 to the concerned Joint Director/General Manager, DIC. Provided further that all such applications for grant of eligibility certificate shall be accompanied by a concrete and a detailed rehabilitation proposal prepared by the concerned banks/ financial institutions which has extended term loans to such units or Chartered Accountant/consent of other bank taking over the liability of previous banks, balance sheet of 10 years prior to 2015-16. The concerned Joint Director/General Manager DIC will forward these cases detailing the concessions proposed, period of concessions, period of rehabilitation and expected benefits of the proposal to Expert Committee within a period of 10 days from the date of the receipt of the proposal. The Expert Committee after detailed deliberations will make its recommendations to the SLIRF within a period of 10 days from the date of receipt of the complete proposal from the concerned Joint Director or GM, DIC.
- (i) The rehabilitation or revival proposal after the recommendation of the expert committee would be then submitted to the SLIRF as a comprehensive scheme duly supported by Financial Institutions and/or Banks having interest, in acknowledgement of the potential viability of the unit and such proposal would be finally decided by the SLIRF on the basis of merits of each case.
- (ii) The rehabilitation or revival proposal is submitted to the State Level Industrial Revival Forum through Expert Committee and has the support of any intending Financial Institutions or Banks in respect of the term-borrowing or working capital requirements under the proposal and such proposal is accepted by State Government.
- (iii) No revival proposal shall be considered in respect of "Sick" Units under the 2017 Scheme, which in the opinion of the Financial Institutions and/or Banks having interest or an intended interest in them, have become sick or have closed down on account of willful mismanagement, dispute among promoters/partners or due to internal managerial deficiencies.
- (iv) Micro Small & Medium Enterprises which are declared sick under this scheme, and which as per their rehabilitation/revival proposal goes in for modernization, diversification, Innovation etc as may be approved by bank/financial institution will also be entitled for the benefit of financial incentive as provided under this Scheme as may be approved by the SLIRF.
- 10.2 "The SLIRF shall have the right to accept or reject any proposal as at para 10.1 above, solely at its discretion and recording the reasons thereof in writing."

10.3 The sum total of all benefits admissible to such sick units under the incentives/concessions mentioned above under this scheme, shall be restricted to 50% of the Investment already made and to be made for the revival of such sick unit or Rs. 5.0 (five) Crore per unit, whichever is less.

11. COVERAGE OF ELIGIBLE UNITS UNDER THE 2017 SCHEME:

- a. Eligible Units shall be granted incentives or support measures as the case may be, under the 2017 scheme in the matters outlined below subject to acceptance by State Government of their rehabilitation or revival proposal.
- b. Grant of a flexible and comprehensive package of incentives or support measures based on the merits of accepted proposals for rehabilitation or revival.

12. CLASSIFICATION OF AREAS:

The benefit of 2017 Scheme shall be available to sick units defined under this scheme located in Category 'A' , 'B', 'C' areas as specified under Rule 5 of the "Rules Regarding Grant of Incentives, Concessions and Facilities to Industrial Units in Himachal Pradesh, 2004" as amended from time to time.

13. INCENTIVES FOR THE REHABILITATION OR REVIVAL OF ELIGIBLE "SICK" UNITS:

13.1 Interest Subsidy :

Eligible Units shall be reimbursed an Interest subsidy to the extent of 7% (per unit per year) on the term loan required to be borrowed from a Commercial Bank/Financial Institution/Co-operative banks/NBFC approved by the Reserve Bank of India for implementing the rehabilitation or revival proposal subject to a limit of Rs. 8.0 lakh in case of units located in 'A' Category Areas per year for three years and Rs. 10.0 lakh in case of units located in 'B' and 'C' Category Areas per year for five years.

13.2 Disposal of surplus Land assets:

Eligible Units can be allowed to unbundle idle and surplus land assets through the participating rehabilitation financial institution to generate augmentable resources for investment in their rehabilitation or revival, provided it forms a part of means of finance to meet its rehabilitation or revival cost in accordance with an accepted rehabilitation or revival proposal and subject to the fulfillment of conditions as per the existing policy package of State Government or as may be laid down by the State Government at the time of giving such permissions provided where such land has been purchased under section 118 of Himachal Pradesh Tenancy & Land Reform Act, 1972, permission will be required for further disposal/transfer of such land from the Govt. as per requirement of 2nd proviso below clause (h) of sub section 2 of the section 118 of the Act *ibid*.

13.3 Exemption from Payment of Electricity Duty:

A concessional rate of Electricity Duty shall be charged from all such eligible sick units, as per notification issued for new units set up in the State by the Department of MPP & Power and as amended from time to time.

13.4 Payment of due arrears of Sales Tax VAT, CST – GST (as may be applicable) in installments:

Eligible Units can be considered for payment of the arrears of their VAT/CST in five annual installments which were due at the time of applying under this scheme for rehabilitation/revival.

13.5 Concessions/Exemption/Retention of Taxes, Fees, Duties levied by the State Government which are payable by the unit in future:

The eligible units shall be entitled for exemption or concession or retention in respect of all the duties, taxes, fees, etc. that come under the preview of the State Government like VAT, CST, SGST, State Excise Duty, additional excise duty, Bottling Fees, franchise fee, license fee, Import Duty & Export Duty etc. to the following extent:-

Area	Extent of concession/ exemption /retention	Period
Category B and C	The eligible sick unit shall be entitled for exemption/ reimbursement, as the case may be, to the extent of 50% in respect of all the duties, taxes and fees viz. Import Duty, SGST, VAT, Bottling, Franchise and other licenses fees for a period of 10 years.	10 Years

13.6 The eligible units may be reimbursed SGST paid by them on purchase of raw materials and other inputs if SGST cannot be set off against VAT payable on the finished products and the concessions shall remain available for 10 years.

13.7 Special State Transport Subsidy:

Sick units would be eligible for reimbursement of cost of transportation of raw material and finished goods as follows:-

Area	Extent of reimbursement	Period
Category C and B	90% of the transport rates for HGT as notified by the Department of Transport, Govt. of HP or actual expense incurred on transportation of raw materials, whichever is less from the place of supply of such raw material intra state to the place	5 years

	of manufacturing of the unit and from the nearest broad gauge rail head to the place of manufacturing in case of interstate transportation .Such unit would also be reimbursed 90% of the of the transport rates for HGT as notified by the Department of Transport, Govt. of HP or actual expense incurred on transportation, whichever is less, of finished goods to the place of supply in case of intra state transportation and to the nearest broad gauge rail head in case of interstate transportation, subject to a max ceiling of Rs. 10 lakh per year.	
Category A	75% of the transport rates for HGT as notified by the Department of Transport, Govt. of HP or actual expense incurred on transportation of raw materials, whichever is less from the place of supply of such raw material intra state to the place of manufacturing of the unit and from the nearest broad gauge rail head to the place of manufacturing in case of interstate transportation .Such unit would also be reimbursed 75% of the of the transport rates for HGT as notified by the Department of Transport, Govt. of HP or actual expense incurred on transportation, whichever is less, of finished goods to the place of supply in case of intra state transportation and to the nearest broad gauge rail head in case of interstate transportation, subject to a max ceiling of Rs. 10.0 lakh per year.	3 year

14. POWER TO AMEND:

Notwithstanding anything contained in any of the provision of the 2017 scheme, the State Government may at any time:-

- a. Make any amendment to this Scheme;
- b. Make any relaxation in applying to provisions of this Scheme but such relaxation shall be effected on the merits of each case;
- c. May issue instructions and guidelines to facilitate implementation, to remove anomalies and to clarify the interpretations of the provisions of the Scheme.

By Order

Tarun Kapoor
Addl. Chief Secretary (Industries) to the
Government of Himachal Pradesh.

Endst. No. Ind-A(F)19-22/2016. Dated Shimla-2, the 09th October, 2017.

Copy forwarded to the following for information and necessary action:-

1. The Chief Secretary, Government of Himachal Pradesh, Shimla-2.
2. The Secretary, Government of India, Ministry of Commerce & Industry, Department of Industrial Policy & Promotion, Udyog Bhawan, New Delhi 110011.
3. The Secretary to the Governor, Himachal Pradesh, Shimla-2.
4. The Pr. Private Secretary to the Chief Minister, Himachal Pradesh Shimla-2.
5. The Director of Industries, Himachal Pradesh, Shimla-1.
6. The Sr. Private Secretary to the Industries Minister, Himachal Pradesh, Shimla-2.
7. All Administrative Secretaries, Government of Himachal Pradesh, Shimla-2.
8. The Special Secretary (GAD) to the Government of Himachal Pradesh, Shimla-2, w.r.t. Item No. 19 of the Cabinet Meeting held on 04.10.2017.
9. All Head of Departments, Himachal Pradesh.
10. All Divisional Commissioners, Himachal Pradesh.
11. All Deputy Commissioners, Himachal Pradesh.
12. The Regional Director, Reserve Bank of India, 40, SDA Complex Basement-1, Kasumpti, Shimla-171009.
13. The Chief General Manager, NABARD, Block No.32, S D A Commercial Complex, Dev Nagar, SDA Complex, Kasumpti, Shimla- 171009.
14. The Convener, State Level Banker's Committee, Uco Bank, Himland Hotel Annexe, Circular Road, Shimla. 171001.
15. The Development Commissioner (MSME), Government of India, Ministry of Micro Small & Medium Enterprises, Nirman Bhawan, Maulana Azad Road, New Delhi, INDIA -110 108.

Jc 09/10/17

(D.C. Rana)

Special Secretary (Inds.) to the
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