

Industrial Development Section-6
No.3090/77-6-03-41(Tax)01
Lucknow: Dated: 6 November, 2003

In exercise of the executive powers conferred under Article 162 of the constitution of India, the Governor is pleased to make the following rules for implementation of G.O. No.3806/77-6-2002-41(Tax)/01 dated March 11, 2003 and for encouraging the establishment of large units and providing working capital to them in initial years.

Industrial Investment Promotion Rules 2003

1. Short title and commencement
 - 1(1) These rules shall be known as Industrial Investment Promotion Rules 2003.
 - 1(2) These rules shall be operating in whole of Uttar Pradesh.
 - 1(3) These rules shall come into force w.e.f. November 6, 2003.
2. Definitions
 - (a) "Date of First Sale" means the date of first sale of the goods manufactured from new investment and certified by the Chartered Accountant.
 - (b) "Capital Investment" means such investment made in land, building, plant, machinery and capital goods and the date of first sale of the goods manufactured out of such investment falls on or after March 11, 2003.
 - (c) "Eligible Unit" means the unit a new unit the first date of sale of goods manufactured by it falls on or after March 11, 2003.
 - (d) "Mega Unit" means the following types of units:
 - (i) Food Processing or animal based industries having investment of Rs.10 crore (amended to Rs.5 crore by Food Processing Policy 2004).
 - (ii) Units set up in Purvanchal and Bundelkhand having investment of Rs.10 crores or more.
 - (iii) All other industrial units in whole of the State (not covered by (i) and (ii) above) having investment of Rs.25 crores or more.
 - (e) "Purvanchal" means the districts mentioned in Annexure-I.
 - (f) "Bundelkhand" means the district mentioned in Annexure-II.
 - (g) "Annual Turnover" means the turnover of goods manufactured out of a new investment during the period from April 1 to March 31 or as the case may be during the period from date of first sale to succeeding March 31.
 - (h) "PICUP" means the Pradeshiya Industrial and Investment Corporation of U.P. Ltd. set up under Companies Act, 1956 as a government company.
 - (i) "UPFC" means the Uttar Pradesh Financial Corporation

set up under section-3 of the State Finance Corporation Act, 1951.

- (j) "Date of disbursement of Loan" means the date on which a cheque was given to unit by PICUP/UPFC.
 - (k) "Date of repayment of Loan" means the date on which the unit gives Bank Draft to PICUP/UPFC.
 - (l) "Year" means the period between April 1 to March 31.
3. The period of interest free Loan shall be 10 years from the date of first sale of goods manufactured out of new capital investment.
4. Limit of the Loan The amount of loan shall be limited by the amount as provided in para-5(4). It shall not exceed the total of the tax paid by the unit under the U.P. Trade Tax Act and Central Sales Tax Act or 10% of the annual turnover of the unit of that year, whichever is less.
5. Procedure for sanction and recovery of Loan
- 5(1) The unit shall file application for loan along with 3 copies of annual accounts as certified by Chartered Accountant by succeeding September 30 to PICUP/UPFC. The units financed by PICUP shall give their application for interest free loan to PICUP and all other units shall give their application for such loan to UPFC. The eligible units shall deposit admitted Trade Tax and Central Sales Tax in the treasury as per rules before giving application for interest free loan.
 - 5(2) PICUP/UPFC shall provide interest free loan to eligible units on the turnover of goods manufactured out of the new capital investment equivalent to an amount as provided in para 5(4) or the total of the amount paid as Trade Tax and the Central Sales Tax or 10% of the annual turnover of that year, whichever is less.
 - 5(3) The Managing Director, PICUP/UPFC shall be responsible for disposal of the application for interest free loan within 30 days from the date of receipt of such application. In case of rejection of the application for loan, written intimation elaborating the reasons for rejection of the application shall be given to the unit within next one week. The unit may appeal against the rejection of the application to the Secretary, Industrial Development Department which shall be decided by the Committee set up under para-12 after giving reasonable opportunity of being heard to the unit.
 - 5(4) The per centage of the interest free loan shall be determined on the basis of ratio of the capital investment and annual turnover of goods manufactured out of such investment which shall not exceed total of the Trade Tax and Central Sales Tax paid by the unit or 10% of the annual turnover whichever is less.

(Rs. in crore)

(Presumed figures)

Capital Investment	Annual Turnover	Ratio of Capital Investment and Annual Turnover	Interest Free Loan (as percentage of Annual Turnover)
10.00	10.00 or less	10 : 10 or less	5 (minimum per cent)
10.00	12.00	10 : 12	6 (5x12/10)
10.00	15.00	10 : 15	7.5 (5x15/10)
10.00	20.00 or more	10 : 20	10 (5x20/10 maximum 10)

- 5(5) The unit shall execute a memorandum of understanding with PICUP/UPFC to the effect that unit shall not be closed within 5 years from the last date of availing the facility of interest free loan.
- 5(6) A copy of order granting interest free loan shall be sent to the unit and Industrial Development Department. The required amount for grant of interest free loan to units set up in Bundelkhand and Purvanchal under the scheme shall be made available from Bundelkhand and Purvanchal Development Fund and in respect of the other units required amount shall be made available through UPFC and PICUP by Industrial Development Department.
- 5(7) The head of account for interest free loan shall be allotted by the Finance Department to PICUP and UPFC later on.
- 5(8) Recovery of the amount of interest free loan shall be shown in the same year in receipt column of the relevant heads of loan account.
- 5(9) Industrial Development Department shall be the controlling authority of the aforesaid loan head account. They shall give estimate of the loan amount or supplementary demand under the said ledger head.
- 5(10) The eligible unit shall make repayment of loan immediately after the date of expiry of 7 years from the date of disbursement of loan by means of Bank Draft to PICUP or UPFC.
- 5(11) In case of failure of repayment of loan within the prescribed time, the unit shall be liable to pay simple interest @ 1.25% per month. For the purposes of calculating the interest part of the month shall be treated as one month.
- 5(12) The amount paid by the unit shall be adjusted in the principal amount and only the balance amount shall be adjusted in the interest payable, if any, considering the object of the loan.
- 5(13) The eligible unit shall create first or second charge on its

properties sufficient for security of loan in favour of PICUP/ UPFC.

5(14) PICUP/UPFC shall issue a show-cause notice to the units in case of failure to repay the amount within the prescribed time. A recovery certificate for recovery of the amount as arrears of land revenue shall be issued if satisfactory reply is not received from the unit and may also file case in the court or take other proper legal action. They may file a winding up application before the competent court in case of a limited company.

5(15) The authorized officer of PICUP/UPFC may inspect the factory, shop, godown, vehicle and accounts to ensure that unit is not breaching any of the condition of the scheme.

5(16) The interest free loan under this scheme shall be given to only those eligible units who are not defaulters in payment of dues of Central or State Government. The unit shall submit necessary certificate in this respect to PICUP/UPFC.

6. Restrictions The eligible unit shall not make any change in the constitution, factory or registered office nor sell, give on lease or make change in the ownership of the property without written permission of PICUP/UPFC.
7. Effect of breach of conditions mentioned in para-6 In case the unit breaks any of the conditions of para-6 or given incorrect facts, the PICUP/UPFC will have power to cancel that loan after giving the unit a reasonable opportunity of being heard. On the date of passing such order whole of the balance amount shall become payable. In case of default, the eligible unit shall be liable to pay interest @ 1.25% per month simple interest from the date the amount became due to the date of payment.
8. Liabilities of the eligible unit The eligible unit shall be bound to take following actions during the period of repayment of loan:
 - (i) It shall execute all the agreements and documents required by the PICUP/UPFC.
 - (ii) It shall furnish all the information required by PICUP/UPFC.
9. Jurisdiction of the Court In case of any dispute, the case can be filed only in the courts at Lucknow. The intimation given under certificate of posting by PICUP/UPFC shall be deemed as sufficient service of the notice.
10. Expenditure All the expenditure related to interest free loan including expenditure in execution of agreement, stamp, advocate's fee, solicitor's fee and other ancillary expenditure shall be paid by the unit in advance.
11. Agreement The unit shall execute an agreement with PICUP/UPFC relating to the terms and conditions of the loan amount to ensure compliance of terms and conditions of the rules.

12. Solution of the (i) In case of any doubt or problem, necessary order shall be
problems and (ii) issued by the Industrial Development Department.
monitoring of (ii) The monitoring of the scheme shall be done by a
the scheme committee set up under the Chairmanship of Secretary,
Industrial Development Department and have following
members:
(a) Secretary, Finance
(b) Secretary, Industrial Development & Executive
Director, Udyog Bandhu
(c) Managing Director, PICUP
(d) Managing Director, UPFC

Encl.: As above

By Order,

(Rakesh Garg)
Secretary

Industrial Development Department