

LOAN POLICY OF H P FINANCIAL CORPORATION
FOR FY 2009-10

1. Himachal Pradesh Financial Corporation (HPFC) was set up by the Government of Himachal Pradesh under the State Financial Corporations Act, 1951 on 1.4.1967 with the main objectives of financing Small & Medium Enterprises to catalyse investment, generate employment and to widen the ownership base of industries for achieving balanced regional growth in Himachal Pradesh. HPFC provides Term Loans to new Micro, Small and Medium Enterprises for creation/acquisition of fixed assets like land, building and machinery. Existing industrial units are also assisted for modernization and expansion etc.

2. General Policy

- a) The maximum term loan assistance considered by HPFC is upto Rs. 2000.00 lacs per project in respect of Corporate Bodies (Private & Public) and Rs. 800 lacs per project in respect of Sole Proprietary/partnership concerns. Corporate Bodies (Private or Public) having paid up capital and reserves of more than Rs. 30 crores are not considered for financing.
- b) HPFC operates various schemes of Small Industries Development Bank of India (SIDBI). HPFC has also devised various schemes to suit the requirements of entrepreneurs.
- c) Industrial units with loan requirements upto Rs. 300 lacs would be given priority in sanction of loan.
- d) Industrial units generally defaulting in repayment of loan to HPFC/Banks/Financial Institutions would not be considered for further financial assistance. If additional loan improves working of the unit and satisfactory arrangements for clearance of default is made, additional loan can be considered in such cases also on merit of each case.
- e) HPFC also takes over loans of industrial units financed by other financial institutions/Banks provided their loan accounts are regular and are in standard category.
- f) Quick Finance line of Credit scheme is also applicable for Working Capital Term Loan (WCTL) and for acquisition/construction of building in respect of industrial units, Hotels, and other eligible projects/activities.
- g) Normally, the Corporation does not consider working capital term loan (WCTL). However, WCTL would be considered as per HPFC's own scheme on highly selective basis. Minimum collateral security in the case of WCTL will be 100%.
- h) Building portion of Educational Institutions constructed by Builders are also considered for financing.
- i) Loan proposals of NRI entrepreneurs would be considered only if supported with collateral security located in India as per norms of the Corporation. No relaxation in collateral security norms would be considered in case of NRI proposals.

- j) Printing presses and stone crushers are included in the list of industries “not to be encouraged”. However the Corporation may consider loans for these industries on selective basis if minimum 100% collateral security is provided in addition to fulfilling other viability norms.
- k) The steel units are also included in the list of industries “not to be encouraged”. However, already working steel manufacturing units can be considered loan for expansion or modernization subject to providing at least 50% additional collateral security and fulfilling other viability norms.

3. Activities eligible for financial assistance

- a) Industrial units involved in manufacture, preservation or processing of goods in micro, small and medium scale sector.
- b) Tourism related activities like Hotels, Restaurants, Tourist Resorts, Amusement parks, Rural Stay Homes etc.
- c) Construction activities like commercial/housing complexes including community centres and conferences halls etc.
- d) Medical, health, hospitals and other allied services
- e) Information technology telecommunication/electronic software and hardware services
- f) Mini/Micro hydro power projects upto 5 MW
- g) Small Road Transport Operators (upto 20 vehicles)
- h) Other eligible activities under SFCs Act, 1951.

4. Lending norms(Preferable)

- i) **Debt Equity Ratio**
 - Micro & SSI Units 1.5:1 to 2:1
 - MSI units Upto 1.5:1
- ii) **Minimum Promoter contribution of total project cost**
 - a) SSI units 33.33%
 - b) MSI units 40%
 - c) Infrastructure projects 40%
 - d) SRTOs 20%
 - e) Power projects 20%

(Generally 50% promoter’s contribution is required to be invested before release of first instalment of loan. It will be 100% in the case of SRTOs.)

- iii) **Debt Service Coverage Ratio** Above 1.5
- iv) **Repayment period**
 - Industrial units: 5-8 years including moratorium period of 1-2 years
 - Power projects: 5 to 10 years including moratorium period of 1 to 3 years.
 - SRTOs: 5 years including moratorium of 3 months
 - WCTL: 3.5 years including moratorium of 6 months

v) **Minimum Collateral Security:**

a) General Norms	30% of term loan
b) WCTL	100% of term loan
c) Moveable Assets	100% of term loan

(Above are the minimum collateral security norms. However, the Corporation may insist upon higher security depending upon the risk perception).

5. Industries to be encouraged

- a) The Corporation would focus on thrust areas as identified by the State Government. The lists of industries in thrust areas is given at Annexure-A. It would be the endeavour of HP Financial Corporation to encourage these industries subject to fulfillment of viability norms of the Corporation.
- b) In addition, the Corporation would also encourage the following industries during the year 2009-10.
 - Marketing/commercial complexes including community centres and conference halls
 - Residential complexes promoted by builders with all statutory clearances
 - Up gradation/renovation of Hotels, tourism resorts, guest houses and rural stay homes.
 - Hospital and diagnostic centres including allied services.
 - Small Road Transport Operators
 - Construction equipments like JCB, road mixing plants
 - Mini and Micro Hydro projects upto 5 MW.

6. Industries not to be encouraged

The industries which are not to be encouraged during the Financial Year 2009-10 are given at Annexure-B.

Thrust Areas

1. Units based directly on horticulture produce including hops and tea.
2. Mineral water bottling.
3. Automobile manufacturing units including assembly units which have a minimum of 5 ancillary units substantially dependent on it.
4. Cold storage units/chain
5. Fruit/vegetable/herb s/honey/spices based wineries
6. Production of ciders/ale/liquors
7. Sericulture/handlooms/khadi industry related manufacturing industrial activities.
8. Electronic units including computer software and information technology except assembling units where value addition is less than 15%.
9. Floriculture
10. Medicinal herbs and aromatic herbs etc processing.
11. Horticulture, maize based industries, herbal based industries and Agro based industries excluding those included in the negative list.
12. Food processing Industry excluding those included in the negative list.
13. Sugar and its by-products.
14. Silk & silk products.
15. Wool and wool products
16. Woven fabrics (excisable garments)
17. Sports goods and articles and equipment for general physical exercise and equipment for adventure sports/activities tourism.
18. Paper & paper products excluding those in negative list (as per excise classification).
19. Pharma products
20. Information & Communication Technology Industry, Computer hardware, Call centres, IT software and services.
21. Eco-tourism hotels, resorts in locations other than those located in the Municipal Limits/NAC/Nagar Panchayat/Special Area Development Authority Limits, as the case may be of Shimla, Dalhousie, Mecleodganj and Manali.
22. Spa, entertainment/amusement parks, rope ways etc
23. Industrial gases (based on atmospheric fraction).
24. Handicrafts
25. Non-timber forest product based industries
26. Precision Industries.

Not to be encouraged industries

1. Tobacco and tobacco products including cigarettes and pan masala
2. Thermal Power Plant(Coal/oil based).
3. Coal washeries/dry coal processing
4. Inorganic chemicals excluding medicinal grade oxygen (2804:11) medicinal grade hydrogen peroxide (2847.:11), compressed air (2851.30)
5. Organic chemicals excluding pro vitamins/vitamins, hormones (29.30) Glycosides (29.39), Sugars (29.40), (reproduction by synthesis not allowed as also down stream industries).
6. Tanning and dyeing extracts, tannins and their derivatives, dyes, colours, paints and varnishes, putty, fillers and other mastics, inks
7. Marble and mineral substances not classified elsewhere.
8. Flour Mill/Rice Mill(including roller flour mills).
9. Foundries using coal.
10. Minerals fuels, mineral oils and products of their distillation, bituminous substances, mineral waxes.
11. Synthetic rubber products.
12. Cement Clinker and Asbestos raw including fiber
13. Explosive (including industrial explosives, detonators & fuses, fireworks, matches, propellant powders etc).
14. Mineral and chemical fertilizers
15. Insecticides, fungicides, herbicides and pesticides (basic manufacture and formulation).
16. Fibre glass & articles thereof.
17. Manufacture of pulp-wood pulp. Mechanical or chemical (including dissolving pulp).
18. Branded aerated water/soft drinks (non-fruit based).
19. Paper – writing or printing paper, paper or paper board, maplitho paper, news print, in rolls or sheets, craft paper, sanitary towels, cigarette paper, grease proof paper, toilet or facial tissues, paper and paper board, laminated internally with bitumen, tar or asphalt, carbon or similar copying paper, products consisting of sheets of paper or paper board, impregnated, coated or covered with plastics, paper and paper board, coated impregnated or covered with wax etc.
20. Plastics and articles thereof
21. Production of firewood and charcoal.
22. Mini steel plants induction/Arc/submerged furnaces, and/or rolling mills.
23. Stone crushers.
24. Printing presses.

Annexure-A

Priority Sector:

1. Units based on agriculture/horticulture produce including hops, food products except breweries, distilleries, non-fruit/vegetable wineries and bottling plants (both for country Liquor and Indian made Foreign Made)
2. Cold storage units
3. Fruit/vegetable based wineries
4. Herb based industries and aromatic industries
5. Wool (including Angora wool) based industry
6. Agriculture related industrial activities
7. Electronic units including computer software and information technology except assembly units where value addition is less than 14%. However, the electronic units would be considered for financing only if supported with minimum collateral security of 100% in view of inherent risk.
8. 100% export oriented units except breweries, distilleries, non-fruit/vegetable wineries and bottling plants (both for Country liquor and Indian Made Foreign Made)
9. Units set up by Non-Resident Indians except breweries, distilleries, non-fruit/vegetable wineries and bottling plants(both for Country liquor and Indian Made Foreign Made) if supported with collateral security as per norms of the Corporation.