

(As on 31.08.2020)

PUNJAB STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED

(Manual-4)

NATURE OF FUNCTIONS/SERVICES OFFERED

PRIOR TO THE YEAR 2002-2003:

The Punjab State Industrial Development Corporation Limited (PSIDC) was incorporated in January, 1966 as the prime institution of Government of Punjab to act as a catalyst for the development of large and medium scale industries in the State. In 1976, PSIDC was also declared as a State Level Financial Institution under the refinance scheme of IDBI. The Corporation, thus combined in itself the role of an institutional entrepreneur, a financial institution and a facilitator for industrial growth of Punjab. In the endeavour it invested/promoted various companies in the State and granted loan facilities to the various industrial units.

IN RESPECT OF PROJECT PROMOTION ACTIVITIES:

Initially, the Corporation's main function was to identify and promote projects in the medium and large scale sectors through investment by way of equity for which, upon identification of project and obtaining requisite license for projects, suitable for the State of Punjab, it invited requests by advertisement through press for selection of financial collaborator and based on technical and financial strengths, the Collaborator was selected either in joint sector where the Corporation participated 26% of the total equity required for the project or in assisted sector where it participated 10-15% of the total equity required for the project. The collaborator was selected based on analysis carried out on technical

and financial parameters by the Project Approval Board of the State Govt. on the recommendations of the Board of the Corporation. Regular Financial Collaboration Agreements have been signed with the financial collaborators which provide inter alia buy back of the equity invested by the Corporation, within a specific period upon start of commercial production, based on a price formula to enable the Corporation for a reasonable return on the investment made by it. In some cases, where the project was found to be important for the State and response from the private sector was not good enough or the project was necessarily required to be set up in public sector, as per the requirement of the industrial license or where the institutions were not too willing to fund the project, as per their overall financial policy, some projects were also set up in public sector by the Corporation. Upon liberalization of the industrial policy, when license was substantially dispensed with, this practice was modified to the extent that it entered into a Memorandum of Understanding with the prospective entrepreneurs willing to set up suitable projects in the State, for promoting such projects in the joint/assisted sectors, on case to case basis, subject to all India Financial Institutions agreeing to sanction funding of these projects. The investments for these projects by PSIDC, was approved by the Project Approval Board on the recommendations of the Board of Directors of the Corporation, after the sanction for loan/underwriting etc. have been provided by the financial institutions.

The Corporation also participated upto 15% of the total equity envisaged in the project only to meet the gap in the promoters contribution required for the project in respect of projects, not promoted by it, but set up in the State, subject to establishment of techno-economic viability of the project, importance of the

project for the State and tying up of the total funding requirement of the project. This investment was provided upto a limit in terms of amount of investment fixed by the Board of the Corporation, from time to time and it was provided with the approval of the Board of Directors of the Corporation.

AS A LENDER BEING A SECOND STATE LEVEL FINANCIAL INSTITUTIONS:

The Corporation provided loans under IDBI and SIDBI Refinance Schemes, as per the provisions of the scheme to the extent provided under the scheme subject to IDBI/SIDBI as the case may be, agreeing to refinance the loan provided by the Corporation. The loans were provided either by the Corporation itself or jointly with Punjab Financial Corporation/Banks and other Financial Institutions.

The Corporation also granted loans to the various borrowers from its own sources also after the Refinance Scheme of IDBI/SIDBI was dispensed with.

IN ITS ROLE AS A FACILITATOR:

As a facilitator, a prestigious project has been set up comprising of Petroleum Refinery with a capacity of 9 MMTPA with approximate investment of Rs.18,919 crores at Village Phulokheri, Tehsil Talwandi Saboo, District Bathinda by HMEL, a joint venture of Hindustan Petroleum Corporation Limited & Mittal Energy Investments Private Limited. This project is of immense economic importance to the State of Punjab. The refinery project commenced trial production in August, 2011 and commenced commercial production on 2nd December, 2011. Another project for laying of cross country Natural Gas Pipeline alongwith developing and operating optic fibre communication system etc. having an estimated cost of Rs.2100 crores has been implemented by GAIL(India) Ltd.

(A Government of India Undertaking) which will further boost the industrial development of the State of Punjab. Gas Pipeline has already been laid by GAIL(India) Ltd. which was inaugurated by the Hon'ble Prime Minister on 23.03.2012 which passes through the districts of Patiala, Fatehgarh Sahib, Ludhiana, Barnala, Moga, Bathinda, Nawanshahar, Hoshiarpur and Rupnagar in the State of Punjab.

PSIDC thus played an important role in the industrialization of the State by way of promoting various industries by way of investment in such industries as also granted financial assistance to the industrial units and even facilitated various prestigious projects in the State.

AFTER 2002-2003:

PSIDC had played an important role in the industrialization of the State prior to 2002-2004. However, after the banks started giving loans, the Corporation faced stiff competition in this regard. At the same time the declaration of "Tax Holiday Package" in the neighboring states also attracted the entrepreneurs of Punjab to set up their expansion/second units in these States which restricted the role of the Corporation. After the liberalization of the economy, the provisions for providing of license was done away and the prospective entrepreneurs had to file only Entrepreneurs Industrialization Memorandum (EIM) with the concerned Authorities- Industrial Development Regulatory Authority (IDRA), New Delhi. This also affected the significance of the role of the Corporation.

PSIDC has not been able to provide financial assistance by way of equity investments and term loans for the last 17 years in view of stiff competition from the banks, tax holiday available in the neighboring states and also in view of

paucity of funds. It is concentrating mainly on recovery of its dues and the performance in respect of recovery of dues year to years depends upon the response from the market against sale of assets taken over by the Corporation and the response of the promoters/collaborators to the various OTS policies for loans and equity which are being floated from time to time in order to settle the dues with the companies/collaborators. Efforts are being made to recover these amounts by sale of assets by floating OTS Policy and pursuing various legal actions available to the Corporation under the provisions of SFC's Act, SARFAESI Act and other Laws.

In respect of Second State Level Financial Institutions:

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In respect of Project Promotion Activities:

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Corporation participated 26% of the total equity required for the project or in assisted sector where it participated 10-15% of the total equity required for the project. The collaborator was selected based on analysis carried out on technical and financial parameters by the Project Approval Board of the State Govt. on the recommendations of the Board of the Corporation. Regular Financial Collaboration Agreements have been signed with the financial collaborators which provide inter alia buy back of the equity invested by the Corporation, within a specific period upon start of commercial production, based on a price formula to enable the Corporation for a reasonable return on the investment made by it. In some cases, where the project was found to be important for the State and response from the private sector was not good enough or the project was necessarily required to be set up in public sector, as per the requirement of the industrial license or where the institutions were not too willing to fund the project, as per their overall financial policy, some projects were also set up in public sector by the Corporation. Upon liberalization of the industrial policy, when license was substantially dispensed with, this practice was modified to the extent that it entered into a Memorandum of Understanding with the prospective entrepreneurs willing to set up suitable projects in the State, for promoting such projects in the joint/assisted sectors, on case to case basis, subject to all India Financial Institutions agreeing to sanction funding of these projects. The investments for these projects by PSIDC, was approved by the Project Approval Board on the recommendations of the Board of Directors of the Corporation, after the sanction for loan/underwriting etc. have been provided by the financial institutions.

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