

**CHAPTER V****ROLE OF SIDICO**

The Sikkim Industrial Development and Investment Corporation Limited (SIDICO) was established on 13th March, 1977. The Corporation was registered under the Registration of Companies Act, Sikkim 1961.<sup>1</sup> Among the total of eleven twin-function State Industrial Development Corporations (SIDC) in the country, SIDICO is the only Organisation not registered under the Companies Act, 1956. The Corporation was incorporated as a wholly-owned undertaking of the Government of Sikkim.

The Corporation is working as a catalyst for the industrial development of the State. Sikkim was merged in India in 1975 and the Corporation started functioning in 1977. Thus, the Corporation covers almost entire Post-merger period of Sikkim's economy. The corporation enhanced financial assistance to more than 90.0 percent of the industrial units in the State including hotels and taxis.

The Corporation undertake activities as per the guidelines of the IDBI, the State Government and the top-level management i.e., Board of Directors.

The Corporation provide assistance to medium and small scale industries, tiny sector, hotels and small road transport operators mainly taxis in the form of term loan, bridge loan, direct subscription to shares and supply scarce raw-materials to small scale units, reimbursed investment and transport subsidies. It has executed wide range of promotional activities such as preparation of feasibility report, conducting industrial potential

survey, entrepreneurship development programmes and developing industrial areas and estates. The Corporation also involved in setting up of medium and large industrial projects in the joint sector, assisted sector in collaboration with private entrepreneurs or as wholly-owned subsidiaries.

In this chapter, performance of relevant objectives and activities have been discussed.

The Corporation enlisted elaborate objectives in the Memorandum of Association. The clauses of Memorandum are divided into three different type of objectives. These are main objectives, ancillary objectives and all other objectives not included in main or ancillary objectives.<sup>2</sup> The SIDICO attains a large extent of these objectives. It formulate policies to achieve the desired goal of industrialisation. In course, the Corporation has designed many secondary objectives to reach out main objective. Thus, in practice, SIDICO could not perform even all the provisions in all the objectives. For instance, in one objective of buying, underwriting and investment in stocks and shares, SIDICO has accomplished buying and investment portion but could not underwrite so far.

The Corporation, as per Memorandum deals with the following important objects.

1. to work for the industrial development of the State of Sikkim by promoting industries in the Corporate Sector or otherwise, by purchasing the existing industrial units in the Corporate Sector or otherwise, by developing the existing units in the Corporate Sector or otherwise and

- by investing or financing the industrial enterprises in the State, whether for starting, running, expanding, modernising or otherwise howsoever;
2. to encourage and promote the expansion of investment markets in the State of Sikkim;
  3. to buy, underwrite, invest in and acquire and hold shares, stocks, debentures, debenture-stock, bonds, obligations and securities issued or guaranteed by any Company or body incorporate or unincorporated or by a person or association;
  4. to acquire any shares, stock, debenture, debenture-stock, bonds, obligation or securities....by original subscription, participation in Syndicates, Tender, Purchase, Exchange or otherwise and to subscribe for the name either conditionally or otherwise and to guarantee the subscription thereof and to exercise and enforce all rights and powers conferred by or incidental to the ownership thereof;
  5. to borrow money by way of refinance from the IDBI;
  6. to lend money with or without security and to make advances upon, hold in trust, issue, buy, sell or otherwise acquire or dispose of, on commission or otherwise any of the securities or investments or to act as agent for the like purposes.
  7. to grant or guarantee or recommend the grant of loans to industries to which such sub-contracts are given or orders are issued as specified, in order to enable them in carrying out the sub-contracts or orders, to finance plant constructions, conversion or expansion, including

the acquisition of land, or to finance the acquisition of equipment, facilities, machinery, supplies or materials or to supply such concerns with working capital to be used in the manufacture of articles, equipment, supplies or materials under contract to Govt. or to this company<sup>3</sup> to provide them with such financial, technical, managerial and other assistance as may be deemed necessary for the purpose of enabling them to execute and carry out the sub-contracts and orders satisfactorily and to organise production and manufacture for meeting such contract and sub-contract and orders adequately and according to specification and to ensure satisfactory production by all necessary instruction, assistance, inspection and supervision;

8. to procure capital for financial assistance or accomodation for or provide managerial equipment, technical and managerial assistance, information instruction, supervision and other facilities to any Company, person or association for the purpose of carrying into effect of its objects;
9. to promote and establish companies, firms, establishments, concerns, undertakings and associations for the prosecution or execution of industrial undertakings, works, projects, and enterprises of any description whether of a private or public character, which in the opinion of the Company would contribute to the industrial development of the State of Sikkim and to acquire and dispose of shares and interest in such companies or associations or any undertaking thereof or for any purpose calculated to benefit the Company;

10. to promote, improve, establish and execute industries, projects or enterprises for manufacture and production of goods, plant and machinery, tools, implements, material or substances of any description whatsoever which in the opinion of the Company are likely to promote or advance the industrial development of the State of Sikkim;
11. to acquire by lease, grant, assignment, transfer or otherwise, any grants or concessions of any minerals, field, mines, mineral and mine contracts, works and premises from any person, corporation, company, Government or local authority in the State of Sikkim or elsewhere and to perform and fulfil the conditions thereof;
12. to enter into any partnership or arrangements for joint working in business, sharing of profits of any industrial undertakings, joint or reciprocal or amalgamation with any other company, firm or person or co-ordination or engage in any manufacture or business within the objects of the company or similar thereto;
13. to establish, promote, subsidise and otherwise assist, any company or companies, syndicate or other concern for the purpose of setting up any industry or running industrial undertaking acquiring any property or furthering in all of the objects of this company;
14. to aid, counsel, assist, finance, protect and promote the interests of industries in Sikkim whether owned or run by Government, statutory body, company, firm or individuals and to provide them with capital, credit, means, resources, technical and managerial assistance for the prosecution of their work and business, to enable them to

develop and improve their methods of manufacture, management and marketing and their technique of production;

Among Ancillary or Incidental Objectives

15. to invest any money of the company not required for the purpose of its business in such investment or securities as may be thought expedient;
16. to create any depreciation fund, reserve fund, insurance fund, sinking fund or any other special fund whether for depreciation or replacement, improving, expanding, or maintaining of the property of the company or for any other purposes conducive to the interest of the company;
17. to the financing of long or medium term loans to any concern which is engaged or proposes to engage in the business of manufacturing, processing or refrigeration of goods, wares and merchandise or the exploitation of mineral resources or in the generation or distribution of electricity or any other form of power or the business of shipping or shipping transport or any business the shipping companies normally transact in or in the hotel industry or the business of transport or transport services or in the field studies for purchase of sophisticated equipment and constuction of buildings or in the rural medical profession for purchase of clinical and surgical instruments and nursing home requirements;
18. to encourage and promote participation of capital in industrial enterprises in the State of Sikkim;
19. to receive grants, loans, advances or other moneys, or deposit, or otherwise from State or Central Government

(including Union Territory Government, Banks, Companies, Trusts or individuals), with or without allowance of interest thereon.

20. to purchase, take on lease or in exchange, hire or otherwise acquire any immovable or movable property, patents, licences, rights or privileges which the Company may think necessary or convenient for the purpose of its business and to construct, maintain and alter any building or work necessary or convenient for the purpose of the company;
21. to sell, dispose of, let on lease or on hire or transfer the business, property and undertaking of the company, or any part thereof, for cash, stock, or shares of any other company or for any other consideration which the company may see fit to accept;
22. to consult and to cooperate with the appropriate officers of Government of Sikkim and of India having necessary powers in order to utilise the potential productive capacity of plants operated by industrial concerns;
23. to form, or organise and assist or aid in any forming or promoting, subsidising, organising or aiding companies, syndicates or partnership of all kinds for the purpose of acquiring and undertaking any property and liabilities of this Company or any other company or of advancing directly or indirectly the objects thereof or for any other purpose which the company may think expedient and to take or otherwise acquire, dispose of shares, debentures and other securities in or of any such company and to subsidise or otherwise assist any such company;

24. to employ or pay experts, foreign consultants etc., in connection with the planning and development of all or any of the business connected with the company's operations;
25. to carry on the business of engineers and manufacturers of agricultural and other machinery, plants, implements and tools, equipments, apparatus and accessories, rolling stock and other like goods and the production and working of metals and minerals of all kinds and the production, manufacture and preparation of any other materials which may be usefully or conveniently combined with the engineering or manufacturing business of the company;
26. to obtain from any Government, Ministry, Department, establishment or agency such reports concerning the giving of contracts and sub-contracts and making of loans to business concerns as may be deemed necessary for carrying out the main objects;
27. to promote and operate schemes for development of industries in the country and for that purpose to prepare reports, blue prints, statistics and other information;
28. to amalgamate with or enter into partnership or any joint pursuit or profit sharing or arrangement with or co-operate with or subsidise or assist in any way any company, association or person;
29. to obtain any provisional order or Act of State Legislature for enabling the Company to carry any of its objects into effect or for effecting any modification of the company's constitution or for any other purpose which

may seem expedient and to oppose by lawful means any proceedings or applications which may seem calculated directly or indirectly to prejudice the company's interest;

30. to empower the company to apply for any Act of Parliament or of the State Legislature either of the State of Sikkim or any other State or Union Territory in the Indian Union for any purpose which may seem expedient to the company;

31. to take suitable steps to enable the company to carry any of its objects into effect or for effecting any modification of the company's constitution, or for any other purpose which may seem expedient;

32. to manufacture, buy, sell, import, export, instal, work and generally deal in, any plant, machinery, substances, tools, materials, goods or things of any description, which in the opinion of the company may be conveniently dealt with by the company in connection with any of its objects;

**Other objectives**

33. to sell, mortgage, exchange, lease, grant licences, leasements and other rights over, improve, manage, develop and turn to account and in any other manner deal with or dispose of the undertaking, investments, property, assets, rights and effects of the company or any part thereof for such consideration as may be thought fit including any stocks, shares or securities of any other company, whether partly or fully paid up;

34. to transact or carry on agency business and in particular in relation to the investment of money, the sale of property and the collection and receipt of money;

35. to employ experts to investigate and examine into the conditions, prospects, value, character and circumstances of any business concern and undertaking and generally of any asset, concession and property or rights; and
36. to communicate with Chambers of Commerce and other mercantile and public bodies in India and elsewhere and concert and promote measures for the protection and advancement of trade, industry and commerce and other facilities;

Alteration in any objective of the Memorandum can be done by three-fourth majority of the Board of Directors. In practice, majority of the Directors attend the meeting of the corporation.

#### SCOPE AND LIMIT OF ASSISTANCE

The Corporation envisaged wide range of activities in its periphery. The scope of the corporation's assistance depend on the IDBI, State Govt. and as per the decisions of the Board which changes from time to time.

A maximum and minimum loaning limit is fixed by the Corporation. Again, for specific demarcation, assistance limits have been fixed for Board, Executive Committee and Managing Director.

The maximum limit of assistance by the Corporation is Rs.90.0 lakhs for Private and Public limited Companies and Registered Co-operatives. In case of Proprietorship and Partnership the maximum limit is Rs.30.0 lakhs.<sup>4</sup>

The minimum loan provided by the Corporation is Rs.10,000. However loan upto Rs.10,000 available from the Directorate of Industries or Sikkim Khadi and Village Industries Board and Commercial Banks.<sup>5</sup>

#### COMPETENT AUTHORITY

The financial assistance to industrialists provided by different competent authority of the Corporation. The assistance limit is entrusted to three different level of management.

The Managing Director of the Corporation is empowered to sanction a loan of Rs.1.0 lakh. The Executive Committee comprise of five members including Managing Director. This Committee is authorised to sanction loan above Rs.1.0 lakhs and upto Rs.7.5 lakhs. The top-most management level i.e., Board of Directors are entitled to sanction loan above Rs.7.5 lakhs.<sup>6</sup>

An Ad-hoc Committee for scrutinising loan proposal of more than Rs.1.0 lakh was established in 1990. But the first meeting of this Committee was held Only in December, 1994. The Committee comprised of four members including the Managing Director.<sup>7</sup>

#### FUNCTION

In the functional aspect, the SIDICO is different from other SIDCs in India. SIDICO has been engaged in quadruple functions of State Financial Corporation (SFC), State Industrial Development Corporation (SIDC), State Small Industries Development Corporation (SSIDC), and Industrial Infrastructure Development Corporation (IIDC) in the State of Sikkim, whereas in most of the

states different institutions have been established for different functions.

As a SFC, the SIDICO meets the term loan requirement of small scale and medium scale industries for acquisition of fixed assets like land, buildings, machinery and equipment; and also implemented Seed Capital Assistance Scheme specially for technocrats and professionals.

As a SIDC, the Corporation has been looking after the financial requirements of large and medium scale industries by way of providing share capital assistance, loans and guarantees. Since SIDC's primary function is to promote industrial enterprise, SIDICO set up joint sector projects in the State.

As a SSIDC, it looks after all aspects of indenting for procuring, warehousing and distribution of scarce and other selected raw materials to the Small Scale units in the State.

As an IIDC, the Corporation has established industrial estates in other districts in the State.

The SIDICO has framed certain rules to make the industrial units eligible for assistance.

- (i) Concerns which are engaged in or to be engaged in manufacture, processing, mining, hotel industry, transport i.e., taxis, maintenance, repair, testing or servicing of machinery or any description or vehicles or vessels, assembling, repairing or packing any article with the aid of machinery or power are eligible for financial assistance;

- (ii) Nursing Homes are also eligible for assistance.
- (iii) Artisans and Small industrial activities utilising locally available natural resources and human skills are given composite loans not exceeding Rs.50,000.
- (iv) Industrial concerns whose constitution is proprietary, partnership, private or public limited company and registered Co-operative Societies are eligible to get financial assistance from the Corporation.

### SCHEMES IMPLEMENTED

For overall industrial development in the State, with the active support extended by the IDBI, the SIDICO has taken it as a challenge and implemented various schemes to meet the requirements of all categories of entrepreneurs and to encourage the establishment of Small Scale units. A few notable among them are :

1. General Loan Scheme.
2. Integrated Term Loan Scheme.
3. Composite Loan Scheme.
4. Seed Capital Assistance Scheme.
5. Scheme for assistance to SC/ST entrepreneurs and physically handicapped.
6. Modernisation Scheme.
7. Assistance for setting up Nursing Home.
8. Scheme for setting up X-Ray Clinics.
9. Assistance for Generator Sets.
10. Single Window Scheme.
11. Scheme for Self-Employment of Ex-Servicemen (SEMFEX).
12. Scheme for assistance to Women entrepreneurs.
13. Scheme for Rehabilitation of Sick Units.
14. Equity Participation Scheme.

## ACTIVITIES

The loan assistance provided by the Corporation is the largest segment of its activity. Total sanction till 31st March, 1995, was Rs.2,948.2 lakhs, of which disbursement figured at Rs.2,540.9 lakhs i.e., 86.2 percent of the total sanction. In this the Corporation sanctioned Rs.2,430.6 lakhs as term loan in which disbursement was Rs.2,159.3 lakhs, which is 88.8 percent of the sanctioned amount. For the same period, bridge loan and other soft loan sanctioned was Rs.517.6 lakhs in which disbursement was Rs.381.7 lakhs. Total number of assisted units were 1302.<sup>8</sup>

In the total loan assistance of Rs.2,948.2 lakhs, Small Scale Industries (SSI) received the highest amount. Till 31st March, 1995, SSIs received Rs.1,673.2 lakhs i.e., 56.7 percent. The number of SSI units assisted till that date was 205. The largest number of beneficiaries were in Composite Loan Scheme. Till March, 1995, 646 units, mainly in the tiny sector, were assisted with Rs.165.2 lakhs. Hotel loans also accounted for a significant share. 206 units were assisted with Rs.673.4 lakhs. Another important category was taxi loan (S.V.O.), where 245 loans with a total amount of Rs.236.4 lakhs were provided till March, 1995. Among other schemes, Equity participatikon was made in six units with an investment of Rs.242.2 lakhs.<sup>9</sup> Many Schemes are yet to be implemented.

## RECOVERY

The recovery position of the Corporation is dwindling sharply in recent years. The rate of recovery has come down to single digit of 5.4 percent in 1994-95, compared to 35.4 percent

in 1989-90 as evident in Table-IX.1, op.cit. This dismal picture is attributed by multiple factors.

The quantum of repayment of Principal by the Corporation to the IDBI and SIDBI was meagre Rs.23.2 lakhs in 1994-95. This futile repayment by the Corporation for the last few years accumulated huge outstanding to the IDBI and SIDBI. The outstanding of the Corporation to these institutions raised to Rs.400.0 lakhs. Consequently, these institutions stopped providing refinance to the Corporation. These institutions insisted at least 50.0 percent payment of this backlog.<sup>10</sup>

In a desperate attempt, the Corporation took recovery action on chronic defaulters in accordance with the provisions of Sikkim Public Demand Recovery Act, 1988. The total number of cases filed in the Certificate Officer's Court and in the Court of District Judge is 121 accounts involving an amount of Rs.7.2 crores.<sup>11</sup> The Corporation is making all concerned efforts for recovery of dues on a case to case basis.

In an overall assessment on the role of the Corporation, it can be said that with a span of eighteen years of working the Corporation has provided sizeable amount of fund mainly to the tiny and Small Scale industries in the State. This is more significant in relation to the inclusion of the State in Indian Economy only twenty years back. The utilization of the fund was also phenomenal because more than 88.0 percent of the sanctioned amount was disbursed to the entrepreneurs. Despite topographical barriers, the Corporation has contributed immensely in setting up of industrial background to the infant state and benefit her in the process of self-reliance.

**REFERENCE**

1. Registered under Item No.10, Vol.No.1 dated 13.3.77 with the Land Revenue Department, GOS.
2. SIDICO, Memorandum of Association, Clause 3A contains 32 main objectives; Clause 3B comprises 62 ancillary objectives and Clause 3C incorporates 15 other objectives.
3. 'Company' denote 'the Corporation', i.e., SIDICO.
4. SIDICO, Scope of Financing and Guidelines for Entrepreneurs, p.3.
5. Ibid, p.4.
6. Ibid, p.4 and Annual Report, SIDICO, 1991-92, p.3.
7. SIDICO, Annual Report, 1993-94, p.8.
8. SIDICO, Annual Report, 1994-95, p.22.
9. Ibid, pp.5-23.
10. Ibid, p.26 and as information received from the Manager, SIDBI, Gangtok.
11. SIDICO, Annual Report, 1994-95, p.5.