

Guide to Entrepreneurs

Assam Financial Corporation

AN ISO 9001:2008 CERTIFIED ORGANISATION



Vittiya Bhavan, Md. Shah Road, Paltan Bazar
Guwahati - 781008



ASSAM FINANCIAL CORPORATION

CHAPTER-I

Introduction:

Assam Financial Corporation (AFC), the premier joint Financial Corporation established in year 1954 in pursuance of State Financial Corporations Act, 1951. AFC was jointly promoted by IDBI, Government of Assam, including other Financial Institutions/banks and public. The main objective of the Corporation is industrial development in the region by extending credit to Micro, Small and Medium enterprises both in manufacturing and service sector. The operational jurisdiction of the Corporation is:

- Assam
- Meghalaya
- Tripura
- Manipur

Objectives and Functions:

The main objective of the Corporation is delivery of credit to prospective entrepreneur in liberal terms for healthy growth of MSME sector in the region. The broad objectives and functions of the Corporation are enumerated below:

- To accelerate the industrial growth of the region through financial assistance on concessional terms to industrial units in micro, small and medium sector enterprises.
- Promotion of self-employment.
- Proper utilization of the local resources of raw materials in the production of consumer goods towards socio-economic and industrial development of this region.
- To encourage new and technical entrepreneurs towards industrial projects.
- To provide assistance for promotion or expansion of industry by the rural and urban artisans.
- To develop the poor and unprivileged section of the society within the state of Assam through lending activities to MFIs, NBFC, cooperative societies engaged in microfinance etc. under Chief Minister's Microfinance Scheme.
- To grow new and innovative projects in the region under Venture

Capital Scheme of the Corporation.

Schemes of Assistance:

- Long term loan(TL)
- Working Capital Term Loan(WCTL)
- Loan in collaboration with other financial institution.
- Scheme for Medical Professionals.
- Equipment Finance Scheme.
- Transport Loan Scheme.
- Venture Capital Scheme.
- Micro Finance Scheme.

Eligible Activities for Financial Services:

All projects (Green Field, Expansion, Modernization, Technology up gradation, diversification etc.) satisfying the definition of MSME and not banned by the Government, small road transport operators (specified by Transport Loan Scheme) are eligible for financial assistance from the Corporation.

The following activities are eligible for financial assistance from the Corporation:

- A. Manufacturing/Processing Industries.
- B. Service Sector
 - Information Technology.
 - Nursing Homes and other Service Units.
 - Tourism sector- Hotel, Restaurants, Tourist Resorts and Amusement Parks.
 - Infrastructure equipments.
 - Commercial Complexes and Market Complex.
- C. Working Capital Term Loan to new units availing term loan from the Corporation or existing profit making units which earlier availed loan from the corporation.
- D. Tourist Transport Vehicles (sponsored by Assam Tourism Development Corporation.), Tankers for carrying Petroleum products, Deluxe Bus, Trucks etc.

Thrust Area of the Corporation:

- Industries based on locally available minerals.
- Processing of plantation crops.



- Food processing industries.
- Agri-Horticulture product based industries.
- Herbal products.
- Biotech products.
- Pharmaceuticals.
- Chemical and plastic based Industries.
- Export oriented industries.
- Electronics and IT based industries including service sector.
- Sericulture related industries.
- Cane and bamboo based industries.
- Other handicrafts industries.
- Industries set up in the EPIP, Agro Food Park.
- Tea manufacturing units.
- IT Sector
 - a. Call Centre
 - b. Back Office Processing.
- Tourism
 - a. Hotel and Resort
 - b. River Cruises
 - c. Adventure Tourism
- Agro-Horti & Food Processing Sector
 - a. Export oriented Industry on fruits and vegetables.
 - b. Spice and aromatic products based unit.
 - c. Floriculture, medicinal and herbal plants.
 - d. Joha rice, Basmati rice processing and Rice mills for project promoted by promoter having existing rice milling activity with satisfactory performance.
- Bamboo Based industries.
 - a. Bamboo boards, flooring, furniture.
 - b. Bamboo corrugated sheets.
 - c. Construction material.

Project Promoted by entrepreneurs who availed benefits under the settlement scheme of the Corporation:

No financial assistance will be entertained to those entrepreneurs who availed benefits under the settlement scheme of the Corporation or other banks/FIs within a period of 3(three) years from the date of final

settlement. The corporation may entertain such borrowers only after expiry of three years from the date of expiry of final settlement under OTS.

Limit of Assistance:

Maximum Limit:

- A. Proprietorship and Partnership Concern : ₹ 400.00 lacs.
- B. Pvt. Limited Company and Cooperative Society : ₹ 1000.00 lacs.

Minimum Limit:

- A. Project promoted by SC/ST Entrepreneur : ₹ 2.00 lacs
- B. Project promoted by other Entrepreneur : ₹ 5.00 lacs*
- C. In case of additional loan proposal : No minimum limit.

*Loans above ₹ 2.00 Lacs upto ₹ 5.00 Lacs may be considered with approval from Head Office.

Purpose of Assistance:

- AFC provides assistance towards setting up of new industrial units and for expansion / modernization / technology upgradation / diversification of existing industrial units in small micro and medium sector. It also provides working capital term loan to new and existing units availing term loan from the Corporation. It has also decided to provide loan to small road transport operators (as specified in the Transport Loan Scheme) from this financial year. It has started micro finance lending as implementing agency of Chief Minister's Micro Finance Scheme of Assam through reputed NBFC/ Cooperative Societies etc. It has also started a Venture Capital scheme to encourage entrepreneurs with innovative activities.

Time taken by AFC to sanction loans:

- It will largely depend on the time taken by the applicant to furnish the required information/papers to the Corporation.
- A well conceived and well prepared loan proposal generally takes:
 - 7 to 30 working days for loans upto ₹ 50.00 lacs



- 30 to 45 working days for loans above ₹ 50.00 lacs.

Security:

The amount of loan is sanctioned to an industrial concern by the Corporation only against the following security.

- **Primary Security:** First Charge over the fixed assets of the industrial concern such as land, building, Plant and Machinery and goods of capital nature including electrification and installation. The security margin shall be minimum 30% (50% in case of high depreciated machineries like electronics, computers etc.)
- **Collateral Security :** Land and Building etc.(when primary securities are not sufficient to cover the loan amount)
- For projects in Industrial Estate/Growth Centre etc. the collateral security in the form of land building shall be obtained. The security margin shall be minimum 30% in the form of land, building etc.
- **Liquid security:** FDR/NSC/LIC policies (surrender value) of minimum 5% of the loan shall be obtained. However this may be waived in case of those units which had repaid their dues to the Corporation in time or units with very sound credit worthiness.

Note:

- In case of leasehold land /premises, the leasehold right should be assigned in favour of the Corporation.
- All assets subsequently acquired with the loan or otherwise and added to the mortgaged premises, during the currency of the loan should not be disposed or alienated without prior written approval of the Corporation.

Repayment Period:

Repayment schedules are fixed by the Corporation on the term loan and working capital loans extended by it after taking into account the profitability, estimated cash generation and servicing capacity of the proposed industry. The repayment schedule may range upto a maximum period of 7 years. A moratorium period (for repayment of the loan amount)

ranges upto 2 years is allowed from the date of first disbursement of the loan amount. During this period only interest is to be paid quarterly. Repayment of loan is fixed on EMI basis or as may be decided by the corporation.

Debt Equity Ratio Norms:

- DER norms for all projects will be 2:1 for the loan amount above ₹ 10.00 lacs and 3:1 for loans upto ₹ 10.00 lacs.
- In case of existing borrowing concern of the Corporation with good track record(minimum 3 years) including our past client with satisfactory repayment record the DER norms may be relaxed to 3:1 for loan upto ₹ 100.00 lacs.

The Debt Equity Norms for various scheme of the Corporation will be as below:

SI No	Scheme	Maximum DER
1	Medical Professional	3:1
2	Equipment Finance	4:1
3	All loans of existing or past borrowers of AFC with good credit track record of minimum 3 years (upto loan amount of Rs 100.00 lacs)	3:1
4	All other scheme	2:1

Rate of Interest:

The rate of interest for loans upto ₹100.00 Lacs will be determined by the Credit Risk Rating (CART) of the loans. For loans above ₹100.00 Lacs, the rate of interest shall be determined by the sanctioning authority based on PLR and other parameters.

The prime lending rates of interest** at present for various sectors of the Corporation are as below:

- A) MSME sector, Hotel, Nursing Homes : 13%
- B) Commercial Complexes and all others not included in A : 14%
- C) Working Capital term loan : 1% above the term loan rate.

The rate of interest shall be as below based on CART rating:

** rates are subject to change



- CAAA(Highest Safety) : 1% below PLR
- CAA (Very High Safety) : 0.5% below PLR
- CAA- (High Safety) : PLR
- CA (Adequate Safety) : 0.5% above PLR
- CA- (Moderate Safety) : 1% above PLR.

The Board of Directors of the Corporation will have the authority to fix rate of interest in special cases 1% above or below the rate determined by CART or any other appraisal techniques. The Managing Director will have authority to fix rate in special cases 0.5% above or below the rate determined by the CART or any other appraisal techniques.

CHAPTER –II

Special Scheme of Assistance:

- Scheme for Medical Professionals(MPS)
- Equipment Finance Scheme(EFS)
- Working Capital Term Loan.
- Transport Loan Scheme.
- Micro Finance Scheme (MFS).
- Venture Capital Scheme (VC).

SCHEME FOR MEDICAL PROFESSIONALS:

The objective of this scheme is to provide financial assistance to qualified medical professionals desiring to engage themselves in gainful self employment or expansion / renovation / modernization of existing unit.

Eligibility:

- Individuals/partnerships/corporate/trusts (with powers to borrow)/existing profit making nursing homes/hospitals.
- Promoters should be registered practitioners and possesses minimum qualification such a MBBS/BDS/BAMS etc. with added qualification in the relevant field.
- Key promoter should be graduate doctor.
- Positive Net worth for last three years.

Purpose of Assistance:

- For purchase of medical equipments etc.
- Setting up clinic, X-ray lab, pathological lab etc.
- For purchase of ambulance /Mobile clinic, computers etc.
- Expansion/renovation /modernization of existing premises (utilization of loan amount in leasehold premises can be considered if tangible collateral security is provided equivalent to the loan amount.

Quantum of Loan:

- Minimum : ₹ 2,00,000/-
- Maximum : ₹ 50,00,000/-

Period of Repayment:

The maximum period of repayment is 6 years depending upon the cash generation and profitability of the project. The maximum moratorium



period is 12 months except for construction purposes for which moratorium can be upto 24 months. The mode of repayment is EMI.

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Security:

For loan upto ₹ 10.00 lacs:

- Hypothecation of Assets financed by the Corporation.
- Personal guarantee of the Promoter / Partners / Directors.
- For other than individual / partnership, Institutional guarantee to be obtained.
- LIC policy(surrender value) / NSC (face value) or other collateral security (not below 10% of the loan amount)
- For expansion / renovation / modernization of existing premises additional security in the form of land and building to be obtained as first or second charge (utilization of loan amount in leasehold premises can be considered if tangible collateral security is provided equivalent to the loan amount.

For loan above ₹ 10.00 lacs:

- Hypothecation of Assets financed by the Corporation.
- Personal guarantee of the Promoter / Partners / Directors.
- For other than individual / partnership, Institutional guarantee to be obtained.
- LIC policy(surrender value) / NSC(face value) or other collateral security (not below 10% of the loan amount) subject to a minimum of ₹75,000/-.
- For expansion / renovation / modernization of existing premises additional security in the form of land and building to be obtained as first or second charge (utilization of loan amount in leasehold premises can be considered if tangible collateral security is provided equivalent to the loan amount.

Rating as par CART

: Not below CA

Processing fees : 1% of the loan amount.
Debt Equity Ratio : 3:1
Interest Rate : 12% to 14% depending upon CART rating (subject to revision from time to time). The rate of interest shall be as below based on CART rating:

- CAAA(Highest Safety) : 1% below PLR
- CAA (Very High Safety) : 0.5% below PLR
- CAA- (High Safety) : PLR
- CA (Adequate Safety) : 0.5% above PLR
- CA- (Moderate Safety) : 1% above PLR.

Incentives:

1. The amount of the Processing Fees shall be returned for timely repayment on closure of the loan.
2. Additional security in the form of land and building shall be waived where the CART rating is CAA and CAAA.

EQUIPMENT FINANCE SCHEME:

The objective of the scheme is to provide financial assistance for purchase of capital goods, equipments etc. for expansion / modernization / technology upgradation etc. by well established units with good track records.

Eligibility:

Assistance under the scheme will be available to existing industrial concern having good track record of performance and sound financial position .Specifically , concern should :-

- Have been in operation for at least last 3 years.
- Have earned cash profits and /or declared dividend on equity shares during the preceding two financial years.
- Not in default to any financial institution/bank in payment of their dues.
- Have positive Net worth during the last 3 Years.

Purpose of Assistance:

Assistance under the scheme will be for purchase of identifiable item of plant and machinery and other equipments including energy saving systems for modernization / expansion/replacement etc. Machineries /



Equipment imported directly will also be eligible.

Limit of Assistance:

Assistance under the scheme may cover upto 85% of the cost of capital goods / equipments to be acquired, subject to an overall ceiling of ₹ 100.00 lacs. The borrower concern will have to meet the minimum of 15% of the cost of the equipment and also the allied expenditure out of own resource which shall be brought in as upfront before release of loan. The assistance under this scheme will be minimum of ₹ 5.00 lacs.

Repayment Period:

The repayment period of principal will range from 3 years to 5 years including a moratorium period of 3 months to 12 months. The borrower may be permitted to repay the interest and principal on equated monthly installments (EMIs).

Security:

For Loans upto ₹ 50.00 Lacs:

- Primary security: - Loans granted under the scheme may be secured by way of hypothecation of capital goods / equipments financed.
- Personal guarantee of promoters/Directors, Institutional guarantee to be obtained.
- Collateral Security to the extent of 5% of the loan amount in the form of Fixed Deposit (Face Value) / NSC / LIC Policy (surrender value) for CAAA and CAA.
- Collateral Security to the extent of 15% of the loan amount in the form of fixed deposit (Face Value) / NSC / LIC Policy (Surrender Value) for CAA- and CA .

For Loan amount above ₹ 50.00 Lacs:

- Primary security:- Loans granted under the scheme may be secured by way of hypothecation of capital goods / equipment financed.
- Personal guarantee of promoters/Directors,

Institutional guarantee to be obtained.

- Collateral Security to the extent of 5% of the loan amount in the form of Fixed Deposit (Face Value) / NSC / LIC Policy (surrender value).
- Primary / Collateral Security under this scheme shall be ensured by way of immovable property which may be waived where CART rating CAAA and CAA.

Rating as par CART : Not below CA

Processing fees : 1% of the loan amount.

Rate of Interest : 12% to 14% depending upon CART rating (subject to revision from time to time). The rate of interest shall be as below based on CART rating:

- CAAA(Highest Safety) : 1% below PLR **
- CAA (Very High Safety) : 0.5% below PLR
- CAA- (High Safety) : PLR
- CA (Adequate Safety) : 0.5% above PLR
- CA- (Moderate Safety) : 1% above PLR.

** PLR is subject to change



WORKING CAPITAL TERM LOAN SCHEME:

Purpose:

The scheme has been introduced for the following purposes:

- Financing working capital term loan to MSME sector.

The working capital assessment shall be made under Turnover Method wherein 20% of the projected turnover will be the maximum eligibility for finance and 5% of the turnover be the minimum margin of the borrower.

Eligibility:

- ❖ New loans requesting Term Loan and Working Capital from the Corporation.
- ❖ All units in SME sectors which availed only Term loan from the Corporation having good track record and no default to the Corporation.

Limit Of Assistance:

- i) New Unit: The maximum eligible amount of term loan for working capital shall be calculated so as to ensure that the enterprises are funded to the extent of working capital requirement upto optimum capacity level.
- ii) Existing Unit: It will be calculated on the basis of meeting the gap in existing working capital and increase thereof consequent upon taking up technology upgradation, modernization, expansion or diversification etc.

Minimum Limit : ₹ 2.00 lacs

Maximum Limit : ₹ 100.00 lacs (in case of

Proprietor / Partnership concern / Co-operative societies

: ₹ 200.00 lacs (in case of Company)

The total amount of loan for Term Loan and Working Capital Term loan shall not exceed ₹4.00 Crore for Proprietorship / Partnership concern / and ₹10.00 Crore for Company / Co-operative societies.

Promoters' Contribution:

Minimum promoters' contribution shall be 25% for total loan (term loan plus working capital) upto ₹10.00 lacs (DER: 3: 1) and 33.33% for total loan above ₹10.00 lacs (DER 2:1).

Rate Of Interest:

The present rate of interest shall be 14%. The interest shall be charged as per risk rating of the concern and policy of the Corporation. However the rate of interest is subject to change from time to time.

Loan Processing Fees:

The loan processing fees is 1% of the sanctioned loan amount along with applicable service tax. However the loan processing fee and the service tax are subject to change from time to time.

Repayment Period:

The maximum repayment period of the loan will be 5 years including the moratorium period of 3 to 6 months. The repayment shall be on a monthly basis along with interest (EMIs).

The promoter shall approach commercial banks for meeting its working capital requirement at any time during currency of the loan. As and when the assistance is sanctioned by the bank, the working capital loan from AFC should be repaid out of the proceeds of the loan sanctioned by the bank. AFC in turn shall release its charge on current assets and also concede second charge on fixed assets if so insisted by the bank.

Security:

- Exclusive first charge on the fixed assets of the unit viz. land, building and plant and machineries etc. including the current assets such as raw materials, finished goods stores and spares to be acquired by the proposed working capital term loan.
- Collateral Security to the extent of min 5% of the loan amount in the form of liquid security viz. NSC / FDR / Surrender Value of LIC policies etc.
- Collateral Security in the form of urban land property viz. Residential plot/house, commercial land/building etc. shall be required to maintain security margin (including outstanding in the existing term loan account) of 30%.
- Personal guarantee of the promoter(s) shall be obtained.
- The Security margin shall be calculated together with the Term Loan and Working Capital Term Loan extended to the concern.
- For calculation of security margin only the value of the



existing land, building, plant and machineries, misc. fixed assets together with the value of land and building offered as collateral security shall be considered.

- The security margin should be at least 30% (excluding the value of liquid security).

Sanctioning Authority:

- As per existing norms of the Corporation.

Rating as per CREDIT APPRAISAL AND RATING TOOL (CART)

- | | | |
|--------|-------|------------------|
| • CAAA | ————— | HIGHEST SAFETY |
| • CAA | ————— | VERY HIGH SAFETY |
| • CAA- | ————— | HIGH SAFETY |
| • CA | ————— | ADEQUATE SAFETY |
| • CA- | ————— | MODERATE SAFETY. |

Monitoring of the Assistance:

- i) The borrower shall submit to AFC, quarterly its financial statement viz. balance sheet, profit and loss account, cash flow statement.

TRANSPORT LOAN SCHEME

Purpose:

To provide financial assistance for the purchase of the following:

- Tourist Transport vehicle sponsored by Assam Tourism Development Corporation.
- Trucks (with minimum 3 years of experience in operation of own trucks)
- Tankers for carrying Petroleum products (with confirmed placement order)
- Deluxe Bus(with necessary route permit)

Limit Of Assistance:

Maximum limit of assistance of 80% of the cost of Chassis and Body subject to maximum DER of 4:1.

Eligibility:

Assistance under the scheme will be available to only to existing transport operators having good track records of performance and sound financial position. The promoter(s) should:

1. Have experience for at least 3(three) years as a transport operator.
2. Have at least one number of similar vehicle.
3. Have earned profit during last two financial years.
4. Have no default to Bank/Financial Institution.
5. Have CART rating of not below CA(Adequate safety)

However, all the eligibility criteria, except clause 4 stated above, may be relaxed in case of transport proposals sponsored by ATDC.

Project Cost:

The project cost include the cost of chassis, body building, tax ,insurance, spare tyre tube etc.

Promoter's Contribution:

Minimum promoter's contribution shall be 20% of the total cost of the scheme.

However, the minimum promoter's contribution can be considered upto 10% of the total cost of the scheme in case of proposal sponsored by ATDC.

Rate Of Interest:

The Prime Lending Rate of Interest shall be 14% per annum and the interest rate will be determined by CART rating.

Loan Processing Fees:

The loan processing fees is 1% of the loan amount plus applicable service tax.

Repayment Period:

The loan shall be repayable within a period of 48 months including the moratorium period of 3 to 6 months. The repayment shall be on a monthly basis along with interest (EMI).

Security:

- Primary Security: Loan sanctioned under this scheme shall be secured by hypothecation of the vehicle financed.
- Personal guarantee of the promoter(s) shall be obtained.
- Collateral Security in the form of immovable assets shall be



obtained so as to retain a security margin of at least 50% of the loan amount.

- Collateral Security to the extent of 5% of the loan amount in the form of Fixed Deposit (face value) / NSC / LIC Policies (Surrender Value) shall be obtained. However for proposals sponsored by ATDC this clause may be waived.

Others:

The vehicle shall be registered within in the operational jurisdiction of the Corporation. The vehicle should be registered as a “Public Carrier”. The loan shall be considered for procurement of new vehicles only. Not more than one (1) vehicle will be considered for financial assistance per applicant

Sanctioning Authority:

All loans under this scheme will be sanctioned by the Head Office Level Credit Committee.

CHIEF MINISTER'S MICRO FINANCE SCHEME (KHUDRA REEN):

The major thrust of the scheme is “Financial Inclusion”. Despite the vast expansion of the formal credit system in the country, credit facilities have not adequately covered the need of small loan of our people at the grass root level. The Chief Minister's Micro Finance Scheme(CMMFS), “Khudra Reen” is a special initiative taken-up by the Govt. of Assam to expand micro credit activities in the state by making available micro credit to Self Help Groups(SHG)/ Joint Liability Groups(JLGs) through NBFCs, Sec-25 Companies, Co-operative Thrift & Credit Societies at cheaper rate of interest.

Objectives of the scheme:

The objective of the scheme is to encourage the practice of informal savings and credit and help inculcate the habit of borrowing and repayment amongst the small and mid-sized agriculturalist, self employed persons and entrepreneurs in the rural as well as urban areas of Assam.

Implementing Agency:

Assam Financial Corporation has selected Assam Financial Corporation as the implementing agency for the scheme.

Eligible Borrowers:

- I. NBFC/Co-operative Thrift & Credit Society/Sec-25 Companies having

operational existence of at least 3(three) financial years in micro finance operation, as proven by audited Balance Sheets shall be eligible for financial assistance.

- II. However, the eligibility criteria of 3 (three) years as per Sl.No. I above may be waived for a period of 3(three) years w.e.f. 2011-12 up to 31st March, 2014 for newly formed NBFCs / Section -25 Companies / Registered Co-operative Thrift & Credit Societies which were hitherto performing micro-finance operation for a period of not less than 3 years prior to the date of incorporation as NBFC/ Section 25 Company /Registered Co-operative Thrift & Credit Society as proven by audited Balance Sheets and provided that the asset portfolio of microfinance operation is transferred to the newly formed NBFCs/Sec-25 companies/ Registered Co-operative Thrift & Credit Societies.
- III.
 - 1) Satisfactory rating of the NBFC/ Section 25 Companies/Registered Co-operative Thrift & Credit Societies shall be obtained from reputed external rating agency where the loan applied amount is above ₹ 75.00 lacs.
 - 2) Minimum loan outstanding (portfolio) shall not be less than ₹ 2.00 lacs.
 - 3) Operational jurisdiction of the micro finance institutions (mFIs) applying for micro finance loan shall be within the state of Assam only.
 - 4) There shall be no default with any funding agency for both the present organization and earlier organization from which assets transferred, if any, including that of Chief Functionary (ies)/Directors.

Limit of Assistance	₹ 5.00 lakhs to ₹ 500.00 lakhs
Rate of Interest to be charged	
By AFC from NBFCs/ Sec-25 Company/ Registered Co -operative Thrift & Credit Societies etc	6% p.a.
By NBFCs/Sec -25 Company/ Registered Co-operative Thrift & Credit Societies	Max 20% Inclusive of all charges



Processing Fee	2% of loan amount (Non refundable) plus applicable service tax
Repayment Period	24(twenty four) months commencing after one month from the date of disbursement.
Security	<ol style="list-style-type: none"> At least 10% of the loan amount in the form of FDR; Personal Guarantee of Directors /Office Bearers etc. (In case of Section 25 Companies and NBFCs); Institutional Guarantee; A first and exclusive charge by way of hypothecation / charge of the Borrowing Concern's Book Debts arising out of on-lending operations to the SHGs/JLGs out of the Chief Minister's Micro Finance Scheme (CMMFS) fund disbursed by the Corporation. A first charge by way of hypothecation in favour of the Corporation of all the Borrower's movable assets created from the own fund and the loan given by the

VENTURE CAPITAL SCHEME:

Considering the present scenario in Assam, the Hon'ble Chief Minister of Assam has announced a scheme under the name & style of "VENTURE CAPITAL SCHEME" in the budget speech 2009-10. The Govt. of Assam has assigned the task of implementing the above scheme to "ASSAM FINANCIAL CORPORATION" with a hope to cater needs of the local entrepreneurs of the State of Assam.

Objectives:-

Innovative technology that can be applied to enhance efficiency in the rural areas will be one main focus.

Small and medium enterprises promoted by individuals/partnership firms/limited companies etc. that increase income or provide necessary goods and services to rural or semi-urban India will be the main thrust of this scheme with special emphasis on projects with agricultural orientation. The enterprises must be commercially viable, environmentally friendly, and socially conscious for being considered.

The scheme proposes to invest in opportunities/activities that can demonstrate a high likelihood of success and carries the following main characteristics:

- Will lead to new or largely improved product or process
- Has significant probability of commercial success and has identifiable market
- Should have a reasonable plan to meet the identified goal in an efficient, revenue generating manner
- Should be aware of the technological changes that may effect the business opportunity
- Is environment friendly and socially conscious?
- Will provide high economic benefit to the State of Assam.

Sector:

The scheme proposes to cover the following areas initially to start with, which will be reviewed from time to time

- a) Cultivation & Processing of Medicinal plants, horticulture & floriculture.
- b) Biotechnology
- c) BPO
- d) IT Sector
- e) Product/Process up gradation of traditional Assamese Paat, Muga and Eri sector; Handicraft sector etc.
- f) Any other innovative activity.

Limit Of Credit Support, Charge Thereon & Repayment

Under the scheme, the range of investment amount would be from ₹ 10 lacs to ₹ 100 lacs, depending on the needs and merits of opportunity. The quantum of support will be 80% of the cost of the project including working capital to be calculated as per norms and as decided by the Investment Committee constituted for scheme, subject to the ceiling defined as above.

The credit support may be structured in the following manner:

Loan Capital Mode:

This will have the characteristics of a term loan with a fixed rate of interest and a predefined repayment schedule.

Rate of interest:

The amount will carry a charge @ 10% p.a. to be paid quarterly



after beginning of commercial operation or two years from the date first disbursement whichever is earlier. The accrued interest during the moratorium period will be cleared in 24 monthly installments from the 3rd month of beginning of commercial operation.

Moratorium:

The moratorium period for payment of interest and commencement of repayment of the fund is to be decided on the basis of the project and should be up to a maximum of two years.

Repayment:

The credit support will be repayable after 1 year of beginning of commercial operation / after the moratorium period is over, which ever is earlier. The amount will be repaid within a period of 5 – 7 years depending on the cash flow of the project.

Documentation:

The loan documentation procedure of AFC is to be adopted with necessary modification wherever necessary. The provisions of SFC's Act 1951 should be made applicable which will be an added leverage.

Monitoring:

During implementation of the project there will be periodical inspection of the unit as and when required and should be at least one inspection per month. After implementation of the project, further monitoring is to be continued at least once in every quarter.

Jursidiction Of The Scheme

The scheme will be operative in the state of Assam and the facility to be set up will be in the state of Assam only.

Strategy

The Venture Capital Loan shall be sanctioned as below:

All loan up to ₹50.00 lacs shall be sanctioned at the Head Office Level Credit Committee(HOLCC) meeting under the Chairmanship of Managing Director and all loans above ₹ 50.00 lacs shall be put up to the BoD for consideration of sanction. The appraisal system including the disbursement norms being followed by the Corporation shall stand. The security margin of the loan both primary and collateral shall be maintained at 40%. Apart from above security, additional security in the form of FDR/NSC/Surrendered value of LIC of minimum 5% of the loan amount to

The Process

The process for the Venture Capital Scheme shall be as per the existing procedure followed by the Corporation for normal loans.

**ASSAM FINANCIAL CORPORATION****CHAPTER-III****Guidelines for intending borrowers for availing loan:**

Intending borrowers may approach the Corporation for financial assistance at the branch offices located at different district Head Quarters or through the Business Development Branch/Central Loan Processing Cell of the Corporation located at the Head Office. However, the loan application forms shall be issued at the Branch Offices to the prospective borrowers only after having preliminary discussion and being satisfied with the information, documents and project reports/brief project profile relating to the projects provided by the intending borrowers.

Cost of loan application form: ₹ 500.00 per 3 set of loan application forms

The applicant shall have to bring the following information / documents along with him or her for the preliminary discussion at the Corporation:-

- Project report or a Project Profile (A Condensed Project Report) relating to the project for which he/she has approached.
- Information about the promoter(s) of the proposed project.
- Information about the locations where the project is going to be established.
- Arrangement of raw materials (for manufacturing project only) and about the marketing arrangement for the proposed project.
- Sources of promoter's contribution in the proposed project.
- A copy of industry registration obtained from District Industries and Commerce Center (DICC) and other licenses obtained if any.
- Information about the security that can be provided against the proposed loan from the Corporation.
- Balance Sheet, Profit & Loss Account of the concern in case of existing units.

Note:

- o A comprehensive list of papers/information to be furnished by the applicant to the Corporation for appraising the loan proposal is given as per ANNEXURE-I.

ANNEXURE: I

Comprehensive list of papers/documents to be furnished by the applicant for appraising the loan proposal.

1. Duly filled In Loan Application form with photographs of the promoters/ directors /partners.

2. Project Report.

3. MSME Registration Certificate (If relevant).

4. Legal Status of the concern

i) If Partnership, copy of registered partnership deed

ii) If Company, Copy of Memorandum of Association, Article of Association.

5. No Objection from Local Body.

6. Detailed Bio data of the promoter(s).

7. Certificate in support of Educational Qualification.

8. Certificate in support of Age.

9. Documents in Support of Residential Proof (Telephone Bill, Electricity Bill, Permanent Residence Certificate, Certificate issued by Local bodies, Panchayat, SDO, D.C etc.

10. Proof of Identity (PAN Card, Photo Identity, Pass Port, Driving License, Identity Card issued by Panchayat, S.,D.O, D.C etc)

11. Documents in Support of Experience.

12. Net Worth Statement of the promoters duly certified by C.A.

13. Income tax return of the promoters/ directors.

14. Particulars in support of source of promoter's contribution.

15. Particulars of existing borrowings. Interest Rate, Repayment period etc.

16. Particulars of security offered against existing liability.

17. Name of present bankers and date of relation with bankers.

18. If existing concern, Particulars of existing assets, machinery & equipments, misc fixed assets etc.

19. Assurance / power sanction approval from ASEB.

20. In case of turnkey supply, detailed scope of supplier, terms of payment.

21. Quotation from three different reputed suppliers/ manufacturers for machinery and Equipment.



22. Catalogue of machinery.
23. Quotation from three different suppliers/ manufacturers for misc. fixed assets.
24. Site plan, drawing and estimate for civil construction from competent engineers.
25. Approval from Concerned Local Development Authority/ Municipality for construction of building or civil works.
26. Approval from Concerned Local Development Authority/ Municipality for construction of building or civil works.
27. Estimate for External Electrification. i.e installation of substation, drawal of H.T/L.T line, Panel Board Work etc.
28. No Objection from Pollution control Board (If relevant).
29. Profit & Loss A/C of the concern or its associated concern for last three FYs (For existing unit/Associated unit).
30. Balance sheet of the concern or Its associated concern for last three FYs (For existing units).
31. Auditors Name and Membership No.
32. Details of source of raw materials, arrangement for regular supply of it.
33. Market Survey Report.
34. Source of unsecured loan and undertaking for providing the unsecured loan.
35. Land Documents
 - a. Original Patta / Sale Deed/ Gift Deed/ Lease Deed.
 - b. Certified copy of Jamabandi issued by Revenue Deptt.
 - c. Sketch Map for the land certified by Circle Officer.
 - d. Up-to-date Non Encumbrance Certificate for last 12 years from Sub-Registrar.
 - e. Valuation (From Deputy Commissioner or Valuer having CAT No./AFC approved Valuer.
 - f. No objection in the form of affidavit by the owner of the land to mortgage the land in favour of the Corporation.

ADDRESS OF AFC OFFICES:

HEAD OFFICE :	Guwahati:	Vittiya Bhawan Md. Shah Road, Paltan Bazar Guwahati, Assam, PIN 781008. Tel: 0361/2739839/2633658 Email: afc_ho@yahoo.com /afcghy@gmail.com. Website: www.afconline.gov.in.
Micro Finance & New Business Branch :	Guwahati:	The Deputy General Manager Vittiya Bhawan, Md. Shah Road , Paltan Bazar, Guwahati, Assam. Tel: 0361-2739839/2633658 Email: afcmicro@gmail.com.
Branch Offices:	Guwahati:	The Deputy General Manager Vittiya Bhawan, Md. Shah Road, Paltan Bazar, Guwahati Assam. Tel: 0361-2739839/2633658 Email: afc_gbo@yahoo.com.
	Jorhat :	The Manager-In-Charge Malow Ail (Near Telephone Exchange) Jorhat, Assam. PIN-785001. Tel: 0376-2320462. Email: afc.jorhat@yahoo.com
	Tezpur:	The Manager-In-Charge South Hazarapara (Near Agriculture Guest House) Tezpur, Assam. PIN-784001. Tel: 03712-220761 Email : afc.tezpur@yahoo.com



Bongaigaon: **The Manager-in-Charge**
Main Road, Borpara
Bongaigaon, Assam. PIN-
783380
Tel: 03664-230478
Email:
afc.bongaigaon@yahoo.com.

Silchar: **The Manager-in-Charge**
Ashram Road,
P.O.Vivekananda Road
Silchar, Assam. PIN-788007
Tel: 03842-266914
Email:
afc_silchar@yahoo.com

Tinsukia: **The Asstt. Manager-In-**
Charge Namghar Road,
Bordoloi Nagar
Tinsukia, Assam. PIN-
786125.
Tel: 0374-2339857
Email:
afc.tinsukia@yahoo.com.

Dibrugarh: **The Asstt. Manager-In-**
Charge
Jiban Phukan Nagar,
Chowkidingee
Dibrugarh, Assam. PIN-
786001.
Tel- 0373-2313801
Email:
afc.dibrugarh@yahoo.com.

North Lakhimpur: **The Asstt. Manager-in-**
Charge
A.B.Road, Ward No.12
North Lakhimpur, Assam.
PIN-787001.
Tel: 03752-222564
Email:
afc.lakhimpur@yahoo.com.



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