
MAHARASHTRA STATE AID TO INDUSTRIES RULES, 1961

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MAHARASHTRA STATE AID TO INDUSTRIES RULES, 1961

In exercise of the powers conferred by Sub-Section (1) and clauses (a),(b),(c),(d),(e),(f),(g) and (i) of sub-section (2) of section 7 of the Maharashtra state -Aid to Industries Act, 1960 (Mah.XVII of 1960), and of all other powers enabling it in this behalf, the Government of Maharashtra hereby makes the following rules , the same having been previously published as required by sub -section (3) of the said section 7, namely

1. Short Title :-

These rules may be called MAHARASHTRA STATE AID TO INDUSTRIES RULES, 1961

2. Definitions :-

In these rules unless the context requires otherwise,-

(a) "Act" means the Maharashtra state Aid to industries Act, 1960(Mah.XVII of 1960):

(b) "Competent Authority " means the officer empowered by the state Government under section 3 to grant loans to small scale and cottage industries;

(c) " cottage Industry" means an industry(the fixed capital of which does not exceed Rs . 25,000 in value and) which, whether of not using mechanical or electric power,is ordinarily carried on in the home of an artisan or in any factory or in any factory or at any place near the home of the artisan in the state ,by the artisan ,and his dependent s,and occasionally with the aid of hired labour in which case the number of persons including the artisan , his dependents and hired labour does not exceed nine:

(d) " Director"means the director of industries for the state of Maharashtra and includes the industries commissioner ,deputy director and assistant director of industries ;

(e) "Form" means a form appended to these rules;

(f) Section " means a section of the act;

[(g) " small scale industry" means any industrial unit with a capital investments of not more than Rs. 7.50 lakhs irrespective of the number of persons employed. Capital investment for mis purpose means investment in the plant and machinery only.] Explanation : For the purposes of clause(g),where the premises where industry is carried on are rented, the investment in buildings shall be computed by capitalising the monthly rents at the rate of 8 percent per annum.

3. Purposes for which loans may be granted :Loans may be granted to any small :-

scale or cottage industry for one or more of the following purposes,that is to say,

(a) the purchase of land required for an industry ;

(b) the construction of buildings or worksheds ,godowns ,warehouses, railway sidings, wells and other works necessary for the indusftry .;

(c) the purchase of tools,equipments, appliances.plant and

machinery;

(d) the erection of plant and machinery;

(e) the purchase of raw materials or for other use as working capital otherwise than as cash credit;

(f) any other specific purpose depending upon the circumstances of each case ,such as for enabling the burrower to tide over initial production difficulties ,for meeting initial losses for reasons beyond the control of the industry or for the payment for the services of a highly qualified technical consultant

4. Officers competent to grant loans and the amount of loan to be granted :-

(1) Subject to the provisions of sub -rule (2) and these rules ,the following officers are hereby empowered to grant loans not exceeding the amounts specified against each of them that is to say:-

(a) The secretary to government .Industries Rs. 1 lakh -----
----- Subs, by G.N. of 2-11-1970 Vol. 18F-32
and Labour Department

(b) Director of Industries, Bombay Rs 25,000

(c) Deputy Director of industries Rs 5,000

(d) Assistant Director of Industries Rs 2,000 Provided that ,except with the previous approval of the state government the amount of loan proposed to be granted to any person together with the amount of any loan or loans , if any, already granted to him in respect of the same industry shall not exceed the amount which the officer is empowered to grant as foresaid.

(2) The competent authority shall before sanctioning any loan satisfy himself that the applicant is able to raise sufficient working capital or that the amount proposed to be borrowed will be sufficient for being used as working capital.

5. Mode of application :-

Every application for loan under these rules shall be made in form I to the competent authority, shall be accompanied by

(a) copies of title deed(s) in respect of the assets offered as security for the loan applied for, and where agricultural lands are

offered as security , the " no objection "certificate from the Collector concerned; and

(b) a fee of 1/2 per cent [(subject to a minimum of rupees 10)] of the amount of loan applied for (1 percent ,if industry is situate within the limits of a municipal corporation)or Rs .250, whichever is less, to meet the costs incurred in granting the loan, that is to say ,for examining the documents for drawing up the mortgage deed and other like matters .The fee should be [credited to XXIX-A- Industries- other receipts -(a) Department of Industries].such fee shall be refunded in all cases in which art application is rejected on a preliminary scrutiny itself: [provided that where loans are sanctioned by a chief executive officer the fees shall be credited to the account of the zilla parishad concerned.] "

6. Enquiry into nature and extent of security offered: The competent authority before sanctioning any loan :-

(a) shall verify the bona fides and the sufficiency of the security offered by the person desiring to obtain loan under section 3, and

(b)may , where an application for loan is in respect of a small scale industry the capital asssets of which in the opinion of the competent authority exceed [R's. 5.51akhs],demand from the applicant at any stage of the scrutiny of the application ,an affidavit in form II.

7. Nature of security required :-

(1) loans granted up to [two thousand rupees .shall be secured either by security of moveable or immoveable property or] by personal bond of the applicant, and incase of applicant being a firm, by the personal bonds of all partners and severally liable thereunder :

provided that ,the application is recommended by a member of parliament or of the state legislature,or any municipality ,municipal corporation or the panchayat samiti or the panchayat

(2)Loans exceeding [Rs. 2,000] but not exceeding Rs. 5000 shall be secured by one or more personal sureties [or 'by security of moveable or immoveable property as the applicant may choose]: Provided that the solvency of the sureties is certified by an official of the Revenue Department (a) where the amount of loan does not exceed Rs.2000 not lower in rank than that of [a Tahsildar.]

(3)(a) No loan shall be granted to any cottage industry unless the net value of the security offered in the form of moveable or immoveable property or both is not less than the amount proposed to be granted as loan . (b) In the case of any small scale industry the amount of the loan shall not exceed 75 percent of the net value of the security similarly offered.

(4) Except in cases falling under sub -rules (1) and (2) ,every loan shall be secured by -

(i) a mortgage or floating charge on the whole of the assets of the industry ; or

(ii) a mortgage or floating charge on the other assets belonging to the borrower ;or

(iii) a mortgage or floating charge on the assets of the surety or sureties of the borrower;or

(iv) a combination of all or any of the forms of security mentioned in clauses (i) to(iii) Provided that raw material ,stock -in -trade and finished products may be excluded from the charge if the security offered is entirely in the form of immoveable property.

[(V)a second mortgage or floating charge on the plants ,machinery and the other assets of the industry (being assets having a first mortgage or floating charge thereon for any first loan) if the net value of such assets exceeds the aggregate amount of the two loans.]

(5)where the value of security offered is at any time during the term of the loan found inadequate , the borrower shall give such further or additional security as may be required by the competent authority for the due repayment of the loan.

(6)where the borrower is a limited company the competent authority may obtain in addition such personal guarantees as he may consider necessary from the directors or the managing agents of the company.

8. Principles of valuation :-

(I)The value of assets of an industry or of any property offered as collateral security shall,so far they do not consist of money ,be taken to be,-

(a) in the case of fixed assets acquired by the purchase of cash,

that is to say, land, buildings, leasehold, railway sidings, plant and machinery, additions and improvements there to trademarks and designs, the price at which these assets were acquired subject to reasonable deductions for wear and tear (such deductions being calculated in the case of buildings, machinery and plant at the rates fixed as allowable depreciation under S.10(2) of the Income tax act, 1922), appreciable increase or decrease in the market value of the site, machinery (other than second hand machinery) and building may also be taken into consideration:

Provided that land will not ordinarily be accepted as security for an amount greater than half its market value :

Provided that land will not ordinarily be accepted as security for an amount greater than half its market value:

(b) In the case of fixed assets acquired by purchase otherwise than for cash the value of the consideration at the time the assets were acquired, provided that the competent authority is satisfied with the value so arrived at:

(c) in the case of stores, spares and tools not taken into use the cost price or price of replacement whichever is less;

(d) in the case of stores and tools which have been used but are still in stock, the cost price less a proper deduction due to wear and tear ;

(e) in the case of stock in trade or manufactured stock, the cost of manufacture or the market selling price whichever is less; if purchased stock, the cost price or price of replacement whichever is less;

(f) in the case of book debts, the nominal amount of those debts; but the debts shall be classed as good and doubtful and no account shall be taken of doubtful debts (being debts which, having been due, have not been recovered for two years):

(g) in the case of investments in government securities, the face value;

(h) [in the case of any other assets which have not been acquired by purchase, the value of the assets at the time when they became assets of the business subject to reasonable deductions for wear and tear, provided that no value shall be placed upon the goodwill, patents or secret processes

of any business.]

(2)[The value] of the assets so far as they consist of money ,shall be all cash with bankers or on hand ,the value of cash in other countries being taken at the rate of exchange ruling on the day on which the valuation is made

(3)[The value] of the additional assets that will be created by the application of the loan granted under these rules shall be money expended on the acquisition of immoveable property and machinery having long life and on the liquidation of encumbrances on existing and fixed assets which contribute to the enhancement of the capital value of the concern.

(4)[The assets] having been valued as above ,all debts and liabilities of the business shall be deducted ,other than accumulated profits and reserves in the case of limited companies .proprietor} and partnership concerns and the balance shall represent the net value of the surplus of assets and shal be the value of the business for the purposes of the act.

9. Valuation certificates :-

The following authorities] shall be competent to issue certificate! of valuation of lands and buildings offered as security against loans granted under these rules .that i to say :-

[(a)Lands : collector ,except that in respect of open plots of land situated in the jurisdiction o the Nagpur Improvement Trust, that Trust;]

[(b) Buildings

(i) Executive engineer (including an executive Engineer

(ii)Deputy Engineer (including a deputy engineer working under a zilla parishad)in all other cases]: Provided that the valuation made by a licensed architect approved by the state government may be accepted ,if the borrower bears the expenses of such valuation and deposits the requisite sum in advance with the competent authority.]: Note:[I] Where lands of buildings or both are offered as" security in respect of loans not exceeding Rs. 2,000, the competent authority shall himself make the necessary enquiries to satisfy himself about the adequacy of the security offered.

9A. non -encumbrance certificate or certificate for establishment claim to title in respect of the property

offered as security :-

(1) A certificate from a collector or from any firm of solicitors recognised by the state government for the purposes of these rules may be accepted in respect of the property offered as security if such certificate states that the property is free from encumbrances.

(2) Fees for obtaining such certificates shall be borne by the applicant.]

10. Disbursement :-

(1) Loans may be disbursed at the

(a) office of the competent authority ,or offices under his control, or

(b) tahika sub-treasuries.

(2) No loan shall be disbursed to an applicant unless he or his surety ,if any ,executes a bond to the satisfaction of the competent authority.

11. Rate of Interest :-

(1) The rate of interest at which loans may be granted under these rules shall be as follows ,that is to say:- Amount of loan where the amount of loan. .. Location of the industry Rate of interest p.a

(a) does not exceed Rs. 10,000 Amount of loan Location of whole state Location of the industry 3 percent Rate of interest p.a.

(b) exceeds Rs. 10,000 but does not exceed Rs 25,000 whole state 4 percent (i) konkan,vidarbha 5 percent and marathwada. (ii) Rest of the state 5percent

(c) exceeds Rs.25,000 but does not exceed Rs .50,000

(d) exceeds Rs.50,000 whole state

(2) Interest shall accrue from the date of disbursement of the loan. Where a loan is disbursed in installments ,interest on each installment shall be charged from the date of disbursement of each such installment.

(3) On every installment of principal which is not paid on the due date ,penal interest at the rate of 1 percent per annum in addition to the usual rate shall be charged from the said date on the amount in arrears for the period for which it remains unpaid : provided that the competent authority may, on sufficient cause

being shown ,remit such penalty in whole or in part.

(4)Where the payment of interest is delayed for period of more than six months from the due date then ,there shall be imposed from that date on the amount of interest in arrears interest at the enhanced rate of one percent more than the rate specified in sub - rule(1),and the amount in arrear: shall be expiry of six months ,be capitalised and added to the principal which shall bear interest a such increased rate.

12. Terms of repayment :-

(1) Subject to the provision of this rule ,the amount of loan an interest thereon shall be repayable by such fixed annual,or as the case may be,half yearly installment as the competent authority may determine in this behalf.

(2) The repayment of loan granted primarily for working capitals shall commence one yes after the date of disbursement and the repayment of the loan granted for other purposes sha commence two years after the date of disbursement of the first installment.

(3) Where loan is granted both for working capital and other purposes ,it shall be treated as two separate loans, and repayment there of shall commence as provided by subrule (1).

(4)The period of repayment of loans for lands, buildings .plants machinery equipment and other fixed assets shall in no case exceed ten years and for working capital five years from the date disbursement of the first installment loan.

(5) Repayment of the loan and interest shall be made at the nearest government treasury to t credit of the government ,but the competent authority may ,if he deems it fit ,authorise repayment any other government treasury .The borrower shall promptly intimate to the competent authority ,1 place at which and the date on which he has made such repayment of loan installment and inter along with a copy of the vouchers of the treasury indicating the loan transaction to which st repayment relates.

Provided that ,in case of loans sanctioned by a chief executive officer,such repayment shall made to the credit of zilla parishad concerned in such bank or office as the chief executive officer in direct ,and a copy of the recipt by such bank or office shall accompany the intimation aforesaid.]

(6) The amount of cash installment shall be rounded to the nearest rupees except in the case of the last installment where the amount shall be rounded to the nearest multiple of five naye paise.

(7) Nothing contained in these rules shall prevent a borrower from repaying at any time a sum larger than the amount of instalment or from repaying the entire amount of loan in one single payment if any sum is in excess of the amount of any installment be paid, it shall be credited in reduction of the principal ,the number of future installment be paid,it shall be credited in reduction of the principal ,the number of future installment ,being if necessary ,reduced but no postponement of subsequent instalments shall be permitted nor shall any alteration in the amount of subsequent installment shall be permitted nor shall any alteration in the amount of the subsequent installments be allowed, except in the final installment ,if such alteration is necessary to adjust the balance due.

(8) If the amount due for any installment is paid before the due date, such repayment shall entitle the borrower to a corresponding remission of interest in respect of complete months only and to no other concession and it shall be treated for all purposes as having been made on the due date .

(9) The repayment of an installment may be suspended by the competent authority whenever from causes beyond the borrower's control such repayment becomes ,in the opinion of the competent authority ,unduly burdensome ,Whenever the payment of an installment is suspended all the remaining installments due on the loan shall be postponed by one installment period: Provided that nothing in this rule shall enable the competent authority, to make an order, which will have the effect of extending the period of repayment to over seven years in the case of loans granted primarily for working capital ,and twelve years in other cases: Provided further that the suspension of repayment of an installment shall not carry with it suspension of interest except under the orders of the state government and in exceptional circumstances beyond the control of the borrower.

(10) Where a borrower has paid all instalments on due dates ,then at the time of paying the last installment, he may be allowed a rebate of 1 percent which shall be adjusted against the amount of the last installment.

13. Insurance of mortgaged properties :-

(1) The borrower shall maintain or cause to be maintained in good and substantial repair premises, buildings, plants machinery, equipment and all other properties mortgaged (Whether by himself or by his surety or sureties)as security for the loan .He shall ,unless exempted by the competent authority in writing, insure the mortgaged property against loss or damage by [fire, theft, riots, strike, civil commotion or any like event]and shall duly and regularly pay the premium payable in respect thereof, as and when they become due and payable .In the event of failure to carry repairs or to effect the insurance or pay the premium when due, the competent authority may himself do so or cause them to be done and incur the expenditure necessary therefore. The expenditure so incurred shall be recovered in accordance with the provisions of Sub- Section (1) of section 6: Provided that the competent authority may require the borrower to insure the property mortgaged for securing loan before in advanced to him.

(2) The mortgaged property shall be insured with a company to be approved by the competent authority and for an amount not less than the market value of the mortgaged property on the date of its insurance.

(3) The insurance policy shall be assigned to governor of Maharashtra.

14. Recovery of loan for breaches of conditions :-

Every loan granted under these rules shall be applied for the purpose for which it is granted If at any time it is proved to the satisfaction of competent authority or officer deputed by him or authorised by the state government in this behalf that the loan or any part there of has not been applied for the purpose for which it was granted, the whole unpaid balance of the loan with interest and costs ,if any shall forthwith become payable and shall be recovered in accordance with the provisions of subsection(I) of Section 6 of the act.

15. Inspection of accounts and works :-

The borrower shall at all reasonable times allow the competent authority or any person deputed by him by general or special order in writing or authorised in this behalf by the state government ,to inspect the land ,building ,machinery ,equipment ,stock and stores, account books ,and all other articles and things connected with the industry in respect of which the loan is to be or has been granted and to give every facility for such inspection.

16. Submission of the certificate by the borrower :-

The borrower shall submit to the competent authority within three months from the date of disbursement of the first and each subsequent installment of the loan, a certificate showing the amount actually spent and the purpose for which it has been spent and shall annually submit to the competent authority information regarding the working and the general condition of the industry for which the loan is granted under these rules in such form as the competent authority may ,time to time direct.

17. Accounts and audit :-

(1) The accounts of every industry in respect of which a loan exceeding Rs. 5000 is granted under these rules shall be audited atleast once in every year by an auditor approved by the competent authority.

[(2) A certified copy of the annual statement of accounts together with the auditors report (in full)and the director's report shall be submitted to the component authority in duplicate ,who shall forward a copy of such report and accounts to the accountant General, Maharashtra [with his comments],if any.]

(3) The borrower shall rectify the objections and any error of omission pointed out by such auditor.

[(4) The accounts of any industry to which any loan is granted under these rules shall be open to test check by the controller and auditor general.]

18. Consequences for not complying with conditions of grant of loans :-

Where the conditions subject to which a loan is granted under these rules are not complied with ,no profits shall be appropriated b y the borrower ,if he is a partnership firm [or a proprietary concem]and ho dividends shall be distributed in excess of 3 percent per annum ,if the borrower is a limited company .without the approval of the competent authority.