

# **Sustainable Industry Incentive Scheme 2023**

*Annexure C*

## **SCHEME 4**

**Access to finance through IPO route for MSMEs**

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## SCHEME 4:

### Access to finance through IPO route for MSMEs

#### **A. The Scheme**

The scheme 'Access to finance through IPO route' for MSMEs aims to provide reimbursement of 50% expenses subject to a maximum of Rs. 1 Cr., incurred on floating initial Public Issue through the SME platform of NSE or BSE, provided the funds thus raised are utilised for setting up/ expanding enterprise in the State, in any of the priority sectors as outlined in the Kerala Industrial Policy 2023.

#### **B. Eligibility of applicants**

1. All Micro Small and Medium Enterprises engaged in manufacturing / services activities (excluding trading) set up in Kerala are eligible for assistance under this scheme if, the activity of the MSME comes in any one of the priority sectors listed under the Industrial policy 2023, Government of Kerala and has raised fund through IPO route through the SME platform of NSE or BSE on or after 01/04/2023, provided the funds thus raised are utilised for setting up/ expanding enterprise in the Kerala.
2. The unit shall have valid Udyam registration as per the MSMED Act 2006.
3. The unit shall have utilised the fund for setting up/ expanding enterprise in Kerala.
4. Companies that have raised fund through IPO route, but only partly used such fund for setting up / expanding activities of the enterprise in Kerala, such unit are also eligible for the assistance.
5. The industries included in the Negative List and notified as such from time to time shall not be eligible for assistance.
6. Government controlled industries, public sector undertakings, units started by Government controlled agencies shall not be eligible for assistance under this scheme

#### **C. Definition and explanation**

The definitions for the terms mentioned in this scheme are used only for the purpose of this Scheme and not applicable elsewhere.

- **Enterprise:** An industrial unit falling under Micro, Small or Medium category in the MSMED Act 2006, with valid UDYAM registration.
- **Company:** A Company incorporated under the Companies Act and registered under the Registrar of Companies

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- **Units: Manufacturing / service facility of a company located in the State of Kerala**
- IPO - (Initial Public Offering) - Is a process by which a company becomes publically traded company by offering its share to public for the first time.
- Negative List: List of Industries declared by Government from time to time, which are not to be encouraged by giving any Government financial assistance.
- Agreement: An agreement refers to a legally binding document signed in stamp paper (Value as defined by the Sanctioning Authority) in the prescribed format between the Sanctioning Authority and applicant detailing the rights, obligations, and responsibilities of both the parties involved with regards to compliance to the rules and regulations, reporting requirements, repayment/recovery terms (if default), monitoring and evaluation processes, and any other specific conditions set forth by the Sanctioning Authority.

### **D. Entitlement of a Successful Applicant**

Subject to meeting the eligibility criteria, the unit shall be eligible for reimbursement of 50% of expenses, subject to a maximum of Rs. 1 Cr., incurred on floating initial Public Issue through the SME platform of NSE or BSE, provided the funds thus raised are utilised for setting up/ expanding enterprise in the State, in any one of the priority sectors listed under the Industrial policy 2023, Government of Kerala. The entitlement for assistance will be calculated as follows.

- a. If the fund raised by the company through IPO route is fully utilised for setting up / expanding the activities of the enterprise in Kerala such companies are eligible for 50% of expenses incurred on floating initial Public Issue through the SME platform of NSE or BSE, subject to a maximum of Rs. 1 Cr.
- b. Companies that have raised fund through IPO route, but only partly used such fund for setting up / expanding activities of the enterprise in Kerala, such unit are also eligible for the assistance. In such cases, reimbursement eligibility of 50% of expenses incurred subject to a maximum of Rs. 1 Cr. will be calculated proportionately to the investment made in Kerala out of the fund so raised through IPO,

### **E. Mode of Application & Processing Fee**

Eligible applicant shall apply online, with all relevant supporting documents and remit the applicable processing fee. The processing fee shall be Rs.5000/- +GST per claim.

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### **F. Recommending Authority**

The Recommending Authority for the applications shall be the concerned Assistant District Industries Officer. The duties of the Recommending Authority are to:

- i. Verify the documents submitted by the applicant via online
- ii. Conduct inspection if required,
- iii. Ascertain the eligibility, and recommend eligible amount to the Sanctioning authority.
- iv. Provide additional details if any called for by the Sanctioning Authority.
- v. Handhold smooth implementation of the scheme in close co-ordination with the applicant and Sanctioning Authority.

### **G. Sanctioning authority**

The Sanctioning Authority for this scheme shall be the District Level 'Incentive Implementation Committee (IIC)' chaired by General Manager DIC. The constitution of the committee, the broad responsibilities of the Sanctioning Authority and the key responsibilities of the General Manager DIC for the successful conduct of the District Level IIC meetings are as outlined in the **General Scheme Guidelines in Annexure A**

### **H. Mode of Release of Eligible Incentive**

The following procedures will be adopted for the release of assistance sanctioned to a unit under this Scheme;

- i. Upon approval from the sanctioning authority, a sanction letter will be issued to the applicant.
- ii. Within 30 days of receipt of the sanction letter, the applicant is required to either sign an agreement with the Sanctioning Authority for facilitating for the disbursement of the assistance or to file an appeal in the prescribed format as mentioned in section "Appeal" against the decision of the sanctioning authority if the unit desires so.
- iii. In case of applicant filing an appeal, the disbursal of assistance will be kept on hold, until the disposal of the same.
- iv. If the applicant is unable to sign the agreement within the stipulated time due to genuine reasons, they should inform in writing, the reasons thereof to the sanctioning authority within these 30 days itself. The sanctioning authority will review the situation, and if deemed satisfactory, may grant an extension on a case-by-case basis.
- v. If the applicant fails to sign the agreement or file an appeal within the specified 30-day timeframe, the sanction will stand cancelled automatically, without prior notice.

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- vi. In case the applicant wishes to avail the assistance, a fresh application has to be submitted remitting the applicable processing fee, again. In such cases, the application will be considered as a new application.
- vii. In the case of units, which has successfully executed the agreement, Sanctioning Authority shall forward such cases to MD- KSIDC.

If the documents submitted by the Sanctioning Authority are in order, MD-KSIDC will initiate further steps for the disbursement of the eligible amount directly to the bank account of the Beneficiary depending up on the availability of the fund.

### **I. Obligations of the applicant entrepreneurs and other General Guidelines**

- a) The applicant shall submit the application, online through the web portal along with supporting documents.
- b) The applicant shall pay the requisite application fee through the online portal.
- c) The applicant shall provide all required details and declare such information as to be true.
- d) The applicant shall provide the Bank Account details of the MSME unit at the time of submission of application.
- e) The applicant shall provide clarifications or further details sought by the Recommending Authority / Convenor of IIC / Sanctioning Authority.
- f) The applicant, if so required by the Recommending Authority / Sanctioning Authority, shall allow inspection or verification of any details mentioned in the application including plant and machinery and all other assets, by the recommending/sanctioning authority or a third party authorised by the recommending/sanctioning authority.
- g) The applicant shall produce originals of any important documents if so required by the recommending/sanctioning authority for verification.
- h) The applicant shall execute requisite legal agreement
- i) The applicant shall operate the unit as stipulated in the agreement in which the quantum of support received, failing which the assistance shall be resumed by restoring the provisions of Kerala Revenue Recovery Act.
- j) The applicant shall operate the unit for a period of 3 years from the date of commencement of operation of the unit in Kerala, for the investment of which the fund is raised through the IPO route.
- k) The applicant unit after availing the assistance shall furnish copies of balance sheets, valid license from local body, electricity bills, performance particulars in the prescribed proforma etc every year till the period stipulated in the agreement, before the 31st December of the next financial year, as proof of their functioning through the online portal.

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### **J. Responsibility of the Certifying Agency**

The application for subsidy assistance and its eligibility is determined /calculated predominantly based on the certificates issued by the certifying Chartered Engineers / Accountant. Therefore the certifying person shall take utmost care while checking the documents, verifying the records, valuing the assets and certifying the Investments made by the company. The certifying person shall provide all necessary additional clarifications and shall present in person during the time of physical verifications if so required by the recommending/sanctioning authority.

Any of the information / certification so supplied is found to be incorrect that results to the loss to the State Government or any other authority under them, the certifying person is liable to be explainable. If the explanations given by the certifying person are not found to be satisfactory, the certifying person will also be equally responsible for the loss to the Government. While appropriate steps will be taken to recover the loss incurred to the Government of Kerala from the applicant, the following action will be initiated against the certifying person;

- a) Debar such persons from certifying for the Government purpose
- b) Report the incident and the action taken by Government to the respective Registering Authority to appropriate action against that person

### **K. Recoveries and Penalties**

Any assistance provided under this scheme to a unit is subject to refund by the unit in full with an annual interest rate of 14% from the date of receipt upon the issuance of a registered demand notice to the unit by the Recommending/Sanctioning authority on the following grounds.

- a) In cases of obtaining assistance through misrepresentation, forgery, deception etc.
- b) violating any of the conditions in the agreement executed
- c) Unauthorized subletting, subleasing, transfer, or sale of the unit, change of activity without the consent of Sanctioning Authority

The applicant is required to operate the unit for the specified period mentioned in the guidelines/agreement. Failure to comply with this condition will result in the resumption of assistance on a prorate basis, considering the period of the company's operation, along with an annual interest rate of 14%.

In case of default, any amounts owed to the Government under the provisions stated above shall be recoverable as if they are arrears of land revenue. The recovery process will be carried out in accordance with the provisions of the Kerala Revenue Recovery Act, 1968, and other relevant laws applicable to the Government.

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However, the company will be provided with three opportunities to present a written explanation, including the opportunity for a hearing, before the recovery measures are initiated for the recovery of the outstanding amount.

### **L. General Guidelines**

1. The assistance under this scheme shall be released to the eligible applicant as one time assistance depending on the eligibility of claims.
2. The claims under this scheme will be entertained only during the currency of this Scheme and Budgetary allocations. The Government of Kerala may modify, amend and if required completely withdraw the Scheme, any point of time in part or in full
3. The processing fee collected from applicant shall be used for the meeting the incidental expenses for processing including TA/DA, other administrative overheads, consultancy expenses, if any, incurred for the proper processing of the claims etc.
4. An amount of 2% of the budget allocation under the scheme shall be earmarked and made available for disposal with the Director of Industries & Commerce for allotting to the District/State Level Committees towards administrative expenses and advertisement and publicity costs. The expenses can be met for the purpose of canvassing applicants, hiring of vehicles, associated telephone charges, printing and publishing publicity materials, light refreshments for investor meets. The Director of Industries & Commerce will determine the limits under which such expenses are to be footed.

### **M. Appeal & Dispute Resolution Mechanism**

There is a provision for the applicant to appeal against the award of the Sanctioning Authority, if needed. The appellate authority for applicants in such circumstances shall be MD-KSIDC. The Appeal Form affixing court fee stamp for Rs.10.00/- in the prescribed format, to be submitted within 30 days from date of sanction of the Proceedings. The Appellate Authority in such cases shall convene a meeting with the Sanctioning Authority and aggrieved applicant to resolve the matter. The decision of Appellate Authority will be final on such cases.

The assistance proposed in this scheme is envisaged as a fiscal incentive for the investment made in Kerala and to attract more investors. Any dispute arises, which cannot be resolved at the level of Appellate Authority can only be questioned at courts having its jurisdiction at Thiruvananthapuram

### **N. Forms and Clarifications.**

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MD-KSIDC shall have the full authority to prepare the application forms, form of agreement and any other formats required for the proper implementation of the Scheme and to issue clarifications sub-rules, modify the check-list etc, if required.

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