REPORT OF THE WORKING GROUP ON FINANCE FOR TEA INDUSTRY

RESERVE BANK OF INDIA

30/8/72

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TABLE OF CONTENTS

CHAPTER I

INTRODUCTION

1.1 The Governor of the Reserve Bank of India, Shri S. Jagannathan and the Deputy Governors Dr. R. K. Hazari and Shri P. N. Damry met the representatives of the tea industry and the financial institutions at a conference in Calcutta in July 1971 and discussed with them the difficulties of the industry in obtaining institutional credit. It was then represented that the availability of working capital was not adequate and that term credit for the development of the industry should both be augmented and made to flow smoothly through the participation of the various institutions providing term finance. Following this, the Reserve Bank of India constituted, in September 1971, the present Working Group to study the various aspects of the question and to make suitable recommendations. The terms of reference of the Working Group are :

Background

Terms of Reference

(*i*) To review the existing institutional arrangements for financing the credit requirements of tea plantations, in particular, those which are medium and long-term in nature, as also the policy and procedures governing the same ;

(*ii*) To enquire into the scope for, and to determine the ways and means, and the terms and conditions on which the various existing financial institutions could participate in term loans to tea plantations ;

and

(*iii*) To consider whether joint lending is desirable and feasible and, if so, indicate the institutional agency through which such joint lending to the industry is to be channelled.

1.2 The composition of the Working Group is as under:

1. Shri B. K. Dutt, *Chairman*
   Custodian,
   United Bank of India,
   Calcutta.

2. Shri S. K. Mehera, *Member*
Chairman,
Indian Tea Association,
Calcutta.

3. Shri V. L. Chacko, *Member*
Secretary and Adviser,
United Planters' Association of
Southern India, Coonoor.

4. Shri M. K. Dutt, *Member*
Director of Tea Development,
Tea Board,
Calcutta.

5. Shri Manas Roy, *Member*
Managing Director,
West Bengal Financial Corporation,
Calcutta.

6. Shri K. P. Barooah, *Member*
Managing Director,
Assam Financial Corporation,
Shillong.

7. Shri B. V. Abdulla Koy, M.P., *Member*
Chairman,
Kerala State Financial Corporation,
Trivandrum.

8. Shri M. K. Das, *Member*
Managing Director,
Assam Co-operative Apex Bank Ltd.,
Gauhati.

9. Shri S. S. Basu, *Member*
Director,
Accounts & Funds,
Agricultural Refinance Corporation,
Bombay.

10. Shri E. H. J. Pennefather, *Member*
Manager,
National & Grindlays Bank Ltd.,
Calcutta.

11. Shri V. N. Nadkarni, Superintendent, Advances Department, State Bank of India, Calcutta. — *Member*
12. Shri N. P. Nayak, Regional Manager, Canara Bank, Calcutta. — *Member*
13. Shri H. K. Das Gupta, Deputy Chief Officer, Department of Banking Operations & Development, Reserve Bank of India, Calcutta. — *Member-Secretary*
14. Shri K. N. S. Unni, Research Officer, Research Section, Reserve Bank of India, Madras. — *Member-Secretary*

1.3 Shri A. F. V. D'Souza, Deputy Director, Research Section, Reserve Bank of India, Calcutta, who was originally appointed a Member-Secretary of the Group, left on another assignment.

1.4 The Calcutta Office of the Department of Banking Operations and Development of the Reserve Bank of India provided the secretariat arrangements. The Member-Secretaries received excellent assistance in the preparation of material for this report from Shri N. Venkateswaran and Shri S. K. Deb, Banking Officers, Department of Banking Operations and Development, Reserve Bank of India, Calcutta and Shri S. C. Talukdar of the United Bank of India, Calcutta.

1.5 The Group met on the following dates in the places indicated :
First meeting at Calcutta—21st September 1971.
Second meeting at Calcutta—15th and 16th October 1971.
Third meeting at Calcutta—6th January 1972.
Fourth meeting at Bangalore—17th February 1972.

1.6 As a number of Committees had already studied the various problems of the tea industry and a wealth of statistical information was available in their reports, the issue of a questionnaire was not considered necessary. However, certain basic information relating to the policy, systems and procedures followed by the various financial institutions was called for. Oral and, written evidence was tendered by the various tea interests for consideration by the Group.

Acknowledgements

1.7 The Group wishes to place on record its gratitude to the various tea interests and financial institutions which tendered evidence and furnished required data. The Group is grateful to Shri A. Raman, Director, Credit Planning Cell, Reserve Bank of India, Bombay, for attending most of the meetings of the Group and helping the Group in its deliberations and to Dr. (Kumari) Meenakshi Tyagarajan, Deputy Director, Credit Planning Cell, Reserve Bank of India, Bombay, for the help in the drafting of the report.

The Group would also like to thank Shri K. M. Kidwai, Vice-Chairman, Indian Tea Association and Shri B. Sivaram, Assistant Secretary, United Planters' Association of Southern India who attended some of the meetings as alternates to Shri S. K. Mehera and Shri V. I. Chacko, respectively.

CHAPTER II

THE POSITION OF THE TEA INDUSTRY

2.1 The tea industry enjoys a unique place in our national economy by virtue of its position both as a major earner of foreign exchange and as an enterprise providing employment to around a million workers and supporting a number of ancillary industries and services. It also contributes appreciably to the Central and State exchequers.

2.2 Tea is largely grown in Assam, West Bengal, Kerala and Tamil Nadu. To a small extent it is also found in Tripura, Punjab, Mysore and Uttar Pradesh. A State-wise distribution of the area under tea is given in the table below :

TABLE 1

States	1969		1970	
	Area (in hectares)	Production (in million Kgs.)	Area (in hectares)	Production (in million Kgs.)
Assam	179,417	204·74	180,065	215·16
West Bengal	87,568	88·59	87,989	99·06
Kerala	38,037	41·36	37,554	43·26
Tamil Nadu	34,398	52·11	34,587	55·97
Tripura	5,494	2·82	5,526	3·79
Mysore	1,860	2·56	1,866	2·84
Others	6,585	1·41	6,546	1·74
	353,359	393·59	354,133	421·82

2.3 Table 2 shows the total production, exports and foreign exchange earnings of the industry during the last five years.

TABLE 2

Year	Production (In million Kgs.)	Exports (In million Kgs.)	Foreign Exchange earnings (in crores of Rs.)
1967	384·76	213·68	189·04
1968	402·49	208·44	166·48
1969	393·59	168·71	120·54
1970	421·82	208·43	148·82
1971@	429·26 (Estimate)	212·63	160·30

@ Provisional.

2.4 There are certain points of difference in tea cultivation in the northern states and in the south of the country. Tea is more prominent in the north and only about 20 per cent of the total area under the crop is in the south. However, owing to certain environmental and climatic factors, productivity is somewhat higher in the south which accounts for about a quarter of the total output as well as exports. The average size of a garden is relatively smaller in the south and of the 11,603 estates registered with the Tea Board (as on March 1970) 9,084 are in the three southern states of Tamil Nadu, Kerala and Mysore. An important feature of difference in the process of cultivation is that in the south, plucking of tea leaves is carried on throughout the year, while in the north, it is seasonal.

2.5 An aspect of the tea industry's performance which causes concern is the gradual decline in the share of India's exports as a percentage of world exports. In the past few years, domestic consumption of tea has been rising faster than the increase in output and if this trend were to continue, the position of Indian tea in world markets would be further eroded. All the same, it would not be desirable to place curbs on domestic consumption of tea in order to generate surpluses. If allowance is to be made for increase in internal offtake and a stable if not rising level of exports, the present output would need to be stepped up. It was in this context that the Lamond Committee (1971) underlined the need for stepping up the current annual rate of growth in output of 1.9 per cent to at least 3.0 per cent during the current decade if the requirements of domestic consumption, which is increasing at an annual rate of about 5 per cent, are to be met and the current level of expots maintained. Considering that a significant proportion of tea bushes in Indian gardens are possibly past the peak-yield stage, a rise in tea output requires an extension of the area under tea, replanting, replacement and the improvement of yield through measures of intensive cultivation.

2.6 A basic requirement for development is the provision of adequate finance.

However, an increase in the quantum of finance need not in itself result in an increase in production. The concommitant factors necessary for attaining optimum results are good management and planning, financial discipline on the part of the industry and the co-operation of labour.

2.7 This Group, like its predecessors which have studied the problems of the tea industry, is convinced that the profitability of the industry has been gradually and steadily eroded. Mounting costs of production without a corresponding increase in prices do not permit sufficient cash accruals for plough-back and development. While on the one hand the number of companies incurring losses has increased and the total dividends as percentage of total paid-up capital has declined, certain sections of the industry have not taken steps to conserve the available resources. In fact dividends as a proportion of net worth calculated even on the basis of book value are too low to be considered significant. Of the 134 selected companies, the number of companies which have drawn on their reserves for purposes of distribution of dividend has gone up from 44 and 41 in the years 1966-67 and 1967-68 respectively to 74 in the year 1968-69.* This is not to minimise the non-financial factors affecting the viability and growth of the tea industry. There is a feeling of uncertainty among the planters arising from fears of nationalisation and land ceiling legislation. Garden owners seem apprehensive about the availability of land needed for expansion, re-plantation and diversification including food production. Particularly in the case of small/fractional gardens, the absorption of technological innovations and managerial skills is not altogether satisfactory.

2.8 The small/fractional gardens pose special problems. They are mostly situated in South India, Tripura and in the Kangra Valley and Mandi areas. The small plantations constitute only about 5 per cent of the total area under tea and the percentage of their output is even lower. The number of small growers are, however, on the increase. From the point of view of total acreage, output and employment, small gardens may not be of much significance. But they nevertheless have a relevance in the current socio-economic context and any measure to raise their efficiency standards has to be accorded importance. Special problems are also posed by bought-leaf factories@ (Common in the Nilgiris) whose machinery and equipment are more often than not obsolete with the result that they produce poor quality teas and are uneconomic in their working.

2.9 There is no dearth of institutions to meet the credit requirements of the tea industry. The commercial banks have been traditionally providing working capital and export finance. They have also ventured into the field of term finance, particularly after the introduction of special plantation schemes by the Agricultural Refinance Corporation. All the same, commercial banks' involvement in term lending to tea industry has been limited. State financial corporations in certain states and the Assam Apex Co-operative Bank Ltd. have rendered some assistance. The Tea Board, although not a financing institution, has certain schemes to help the industry. The financial assistance provided by other term lending institutions like I.F.C.I., I.C.I.C.I. and I.D.B.I. has been negligible. This is mainly on account of the application of the definition of "industrial concerns" to which alone these institutions can lend. Development of plantation falls outside the scope of this definition. The principal task of the Group is to consider ways and means of enlarging the flow of institutional credit to all Sections of the industry.

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* From a survey of "Finances of public limited companies, 1968" published in the Reserve Bank of India Bulletin—October 1971.

@ So called because they operate mainly with green tea leaves bought from growers who have no processing facilities attached to their gardens.

CHAPTER III

SHORT-TERM FINANCE

3.1 The working capital requirements of the tea plantation industry arise out of garden and factory expenses, tax payments and other Government dues, transport and marketing expenses, etc. and are generally met by commercial banks. It is not possible, with the available data, to arrive at any precise quantification of the working capital or short-term financial needs of the tea industry. The Reserve Bank's Survey of Commercial Banks' Advances according to Securities shows that the maximum outstandings of bank advances against the security of tea have never exceeded Rs. 85 crores in any year. This figure would include advances to the trade given against the security of tea. However, to the extent that gardens obtain finance against securities other than tea, the credit for working capital provided to tea plantations could be higher than the figure indicated by the Survey. It is the Group's impression that within the tea industry, there are sections which have been getting working capital finance in adequate quantities and others experiencing difficulties. Some of the banks financing tea were categorical that their clients were satisfied with the scale of assistance given to them. However, the industry, in general, feels that there is scope for enlarging and smoothening the flow of working capital. In fact, the Consultative Committee of Plantation Associations in its memorandum submitted to the Group went to the extent of stating that the "credit starvation" (of working capital) "has been hampering the performance of the industry and its profitability thereby eroding its resources". Apparently, this shortage is more keenly felt in the north. In the south, where there is perennial plucking, the problem is said to be less acute. Further, unlike in the north where in the early months of the season there is no tea crop and hence no security of crop, in the south, security for bank advances is more easily available.

3.2 Even if a sizeable increase in the banks' involvement is necessary to meet in full the short-term credit requirements of the tea industry, this is not likely to be dimensionally so great as to impose undue strain on the resources of the banking system. In the first place, some sections of the industry appear, at present, to be obtaining their full requirements of working capital. Also, the rate of deposit accretion of banks would be high enough to accommodate such an increase. The approach to the problem lies in suitable adjustment of the procedures and practices adopted by banks in assessing credit requirements and in timing the flow of credit.

3.3 While some of the banks assess the credit requirements of the season on the basis of the average sales for the last two or three years, yet others fix the credit limits on the basis of the estimated value of the crop which again is related to the production of the previous two or three seasons and the price then realised. The actual limits sanctioned are generally around 50 per cent to 60 per cent of the past sales or production. With the idea of retaining a portion of the sales inflow so that the advances are actually self-liquidating, it is also the usual practice of the banks to schedule the drawings in the cash credit/overdraft accounts of tea gardens month-wise and place a ceiling on the total amount of withdrawals. A few banks, however, base their assessment on the estimated cost of production in relation to anticipated output and allow total withdrawals in a season to aggregate to the full cost of production.

3.4 In the context of a steady rise in the cost of production, the practice followed by the banks of relating current needs to past trends requires to be reviewed as it cannot adequately meet genuine needs. It was. represented that the credit limits determined under the present procedure are not sufficient to meet the financial needs of tea gardens, particularly during the pre-plucking season when much of the expenditure is incurred and there are hardly any sales.

3.5 Since the sale proceeds are not always fully realised in the course of a season, gardens are some times not able to bring their accounts to credit by the end of the season with the result that the limits for the subsequent seasons are curtailed to the extent of this shortfall which acts as a constraint and needs to be eliminated.

3.6 It has been represented to the Group that there is delay in the communication of banks' decisions on limits. In some cases at least such delays may be unavoidable because borrowers do not furnish the necessary particulars in time and banks are thus handicapped to process the applications expeditiously. Once limits are sanctioned, banks should undertake mid-season reviews where this is not already being done.

3.7 The industry is not happy about certain features of lending practices such as the variations in the lending rates between banks and between borrowers. This, however, is not a problem peculiar to the tea industry and is inevitable since the credit rating of borrowers also varies The practice followed by some banks in levying a service charge related to turnover over and above the interest charges, although intended to defray the cost of management services rendered, is viewed by borrowers as an avoidable impost.

3.8 The attention of the Group was also drawn to the difficulties experienced in some cases when gardens change hands in regard to the continuance of the credit facilities by the financing bank. Since banks extend facilities to the management and not to the garden as such, a change in ownership and management might lead to a reduction in, or withdrawal of, the limits already sanctioned. It would be advisable for purchasers of gardens to negotiate with the financing banks, prior to purchase, to ensure the smooth continuance of credit facilities.

3.9 In regard to export finance while the tea industry does not consider necessary any basic alterations in the structure and procedures, there are two points requiring some attention. In the first place, the output of several tea estates, though exported, is done indirectly and the benefit of the concessional interest rate goes to the trade and not to the producing units. The Reserve Bank has indicated its willingness to extend the facility of packing credit at concessional rates to plantations engaging in exports through trade channels provided they are able to establish definite and tangible evidence of the export of their output. The Group is of the view that there are practical difficulties in providing the concrete proof of ultimate export and a suitable procedure has to be evolved for the same. Secondly, it has been brought to the notice of the Group that the foreign bills purchased/discounted limits sanctioned by banks are not sufficient to accommodate contingencies such as those arising out of bulk shipments or delay in the realisation of bills or remittance of the proceeds.

3.10. It is the view of the Group that, by and large, the short-term credit problem of the tea industry is not so widespread or serious as to impose a severe strain on the banking system. The question is rather one of availability at the right time. Some marginal adjustments in the calculation of ceiling limits and in fixing the seasonal drawing limits would be needed to introduce an element of flexibility. The Group, therefore, makes the following recommendations :—

Recommendations

(*a*) The cash credit limit (*i.e.*, the *maximum* outstanding that may be permitted in the account at any one time) may ordinarily be 60 per cent of the gross sales turnover or 75 per cent of the cost. Cost should be taken to include all expenses including excise duty, provident fund dues, transport, stores, foodgrains, interest on term loans, etc.

(*b*) The seasonal drawings or total drawing limit (*i.e.*, the aggregate debits or withdrawals which would be allowed in the cash credit account for the entire season) may be permitted to rise upto 95 per cent of the net sales turnover or the actual cost, whichever is less. The drawings may be regulated by monthly schedules as submitted by the borrowers and approved by the bank.

Sales and cost referred to above may be calculated on the basis of average of actuals of the past two years (any abnormal year being given due weight for the purpose), with a built-in cover for normal crop expansion, cost escalation and other contingencies.

(*c*) The annual credit review should be completed at least a month before the commencement of the season. The industry should co-operate with banks by timely supply of the requisite particulars. Mid-season reviews undertaken around August or September should take into account unforeseen developments and provide for necessary adjustments in the financial arrangements. Borrowers' obligations to term-lending institutions should also be taken into account.

(*d*) Banks should ensure that there is no change in lending rates during the currency of a loan except when warranted by changes in the Bank Rate and deposit rates or other such contingencies.

(*e*) To ensure the continuance of credit facilities in cases of change in the management and/or ownership, banks should arrange for easy exchange of credit information on the parties.

(*f*) Where gardens are not able to bring their accounts to credit at the end of a season consideration may be given to segregating the cumulative deficit and covering it with a term loan with suitable repayment schedule so that the working capital limit sanctioned would be available in full.

(*g*) In the case of gardens whose produce is exported indirectly through trade channels, the question of providing tangible proof of export for availment of packing credit at concessional rate is one which might pose practical difficulties. It is suggested that the various Planters' Associations, in consultation with the brokers and the trade, should devise methods to make it possible to identify the quantum of teas exported from different gardens.

(*h*) The foreign bills purchased/discounted limits may be revised upwards where necessary to provide for such contingencies as might arise from bulk shipments, delay in realisation of bills, remittance of proceeds, etc.

CHAPTER IV

TERM FINANCE

4.1 The Group, under the terms of reference, is required particularly to study the question of term finance for the tea industry. While there are a number of specialised institutions for the provision of term credit for industry, not all of them extend their facilities to the tea industry. Even in regard to those institutions that do lend to tea plantations (Tea Board, State Financial Corporations and Assam Co-operative Apex Bank Ltd.), it has been represented to the Group that the quantum of credit made available by them is insufficient and that the formalities involved are both complicated and time-consuming, particularly in regard to provision of security and project appraisal. On the other hand, it would also appear that even such facilities as are available have not been fully availed of by the industry. Seemingly, the cost factor is principally responsible for this.

4.2 About 40 years ago, the cost of bringing one hectare of land under tea was placed at Rs. 2,500. Since then, there has been a steep rise in costs. The Tea Board has estimated the expenses for new plantation at about Rs. 12,500 - Rs. 15,000 per hectare. The industry is, however, of the view that the cost will be about Rs. 18,000-Rs. 20,000 per hectare which is likely to go up with normal cost escalation. The period of gestation in the case of tea gardens is fairly long, being upto 8 years or so. In these circumstances, the present cost of term credit does not provide sufficient incentives to planters to venture into undertaking further outlay for development.

4.3 Of the institutions now providing term credit facilities to the tea industry, the lowest rate of interest is charged by the Tea Board. The Board administers two financial schemes and in both cases, the rate of interest is 6½ per cent* with a rebate of ½ per cent for prompt repayment. The Tea Plantation Finance Scheme, operated by the Tea Bord since 1963 has a fund of Rs. 4.50 crores, of which Rs. 10 lakhs has been set apart for irrigation loan schemes for the sinking of deep tube wells and the construction of reservoirs, etc. The loans are available against the security of mortgage of the estate and other fixed assets with a margin of 50 per cent. The scale of assistance, however, is meagre, at Rs. 7,400 per hectare for gardens in the plains and Rs. 9,900 for those in the hills.**

* The rate is being raised to 7 per cent.

** The scale of assistance is being raised to Rs. 11,250 per hectare for gardens in the plains and Rs. 13,750 for those in the hills.

4.4 The Tea Board's Tea Machinery and Irrigation Equipment Hire Purchase Scheme introduced in 1960, has a fund of Rs. 9 crores. Loans provided under the scheme fully cover the initial cost of machinery and equipment, including the transport and installation charges and are repayable in not more than ten annual instalments. The scheme is not revolving in character. The maximum total value of machinery and/or equipment that may be applied for in respect of any one tea estate or factory should not exceed Rs. 6 lakhs for machinery and Rs. 5 lakhs for irrigation equipment.

4.5 As of March 31, 1971, a total of Rs. 4.11 crores was disbursed in respect of 127 applications under the Tea Plantations Finance Scheme and Rs. 6.40 crores for 773 applications in respect of the Tea Machinery and Irrigation Equipment Hire Purchase Scheme.

4.6 In addition to these loan schemes, the Tea Board also has a Replanting Subsidy Scheme, in effect since October 1968, which provides a subsidy of Rs. 3,500 and Rs. 4,500 per hectare for gardens respectively in the plains and hills.* Apparently, the scheme is not very attractive since the subdidy has not been considered adequate. The total amount of subsidy paid under the scheme, in the first year of its operation, was only about Rs. 8 lakhs.

4.7 Although the statistics of the utilisation of the Tea Board's schemes may not be impressive, the fact remains that no other financial institution has provided term finance in comparable measure to the industry. The attractiveness of the loans granted by the Tea Board stems from the low interest rate charged by it.

4.8 An indirect source of finance to the tea industry is the Agricultural Refinance Corporation. Its assistance is available for all developmental activities either taken up individually or under a composite plan, which directly or indirectly help planters to increase production of tea. Financial assistance is also available in special cases for clearance of debts incurred for development purposes and for purchase of neglected estates and virgin land. Another distinctive feature of the Corporation's scheme is that it has no fixed norm regarding the quantum of assistance for various purposes. The extent of assistance is need-based. The repayment terms are also flexible being related to the repaying capacity of the individual borrowers. The Corporation's scheme which provides refinance at 6½ per cent to commercial banks on term loans provided by them to plantations has made credit available to the industry at 9 per cent. In spite of wide coverage of the A.R.C's scheme, adequacy of finance and easy repayment terms the quantum of assistance availed

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* Since raised to Rs. 4,000 and Rs. 5,000 per hectare.

of from the Corporation is not very significant. A.R.C's total refinance commitment in respect of term loans given by banks to tea plantations (as at the end of June 1971) was only Rs. 1.31 crores while the disbursement on that date were just under Rs. 1.00 crore.

4.9 The Lamond Committee which enquired into the ways and means of accelerating the growth of tea output in regard to North East India tea gardens recommended an aggregate investment of Rs. 67 crores. More recently, a study* of the Marketing Research Corporation of India has estimated that an investment of Rs. 100 crores in tea industry would be necessary over the current decade to ensure a growth rate of 3 per cent per annum. Even this would appear to be an underestimate inasmuch as the lags in returns from investment may be somewhat more than anticipated and some wastages could also occur. It has been mentioned by the industry that a minimum investment outlay of Rs. 150 crores might be required to sustain a 3 per cent growth rate, even excluding funds needed for infrastructural facilities.

4.10 As discussed in Chapter III, the working capital requirements of the tea industry are not so large as to create undue strains on the banking system. In regard to term credit also, the broad magnitudes as outlined above are such as could be met by the banking system. However, considering the growing requirements for bank finance from various sectors of the economy and the expertise and resources available with other institutions now lending to the tea industry, it would be in the overall national interest to involve such institutions also.

4.11 A major difficulty in the way of a garden obtaining term credit is its inability to provide the type of security acceptable to the institution. The estate or garden property is itself the principal security that can be offered for this purpose. However, the property is also in a number of cases charged as collateral security for working capital finance. Under the existing conditions, where the garden has to approach a term lending institution for long term finance and commercial banks for working capital, this entails a conflict of interests. The term lending institution seeks a first charge on the property but often finds it difficult to obtain this because of the reported reluctance of the commercial banks to release its charge on the same held as collateral. Because of this, the Tea Board has amended its Tea Plantation Finance Scheme to permit loans to be granted on the basis of second mortgage. However, this does not solve the problem for the industry as a whole, since the Tea Board, by its very nature, can meet only a portion of the industry's needs. Recourse to more than one institution for finance could also entail some difficulty in

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* An Export Feasibility Study for Indian Tea : 1970-1980—Prepared by the Marketing Research Corporation of India, New Delhi.

regard to repayment arrangements because of lack of co-ordination in the apportioning of the available surplus as between the lenders.

4.12 The difficulties mentioned above could be largely overcome if both working capital and term finance needed were to be channelised through a single agency which could undertake the assessment of the overall financial requirements, work out the tenure of term loans, lay down the criteria for sharing of the security, follow-up the use of funds and generally keep in touch with the developments in the borrowing units. This, however, would not mean that the agency envisaged should take on itself the entire financial burden. The agency would seek to apportion the required credit among the various institutions, thus drawing on their resources and specialised know-how and generally act as sponsoring agent or consortium leader. The Tea Board, which though not primarily a financial institution, has until now been the main source of development finance for the industry and that at a low interest rate, should continue to function as a lender and be in the consortium of credit institutions. Where the borrowers are able to provide satisfactory security and where there is no difficulty in individual institutions meeting the requirements of borrowers independently there is no need for any consortium arrangement. However, where a consortium arrangement is necessary it would be advantageous to have a bank acting as the consortium leader to sponsor the participation arrangements.

4.13 Commercial/co-operative banks are obviously best suited for functioning as consortium leaders. Their wide branch network is an advantage in itself, providing easier accessibility to the borrowers. As providers of working capital, they are in more constant contact with the borrowers and are hence better placed to supervise financial operations. In the provision of term loans, banks and participating State Financial Corporations could have recourse to refinance facilities of A.R.C. and I.D.B.I. A.R.C. provides refinance against the sub-mortgage/sub-hypothecation of immovable/movable properties mortgaged/hypothecated by the ultimate borrower in favour of the financing bank. To enable greater use of its resources, the Corporation has relaxed its policy and is prepared to accept, alternatively, a charge created by the ultimate borrower jointly in favour of the financing bank and itself. However, A.R.C. refinance is not extended to State Financial Corporations which are also unable to obtain refinance from I.D.B.I. in respect of their plantation advances.

4.14 The attention of the Working Group has been drawn to the delay in the sanction of the term loans by the various credit institutions and some consequent avoidable expenditure. Financial institutions other than commercial banks have conceded that their organisational set-up is not quite adequate for the expeditious processing of applications and post-sanction follow-up. The Group's impression is that the delay is also sometimes due to non-receipt of essential information from the borrowers. The delay arises to some extent atleast from the need to approach different institutions, some of them not possessing the necessary expertise to evaluate the proposals from the angles of economic, financial and technical feasibility. Further, legal formalities such as the scrutiny of the title deeds and valuation of assets by the different financing institutions and the creation of mortgage charge which call for consultation and reference *inter se* and with outside authorities, such as the various departments of the State Governments, stand in the way of expeditious disposal of applications. While some of these processes are necessarily time-consuming, the Working Group considers that participation arrangements under the aegis of a single agency as suggested above, would go a long way in eliminating or atleast mitigating these difficulties.

4.15 While some of the institutions, particularly banks, secure their charge on the immovable properties and other fixed assets by a mortgage by deposit of title deeds, yet others obtain an English mortgage for the purpose. Although an English mortgage confers on the mortgagee a legal right to sell the property without the intervention of the Court, in practice, it is stated that the right is seldom exercised. Except in this regard, a mortgage by deposit of title deeds is considered as good as an English mortgage. Further, the cost in the former case would stand considerably reduced, inasmuch as it does not attract stamp duty, which being on an ad valorem basis could be high. The Group understands that there will be no legal difficulties in creating a joint equitable mortgage.*

4.16 The cost factor in term finance is most crucial. The high outlay necessary for extension of planting, replacement and replanting, the

* Ordinarily in the case of tea estates owned by limited companies it does not seem necessary to have any memorandum evidencing the equitable mortgage registered with the Registrar of Assurances inasmuch as the charge has to be registered with the Registrar of Companies which will be a public notice in accordance with the provisions of the Companies Act, 1956. Nevertheless it is considered desirable to have the memorandum of deposit registered with the Registrar of Assurances. As for tea gardens owned by individuals/partnership firms it seems advisable to have a registered memorandum of deposit of title deeds. The main purpose of such registration (i. e., notice to others) may possibly be also served by registration of some sort of a document relating to the arrangement between the financier and the borrower in respect of the loan against mortgage of the property concerned by way of deposit of title deeds thereof. A loan agreement may not quite serve the purpose inasmuch as such an agreement is probably registered in Book 4 and not in Book 1 which constitutes a notice to the public. It is, therefore,suggested that in such cases a declaration by the individuals or partners of the firm, as the case maybe,be obtained. By the documents the parties may declare themselves to be the absolute owner(s)of the property concerned and that the financier has agreed to advance the loan relying on their such assurances and they may also undertake not to create any further charge in respect of the property so long as the intended charge in favour of the financier subsists. It is hoped that such declaration (which will attract nominal stamp duty and registration charges aggregating to approximately Rs. 10 to Rs. 15) will be registrable in Book 1. This however, has to be verified from the Registrar of Assurances on reference to their Registration Manual. Documents compulsorily registrable under section 17 of the Indian Registration Act 1908 is usually registered in Book 1. Document covered by the section include :—

Non-testamentary instruments which purport or operate to create, *declare*, assign, limit or extinguish, whether in present or future, any right, title or interest, whether vested or contingent of the value of Rs. 100 and upwards to or in immovable property.

long gestation period upto 8 years and the low return on investment make it imperative that the interest burden on term loans should be low enough to attract further investment for the development of this vital industry. The Group realises that banks cannot possibly extend term loans at a rate comparable to that charged by the Tea Board. However, it is the hope of the Group that due attention will be given by both the Reserve Bank of India and the Government of India to this important aspect of the problem—the provision of long-term loans at low rates of interest.

4.17 As stated earlier in paragraph 2.8, the problems of fractional/small gardens are not only financial. The inferior quality of planting material used, the adoption of antiquated methods of cultivation, harvesting and manufacture, poor management and employment of not properly trained labour result in the production of poor standard tea. In the Palampur area it is reported that labour is seldom available in time and generally comprises minors. The small gardens in the Nilgiris to a large extent take advance from the bought-leaf factories or co-operative factories. The size is uneconomic to support a factory and they are obliged to sell their produce often at unremunerative prices. The small growers need technical advice of a high order and institutional finance so that their productive efficiency could be increased both in respect of yield and quality.

4.18 Weak or marginal tea gardens present a special case since their precarious viability excludes them from the scope of normal institutional finance. It was pointed out to the Group that the problems of this section of the industry were not only financial. However, this should not be taken to mean that the scope for improving their viability through financial assistance should be ignored. Lending to such gardens on softer terms could be considered.

4.19 It was represented to the Group that the tea industry should be included in the priority sector. By virtue of its importance as an exchange earner and provider of employment, the industry does in fact have the status of a piority industry. Whether or not this *de facto* situation is given *de jure* recognition, it is the Group's hope that the tea industry would receive high priority for policy purposes.

4.20 Improvement and possible perfection of the institutional mechanism for financing the requirements of the tea industry, while undoubtedly of great importance, is not sufficient in itself to improve the performance of the industry. This has to be supported by such fiscal relief as feasible which can improve the cash accruals of tea units. The numerous suggestions for fiscal relief made by the various expert groups that have gone into the problem are available for the Government to act upon. It is the hope of the Group that the need for appropriate amelioration of the fiscal burden will be appreciated by the authorities. In this connection a Memorandum submitted by the Consultative Committee of Plantation Associations is reproduced in Appendix I.

Recommendations

(*a*) Term loans should be provided for all purposes connected with the development of tea gardens. A list of the main purposes for which term loans may be provided is given in Appendix II.

(*b*) The Group has recommended the adoption of consortium arrangements having in mind firstly, parties who experience difficulties in meeting the security requirements of the institutions providing different types of credit and secondly, institutions whose resources are insufficient to provide credit in full. A consortium would entail advantages to the lending institutions because of the distribution of risks and to the borrower a lesser interest burden because of the participation of institutions such as the Tea Board and ARC. However, not all cases would need to be handled through the medium of a consortium ; nor would all institutions be required to channel their finance only through a consortium. Where borrowers are able to provide security for all their credit requirements they would be free to make arrangements with the institutions of their choice.

The borrower would not be required to deal with different credit institutions but will have to approach only the sponsoring agent for his requirements of finance. The commercial/co-operative bank which provides the working capital finance should undertake the function of the sponsoring agent.

(1) The sponsoring agent would, after a preliminary scrutiny of the application for finance, decide upon entering into such consortium arrangements, with other institutions as may be appropriate, in consultation with the borrower. The form of application should be so standardised as to elicit all necessary information that would be required for processing the application and thereby obviate subsequent protracted correspondence with the borrower. A model application form and a check list to facilitate expeditious disposal of the applications are given in appendices III and IV. It is not the intention of the Group that the model form and the check list are to be adopted *in toto* in all cases. They are intended to provide broad guidelines both to the industry and the lending institutions in the provision and processing of relevant data.

(2) Where an application requiring consortium arrangement is received by an institution other than a bank, it should be forwarded

to a bank which would act as the sponsoring agent. A bank receiving a proposal either directly or through another institution would first take a view of the overall requirement of the party and decide on the institutions to be involved in the participation arrangement. The evaluation of the project should be undertaken promptly by the representatives of all the participating institutions taking where necessary the assistance of Producers' association.

(3) The share of each of the financing institutions, the rate of interest that would be charged by each one of them as also the tenure of the loan, mode of disbursement and the repayment schedule should be decided by the participants. The entire advance would be secured by a charge on all the fixed assets, present and future of the borrower except the machinery which may be acquired directly under the Tea Machinery and Irrigation Equipment Hire Purchase Scheme operated by the Tea Board. The tea estate would form a common security by way of equitable mortgage for all the lending institutions which provide term and working finance, on a *pari passu* basis. Any delay in the processing of the application for term loan should not stand in the way of sanctioning the requirements of working capital. So also there should be no hesitation on the part of the financial institutions, who have already taken a first charge, to release the security for creating a *pari passu* charge. In the case of leasehold properties, the tenure of the loan should not as far as possible extend beyond the period of the lease yet to expire, but there may be cases where this cannot be rigidly followed.

In the circumstances where one of the participating institutions is not eligible for refinance, the A.R.C. should have no objection to sharing the security with that institution.

(4) For the purpose of creating the equitable mortgage, title deeds should be deposited with the consortium leader which will act not only on its own behalf but also as an agent of the other participating institutions. A model of a letter authorising the sponsoring agent of the consortium arrangement to accept the title deeds as agent for other members is given in Appendix V.

(5) The scrutiny of the title deeds and perfection thereof should be entrusted to an agreed solicitor/lawyer as soon *as the loan proposal is accepted in principle as a viable one.* If considered necessary, an advance payment could also be obtained to defray the expenses in connection with the scrutiny of the title deeds. The rules and regulations of the Tea Board, which require scrutiny by Government solicitors, would need to be amended to include other approved solicitors/lawyers.

(6) A joint equitable mortgage may be entered into between the different members of the consortium on the one hand and the borrower on the other. If considered necessary, there may also be agreements, *inter se*, between the consortium members on the *pari passu* allocation of security. Adoption of common and standard forms of documentation by all the participating institutions would reduce delays.

(7) Advances for working capital (which would also include the interest on term loans) will be repaid first out of the sale proceeds. The instalments due on account of term loans on the basis of a schedule of agreement will be met out of the surplus. If the instalments are due to be paid to more than one credit institution concurrently and if there is a shortfall in the surplus, the available surplus will be adjusted among the respective participating institutions in the ratio of the amounts due to each one of them. In the event of a garden showing deficits, the repayment of the balance outstanding under working capital and term loans appropriate rescheduling may be considered by the lending institutions in the manner as may be mutually agreed upon.

(*c*) At present only a few commercial and co-operative banks are undertaking the financing of tea gardens. It is desirable that in view of the quantum of finance needed for the industry and the large number of gardens yet to be provided with adequate institutional finance, more banks should enter the field.

(*d*) The facilities of I.D.B.I. and I.F.C.I. could be extended to the tea industry, if necessary, by suitable amendments of the relative enactments.

(*e*) To facilitate the flow of credit to the industry, A.R.C. and I.D.B.I. should increase their refinance coverage and provide 80 to 90 per cent and, in deserving cases, even upto 100 per cent of the development loans extended. State Financial Corporations could be made eligible for refinance assistance from A.R.C.

(*f*) The tenure of term loans should be suitably related to the purpose, repaying capacity, size of the loan and other relative factors. While no hard and fast rule can be laid down in this regard, wherever there is considerable time-lag between the outlay and its fruition, the loan should be long enough to suit the nature of the industry.

(*g*) To allow for the gestation period, a moratorium on the payment of principal should be provided in the case of plantation loans. This should not be less than 5 years in respect of loans for field development. In deserving cases banks may consider a moratorium on payment of interest as well.

(*h*) Co-operative factories with up-to-date manufacturing arragements may be established to cater to the needs of various groups of small growers. The Agricultural Refinance Corporation/Tea Board should help in the setting up of more co-operative factories. Commercial/co-operative banks should finance the co-operative factories and bought leaf factories both for improving the working of the factories and for meeting the short term credit requirements of small growers.

(*i*) The lead bank in each of the tea-growing districts should take the initiative and ensure that no garden suffers for want of adequate finance. However, viability both present and prospective, should be kept in view. The district consultative liaison committees consisting of financial institutions have already been formed or are being formed in districts where substantial tea plantation is undertaken. One of the specific functions of these committees is to undertake studies in depth of problems of individual industries. The Group hopes that purposeful studies of tea industry particularly of the weaker groups would be carried out as a basis for further action.

It is hoped that with the implementation of the recommendations of the Group, the flow of finance to the tea industry would improve considerably. However, to place the industry on a firm basis for steady growth in the long run, it is not effort on the part of the financial institutions alone that is necessary. The industry itself has a vital role to play in this direction, in particular for the rehabilitation and betterment of the relatively weaker units. Several suggestions could be made in this regard and a view can be taken only after examining the full implications of the burden on the industry itself and on other institutions. One of the suggestions put forward for consideration by the Group related to the setting up of a Tea Development Foundation. The Group considers that the suggested scheme could provide a basis for further thinking on the subject. An outline of the scheme is given in Appendix VI.

The industry would also have to make efforts to achieve maximum cash accrual by canalising all sales through recognized selling agencies and by ensuring that sales, other than at public auctions, have a definite relation in prices to the official auction prices of comparable qualities of tea. Necessary changes in sale practices and procedures should also be considered by the industry and trade towards this end.

The industry should further take full advantage of the enlarged credit facilities to bring about diversification and multiple development within the industry. This would, besides promoting employment opportunities, also improve its viability and help bring about a reduction in the unit cost of production and strengthen its competitive efficiency.

B. K. Dutt
Chairman.

S. K. Mehera
Member

V. I. Chacko
Member

K. P. Parooah
Member

S. S. Basu
Member

E. H. J. Pennefather
Member

V. N. Nadkarni
Member

N. P. Nayak
Member

H. K. Das Gupta
Member-Secretary

K. N. S. Unni
Member-Secretary

Bangalore,
February 17, 1972.

Sarvashri M. K. Dutt, Manas Roy, B. V. Abdulla Koya and M. K. Das did not attend the last meeting of the Group and hence could not sign the Report. They are, however, in agreement with the recommendations of the Group.

Appendix I

MEMORANDUM SUBMITTED BY THE CONSULTATIVE COMMITTEE OF PLANTATION ASSOCIATIONS, CALCUTTA.

Generation of Cash Resources by Tea Companies

Tea is sold by auction and the producer has no real control over the price he receives for his produce. The price paid by the buyer is essentially related to the international prices prevailing at the material time and these prices in turn are dependent on world supply and demand. This fundamental fact is often overlooked or ignored by Government.

2. As tea cannot be sold like other commodities at a fixed price, the fiscal burdens, which tea is required to carry, have a significant impect on the profitability of Tea Companies. Therefore, for Tea Companies to generate the internal resources required to build up funds for development, fiscal policies of the Government have to be so geared as to make this possible.

3. The Barooah Committee on Tea referred to the lack of finance for development in paragraphs 4.56 and 4.57 of the Report, which read as follows :—

> "One of the main factors which has acted as a serious impediment in undertaking more development is the lack of resources, within the industry, for the purpose. It would naturally be expected that for such a long established industry as tea, it should by now have created sufficient resources of its own. In practice, the industry did generate adequate resources until about 1950. Since then, however, because of rising costs, rising tax liabilities and increasing statutory obligations for labour welfare, combined with gradual decline in prices in international markets, these resources have been seriously depleted."

> "The rise in cost of production has been brought about by the rise in prices of materials and stores, rise in labour wages, increased statutory obligations imposed by the Plantation Labour Act, Payment of Bonus Act and also the spiralling cost of foodgrains that have to be supplied to the labour in N.E. India at subsidised rates based on the price in force in 1941. We have also seen more and more taxes have been imposed by the Central and State Governments and how tax liabilities have mounted up."

4. As was observed by the Barooah Committee it will be noted that the cash inflow has not been sufficient over the past decade or so in order to generate enough resources for reinvestment after meeting the evermounting costs and increasing taxation. The picture thus is as follows :—

(*a*) The rate of increase in cash inflow is meagre, if not stagnant, due to declining international prices in spite of a slight increase in internal prices.

(*b*) Cost of production has risen tremendously over the years due mainly to :—

(*i*) considerable increases in labour wages

(*ii*) higher cost of labour amenities under the P.L. Act

(*iii*) mounting losses due to food subsidy

(*iv*) introduction of a minimum bonus even in years of loss

(*v*) a substantial hike in Central excise duty

(*vi*) increases in land rents and local taxes.

(*c*) The dwindling quantum of profit margin has been further reduced on account of :—

(*i*) occasional increases in Central income tax rates

(*ii*) steep rises in the rates of State Agricultural income tax.

5. In respect of fiscal policies, the following suggestions are made:—

(*a*) Improved profitability by relaxation of fiscal burdens, leaving sufficient funds to plough back for development.

(*b*) The existing replanting subsidy is inadequate, having regard to the enormous increase in planting costs which have more than doubled since the existing subsidy was fixed, it should be enhanced by at least 100%.

(*c*) Development Allowance on replanting to be re-introduced.

(*d*) Agricultural income tax to be modified and rationalised by proper co-ordination between States and Centre; income could be fully assessed centrally, and tax paid after deduction of agricultural income tax already assessed.

(*e*) Weighted deductions under section 35(C) of the Income Tax Act should be made available to the Tea Industry.

(*f*) The heavy burden of excise duty on tea should be reduced and a full drawback of excise duty on all exports should be granted. This would stimulate exports and safeguard the country's international competitive position.

(*g*) To provide a direct incentive for increased production a system should be devised whereby exicise duty would be refunded on all additional crop produced over the moving average of the preceding three years.

(*h*) Government should take over the distribution of foodgrains to tea estates.

6. It is recommended that working capital should flow to the Tea Industry from commercial banks against hypothecation on the following basis :—

(*a*) *Cash Credit* :—A credit limit not below—(*i*) 60% of the gross sales turnover; or (*ii*) 75% of cost. Sales and costs are to be calculated on the average of actuals of the past two years, with a 10% built-in cover for normal crop expansion and cost escalation.

(*b*) *Seasonal Loan Account* :—A credit limit not below (*i*) 95% of the net sales turnover; or (*ii*) actual cost in full. Sales and costs are to be calculated on the average of actuals of the past two years with a 15% built-in cover for normal crop expansion and cost escalation. There should be a monthly scheduling of advances according to their needs as submitted by the borrowers.

7. Term loan facilities from the Tea Board should be improved. Term loans from the commercial banks should be made available at the same rate as the loans by the Tea Board. The banks should utilise to the maximum extent possible the existing refinancing facilities available from financial institutions such as the IFCI, IDBI, ICICI, LIC, UTI, ARC.

4th February 1972.

Appendix II

PURPOSES FOR WHICH TERM LOANS MAY BE GRANTED.

(1) Replantation, new plantation and infilling by all categories of tea estates.

(2) Modernisation, expansion and establishment of factories for manufacturing tea.

(3) Expansion of manufacturing arrangements by the bought-leaf factories.

(4) Electrification, construction of buildings, factory, purchasing machinery, tractors, bull-dozers, transport vehicles, rope ways, gas pipe lines and equipment, power sprayers, water tankers, etc.

(5) Meeting the financial needs arising from statutory obligations such as construction of labour houses, hospitals, etc., which require investment of a capital nature.

(6) Permanent fencing.

(7) Meeting exigencies arising from sudden calamities like fire, landslide, earthquake, prolonged drought, heavy and wide-spread hail damages, frost, flood erosions by river, etc.

(8) Diversification and multiple development.

(9) Cushion for working capital.

(10) Meeting occasional losses and past accumulation of liabilities.

(To be submitted in triplicate)

APPENDIX III

APPLICATION FOR TERM LOAN

Part I—General

1. Name of borrower :

2. Address of borrower :

   (*a*) Registered Office (in the case of corporate bodies)

   (*b*) Controlling Office (or Head Office) :

3. Constitution (Whether public/private limited company, co-operative society, partnership, Joint Hindu Family or sole proprietorship. Please enclose copies of Memorandum and Articles of Association, Certificate of Incorporation/registration, Certificate for commencement of business, bye-laws, partnership deed, as may be applicable. If minor, the name and address of the guardian should be given).

4. Date of incorporation/registration/establishment

5. Date of commencement of Business

6. Name(s), age(s) and address(es) of Proprietor(s)/Partner(s)/ Karta Director(s) and Managing Director(s), if any, and their qualifications, past experience and business and industrial background.

7. Names of officers holding important posts, their qualification and experience.

8. Names of Secretaries and Treasurers, if any, with names of their Partners/Directors, etc., as also their qualifications, past experience and business and industrial background.

   Please enclose—

   (*a*) a copy of the Partnership Deed of the Secretaries and Treasurers (if a partnership concern) or a copy of Memorandum and Articles of Association (if a joint-stock company) together with copies of audited balance sheets and profit and loss accounts for the past three years.

(*b*) a copy of the Agreement with the Secretaries and Treasurers with a copy of the Government approval to their appointment.

9. A complete list of other concerns with which the persons mentioned at items 6 and 7 are connected as Proprietor(s), Partners/Directors/Secretaries and Treasurers together with particulars of allied/associate concerns and copies of the latest balance sheets and profit and loss accounts of the companies in/with which the Secretaries and Treasurers/Managing Director(s) are interested/associated. (If the applicant is a member of a group of associate companies, brief description of the group and the applicant's relation to it should be given).

10. A copy of the Agreement with the Managing Director, if any with a copy of the Government approval to his appointment.

11. (*a*) Borrowing powers under Memorandum and Articles of Association or Bye-laws reproducing the relevant Clause/Article/Bye-law.

    (*b*) If the applicant concern is a company, and if the total borrowings exceed or will exceed paid-up capital and free reserves, please furnish a certified copy of the resolution required under Section 293 (1)(*d*) of the Companies Act.

12. Brief history and experience of the borrower in the field of tea plantation.

13. General Financial position of the borrower.

    (*a*) The financial position given should include a statement of assets and liabilities of the party applying for loan and his income from all sources for the last three years and as on the date of application supported by proper income-tax assessment certificates. In the case of a company, audited balance sheets and profit and loss account together with annual reports should be submitted for the last three years. Proforma balance sheet and profit and loss account as of a recent date should be enclosed, if the last audited balance sheet is more than 6 months old. An analysis of balance sheets as in Form I attached may be furnished explaining major variations.

    (*b*) Furnish full particulars of outstanding liabilities, *e.g.*, income-tax, agricultural income-tax, employees' bonus, statutory dues, etc., if any (*i.e.* other than those under item (*h*) below).

(*c*) Indicate the financial year up to which the tax assessment has been completed and tax liability has been fully discharged, explaining the reasons for delay in assessment, if any, and also state the estimated tax liability and provision for the unassessed period.

(*d*) Indicate the bases on which depreciation and other tax allowances (give details) as also provision for tax have been computed.

(*e*) Furnish details of revaluation, if any, of each of the fixed assets in the past three years, indicating the basis supported by valuation reports from qualified surveys or valuers.

(*f*) Indicate the additions to the fixed assets during past three years and how they have been financed.

(*g*) Furnish names of Bankers, Auditors and Solicitors of the concern with copies of letters in Form II annexed, instructing the Bankers to disclose any information which the tender might require.

(*h*) Give particulars regarding all existing borrowing arrangements from banks, financial institutions and other agencies (including outstanding debentures, short-term and long-term debts) indicating the source, date of loan, period and instalments of repayment, purpose for which utilised, rate of interest, nature of facility, amount of original loan/advance, nature and value of security, charge, etc. and present indebtedness separately in respect of each credit facility.

(*i*) Furnish full particulars of litigation either by or against the borrower which is pending as also contingent liabilities.

(*j*) Indicate the extent to which the obligations under the Plantation Labour Act have been met.

14. Purpose and amount of loan applied : Purpose Amount Rs.

(*a*) for new planting and maintenance :—

(*i*) Extension —

(*ii*) Replanting —

(*iii*) Replacement planting—
(*iv*) Maintenance of immature area —
(*v*) Infilling, if any—

(Detailed particulars may be furnished in Part II)

(*b*) For purchase of machinery, irrigation equipments, tractors, transport vehicles etc.

(Detailed particulars may be furnished in Part III)

(*c*) for construction of labour and supervisors' quarters, etc. (indicate the amount of subsidy, grant and/or loan available from the Government)

(*d*) for construction of factory or leaf withering sheds

(Detailed particulars to be furnished in Part IV)

(*e*) for clearing old debts

(Details may be furnished in Statement No. 7)

(*f*) ....

(*g*) ....

(If any expenditure has already been incurred, particulars thereof and the source of finance may be furnished).

Total : ______________

(Year-wise details may be given in Statements 1 and 2)

Particulars of existing tea plantations

15. Name of tea estate

16. Registered Number (with Tea Board)

17. Location of Tea Estate :

(*i*) Post Office --

(*ii*) Railway Station—

(*iii*) Revenue District, Taluk, Village, etc. —

(*iv*) State —

(*v*) Survey No. and Sub-Division No. (of the tea grant)—

(*iv*) Nearest route to the estate —

18. (*i*) Name of owner (individual, firm or company as the case may be). (If the planter is a minor, the name and address of the guardian should be given)

(*ii*) Date from which the Estate has been under present ownership.

(If the estate is owned by several joint proprietors, state the share of each joint proprietor).

19. Nature of the title—Whether full owner or lessee. If leasehold, terms of lease (enclose copy of the lease deed)

20. Name, designation and address of the person(s) having legal title to sign and enter into contract on behalf of the owner.

21. The extent to which the property is encumbered (indicate the name of the mortgagee(s))

(*i*) On hypothecation of crop. Sanctioned limit. Total allowable drawing for the entire season —

(*ii*) As collateral security —

(*iii*) As primary security (indicate the nature and extent of charges) —

(*iv*) Otherwise

22. Areas : Acres/hectares.

(*i*) Regd. Area under tea on the date of application (*i.e.* on——————)

Acres/hectares

Under plucking —
(New planting—(non-bearing) (Give under different age groups)

Fallow —

Total :

(*ii*) Area available for new extension —

(*iii*) Area available for other crops —

(*iv*) Nursery —

(*a*) Under tea seeds
(*b*) Under clones

(*v*) Tea Seed Bari —

(*vi*) Other lands—

Total Grant :

23. Age Group of Plant : (under plucking)

Groups	Acres/ hectares	Condition (Good/ Fair/Poor)
Below 10 years —		
Between 10 & 25 years —		
Between 26 & 50 years —		

Between 51 & 70 years —
Above 70 years —

Total :

24. New Plantings carried out (For the last five years) (in acres/hectares)

	19	19	19	19	19
Extension —					
Replacement —					
Replantings —					
Infillings —					
(State number of plants)					

25. Production : (For the last three years) (of matured area)

	19	19	19
(*i*) Quantity of made tea produced in lbs/Kgs.			
(*ii*) Production of made tea per hectare of total plucked area in lbs/Kgs.			

	19	19	19
(*iii*) Net income			
Sale proceeds of tea			
Less : expenses including depreciation, interest and H.O. expenses			
Add : Other income			
Less : development rebate and development allowance reserve			
Taxation —			
Net income			

26. Particulars of other crops grown in the remaining area, if any. Net income per annum from such crops during the last three years.

27. Brief history of the working of the estate.

28. Particulars of other landed properties. If the applicant owns other landed properties the following particulars should be furnished :

(*a*) Village, Taluk, District where situated

(*b*) Survey Number and Sub-Division

Number

(*c*) Extent

(*d*) Nature of title, whether full owner or lessee

(*e*) Whether the ceiling provisions of the land legislation in force in the State will apply to the applicant ?

If so, what is the ceiling ?

(*f*) The extent to which the property is encumbered.

(*g*) Particulars of yield and net income for each crop separately (Summary position as given in Statement No. 5).

Note : Where the land comprises different clauses like wet, garden dry or waste, particulars should be given separately for each class of land.

Part II.

1. Area where extension/replanting/replacement/infilling/intensive cultivation is proposed :—

(*a*) Village, Taluk, District in which situated (*b*) Survey Number, Sub-Division Number and extent

(*c*) Nature of land whether barren or cultivated, if cultivated with what crops and why the present crops are proposed to be changed

(*d*) Situation of the estate whether plains or hills; elavation from mean sea level.

(*e*) Month-wise rainfall in the scheme area during the last calendar year (if the scheme area is outside establishment tea growing area)

(*f*) Suitability for planting tea (to be supported by certificate from a competent authority such as the concerned Tea Research Association)

(*g*) Type of planting material proposed to be used and source of supply (indicate quantity and price also)

(*h*) Nearest route to the area

(*i*) Nature of title whether full owner or Lessee (supported by original or attested copies of documents)

Note : The area selected for planting should be compact and accessible by rail or road.

2. Proposed new planting programme :

(*i*) Particulars of plantation target (in case financial assistance is sought for immature area under Tea details of such immature area *i.e.* the year in which the planting was done, the number of years for which the plants have to be maintained etc. should be given separately).

	Extension	Replanting	Replacement
(*a*) Total area to be planted			

(*b*) Target of production (in quantity and value) (average yield per year for the entire area during the economic life of the plantation should be given here). (See Statement No. 3).

(*ii*) Programme of new planting in the area mentioned against 2(*i*) above :—

(*a*) *Replanting*

Area	Year and month of commencement	Year and month of completion	Programme for drawal of 1st instalment of loan	
(Acres/hectares)			(a) Amount (Rs.)	(b) Year and month of drawal

(*b*) *Replacement*

Area	Year and month of commencement	Year and month of completion	Programme for drawal of 1st instalment of loan	
(Acres/Hectares)			(a) Amount (Rs.)	(b) Year and month of drawal

Extension

Area (Acres/Hectares)	Year and month of commencement	Year and month of completion	Programme for drawal of 1st instalment of loan (a) Amount (Rs.)	(b) Year and month of drawal

Note: Please state proposed type of planting and distance between new plants.

(*d*) *Infilling*

(Give full details such as number proposed to be planted spacing before and after planting)

(*iii*) (*a*) If the loan is for replanting state when the uprooting of old teas was or will be done. Year Month Area

(*b*) If the loan is for replacement planting when the uprooting of old teas was or will be done.

3. Per acre cost of planting and maintenance expenses (upto bearing stage only)—Give details in Statement I attached.

	New Planting	Re-planting	Re-place-ment	Imma-ture area	Infill-ing	Inten-sive culti-vation
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1st year						
2nd year						
3rd year						
4th year						
5th year						
6th year						
7th year						

4. Total cost of new planting and maintenance expenses and amount of loan	Year	Cost	Amount of loan required

5. Duration of the loan :
Duration of the loan should be specifically stated. (State the number of years for which loan is required commencing with the year of planting).

6. Repayment of loan and interest :

   (*i*) State whether the planter is prepared to pay interest from the first year, if not, he should prove the necessity for deferred payment of interest.

   (*ii*) (*a*) From which year does the planter propose to repay the loan. (It should not be later than the 8th year of planting).

   (*b*) The number of instalments for repayment of the loan and amount of each instalment should be stated.

Note : The repayment scheduled should be worked out after taking into consideration, the net income available to the planter as shown in the economics of the scheme (Statement No. 6).

7. Economics of the scheme :—
The economics of the scheme should be worked out in detail showing — (*i*) Gross income; (*ii*) Maintenance expenses; (*iii*) Other expenses (including taxes); (*iv*) Net income; and (*v*) Surplus or deficit for the year.

The economics should cover the period beginning with the year in which the Tea attains maturity and ending with year in which the loan will be completely repaid. (The proforma attached i. e. Statement 3 to 6 might be used in preparing the economics of the scheme).

Please state here the basis on which the economics have been worked out showing, ***inter ailia,*** the estimated yield per acre, price of tea per Kg., the cost of production per Kg., etc.

8. Security :

The security offered for the loan should be stated here.

Particulars of property

(*a*) Village, Taluk, District where situated.

(*b*) Survey Number and Sub-Division Number.

(c) Extent (Acreage).

(d) Class of land whether wet, garden or dry.

(e) Book Value.

(f) Market value (Supported by relevant data).

If there are improvements on the land their market value supported by the relevant data should also be given.

(g) Nature of title, whether full owner or lessee. (to be supported by the original or attested copies of documents). If leasehold, indicate the date of expiry of lease, whether it contains any restrictive clause.

(h) Details of prior encumbrance, if any.

If machines etc., are offered as security their nature and value should be stated.

If the value of land or other security offered is inadequate, particulars of the additional security offered should be given.

9. Additional security :

(i) Name & address of the person willing to provide guarantee for repayment of the loan

(ii) Occupation

(iii) Annual income

(iv) Gross value of properties

(a) Movable

(b) Immovable

(*v*) Natrue and extent of liabilities of the proposed guarantor

(*vi*) Whether the liabilities mentioned against item (*v*) are secured or unsecured.

(*vii*) Name of banker

10. Arrangement for Working Capital :

(*i*) Source of finance for Working Capital (Bank/Broker/ others with name and address)

(*ii*) Whether the Tea Estate is mortgaged or charged to Financier. Yes/No

(*iii*) Security for Working Capital :—

(*a*) Primary security

(*b*) Collateral security

(*iv*) Financial arrangement for Working Capital during current season :—

(*a*) Limit

(*b*) Crop

(*c*) Rate

(*d*) Amount drawn upto date of application

(*v*) Surplus/deficit in repayment of Working Capital

Year (for the last three years)	Total drawing of Working Capital loan	Total sale proceeds of tea	Surplus (+) Deficit (—) at the end of the year
	Rs. per Kg.	Rs. per Kg.	Rs. per Kg.

(*vi*) Cash-cum-Bank balance position of the Company/Estate at the close of the last accounting year. Rs.

11. Working result of the Estate for each of the past three years :

	19	19	19
(*a*) *Income :*			
(*i*) From sale of tea —			
Out of exports —			
Our of inland sale			
(*ii*) From other sources			
Total : (Rs.)			
(*b*) *Expenditure :*			
(*i*) Garden and Factory expenses			
(*ii*) Depreciation provided			
(*iii*) Other expenses including Head Office expenses			
Total : (Rs.)			
(*c*) Profit (+) or Loss (—) before taxation Col (*a*)—Col (*b*)			
Rs.			
(*d*) Taxation			
(*e*) Net profit after taxation *i.e.* Col (*c*)—Col. (*d*)			

(*f*) Appropriation rate of dividend declared on paid-up capital (profit distributed in the case of proprietary or partnership concern)

(*i*) For payment of dividend

(*ii*) Reserves

(*iii*) Balance carried forward

(*g*) Average price realised by sale of estate's tea per lb./per Kg.

(*h*) Average all-in-cost of production (upto and including marketing). Per lb./per Kg.

Note : Copies of audited profit and loss account and balance sheets for each past 5 years must be attached in all cases.

Note : The planter should have full alienable or mortgageable rights over the assets proposed to be offered as security.

12. *Arrangements for processing*

Existing arrangements (including those for supply of fuel, power, etc.) for processing Tea should be stated. It should be stated whether the processing facilities available at present would be adequate to cover the expanded area under tea. If not the sources of finance for establishing fresh processing units should be specifield, if no loan therefor is sought under the present application.

13. *Arrangement for marketing*

Existing arrangements (including arrangements for private sales) for marketing Tea should be stated.

Details should be given of the present market prices, specific contracts, if any, with dealers or producers of tea and of the adequacy of the present arrangements to cover increased supply of tea. Arrangements to cover exports of tea should be indicated separately.

14. *Arrangements for technical advice and supervision*

(*a*) Arrangements made for obtaining technical advice should be indicated.

(*b*) Arrangements for effective supervision over the scheme should be stated. If the existing arrangements are inadequate to cover new area to be brought under tea the manner in which they would be strengthened should be stated.

15. Is labour adequate ? What was the average labour per acre employed per day including casual labour, if any, during the last year.

16. *Willingness to accept part of loan in kind*

Since there are facilities for obtaining high yielding materials at cheaper rates and also adequate supplies of fertilisers, pesticides, etc. it should be stated whether the planter is willing to take part of the loan in the shape of manure, high yielding materials, etc.

17. *Rate of interest*

Willingness to pay the rate of interest that will be charged by the bank should be indicated.

Part III— Particulars regarding loan for purchase of machinery, tractors, bulldozers, transport vehicles, rope ways, gas pipe lines and equipment, power sprayers, water tankers and other irrigation equipment etc. of Tea Estate/Factory to which the application relates.

---

1. Name of Tea Estate and Registered No. to which the factory is attached (with Tea Board)

   or

   Name of factory when not attached to tea estate

2. If the application is in respect of a Tea Factory unattached to any Tea Estate, please furnish a list of Tea Estates, giving amount of green leaf normally purchased from each, by the factory. In the case of a factory attached to the estate, particulars of green leaf purchased from other sources, if any, may also be furnished (Items 12(*a*) & (*c*) are not applicable).

3. Where necessary, whether the following has been obtained :

   (*i*) licence under the Industries (Development & Regulation) Act.

   (*ii*) capital issues consent

   (*iii*) Reserve Bank consent regarding compliance with exchange control formalities

   (*iv*) Import Licence

4. *Particulars of existing machinery & the working of the factory*

   (Indicate installed and licensed capacity, working capacity, labour employed (casual and otherwise). Give a lay out of the plant and a flow-sheet of the process)

5. Machinery/Irrigation Equipment etc. now applied for.
(Current quotations in original should be sent)

Description of machinery/ irrigation equipment etc. with full specifications, model, size, etc.	Number of units required	Value Rs.	Name of Supplier	Remarks (If to be imported, give Import Licence No., deferred payment, L/C arragements, etc.)
(1)	(2)	(3)	(4)	(5)

6. Please state whether the machinery/equipment etc. applied for is replacement of any existing unit, or is an additional item :

   (*i*) If replacement, please give details of the item to be replaced.

   (*ii*) If an addition, please give brief reasons therefor.

7. Nearest Railway Station/Steamer Ghat to which the machinery/irrigation equipment etc. is to be booked.

8. F.O.B. value (net rate must be indicated)

9. Insurance and freight

10. Import duty, if any

11. Local Taxes such as sales tax, Octroi, etc.

12. Cost of spare parts

13. Clearing and/or transportation charges up to site

14. Installation/erection charges including fees for technical know-how/engineering/consultation

15. Total amount of loan required

16. Period for which loan is required

17. Disbursement schedule (as furnished in statement No. 2)

18. Repayment schedule

19. Scheduled programme of acquisition and installation of machinery and commencement of production (final) (Please also give a projection of the proposed installed capacity, estimated production and sales as in Statement No. 8)

20. Additional information, the applicant wants to furnish, if any

21. Report on major machinery suppliers and their experience in the line

22. Particulars and value of security offered

23. Technical feasibility report where necessary regarding the present proposal (The report should also have bearing on the existing and estimated cost of production, profitability, quality, rated capacity, number of shifts required as also the availability of power, lighting, fuel, water supply, skilled and unskilled labour etc.

Note : In regard to other items such as tractors, transport vehicles etc. the existing and estimated requirements should be clearly brought out.

Part IV— Financial requirements for construction of factory, drying house, drying and rolling room and other buildings, labour and supervisory staff quarters.

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1. Location :
2. Site whether owned or leased, and area:
3. Purchase price, if owned :
4. Rent in case of leased/property :
5. Type of structure :
6. Dimensions :
7. Built in area :
8. Estimated cost of construction :
9. Schedule of construction (Enclose approved plan of construction, copy of permission from local authorities, particulars of tenders called for and other supporting documents:)
10. In the case of labour and supervisory staff quarters, please furnish particulars as in Statement No. 9:
11. Please also indicate whether the statutory requirements are being complied with:
12. Total amount of loan required

    (Give a breakdown indicating the amount of loan and subsidy to be received from Government:)
13. Schedule of disbursement (as in statement No. 2):
14. Schedule of repayment :

15. Particulars and value of security offered :

I/We hereby declare that the above-mentioned particulars are true to the best of my/our knowledge.

Signature of the applicant.

Applicant's Seal :

Date :

Note : Please state 'Nil' against items which are not applicable.

Adapted mainly from the application forms prescribed by the Agricultural Refinance Corporation and the Tea Board.

FORM I

COMPARATIVE STATEMENT OF FINANCIAL POSITION OF ______

FOR THE YEARS ENDED ______

Analysis of Balance Sheets

(In lakhs of rupees)

	AS AT				
	19	19	19	19	19
FIXED ASSETS					
Land					
Building					
Plant and Machinery					
Others					
Gross fixed assets					
Less : Depreciation to date					
Net fixed assets					
Capital work-in-progress					
Total (I)					
INVESTMENTS					
Quoted					
Unquoted					
(Investment in subsidiaries)					
OTHER CURRENT ASSETS					
Stocks — Raw materials					
finished goods					
work-in-process					
Stores and spares					
Receivables					
Advance payment of tax					
Other advances :					

(In lakhs of rupees)

	AS AT				
	19	19	19	19	19
Due from companies under the same management					
Others					
Cash and bank balances					
Total (II)					
CURRENT LIABILITIES					
Creditors					
Secured					
Unsecured :					
(*i*) Deposits					
(*ii*) Others					
Unpaid dividends					
Provision for taxation					
Bank borrowings for working capital					
Secured					
Unsecured					
Other current liabilities and provisions					
Total (III)					
SURPLUS OF CURRENT ASSETS OVER CURRENT LIABILITIES (II-III) (IV)					
OTHER TANGIBLE ASSETS (V)					
NET TANGIBLE ASSETS (I+IV+V) (VI)					
LONG TERM LIABILITIES					
Debentures					
Term loans					
Deferred payment credits					
Total (VII)					
NET WORTH (VI-VII) (VIII)					

(In lakhs of rupees)

	AS AT				
	19	19	19	19	19
NET WORTH REPRESENTED BY					
Share capital :					
Equity share capital					
Preference share capital					
Reserves :					
General reserve					
Development rebate reserve					
Other reserves					
Surplus in profit and loss account					
Total					
Less : intangible assets, goodwill etc.					
Deficit in profit and loss account					

Capital structure as on

Authorised

Issued

Subscribed

Paid-up

Present stock exchange quotation for each class of share in the case of public limited companies if listed for quotation

Analysis of profit and loss accounts

Sales of finished goods					
Closing stock of finished goods and tea-in-process					
Other income					
Total (IX)					

(In lakhs of rupees)

	AS AT				
	19	19	19	19	19
Opening stock of finished goods and tea-in-process					
Raw materials consumed					
Power and Fuel					
Salaries and wages					
Consumable stores					
Repairs and maintenance					
Administrative and miscellaneous expenses					
Selling expenses					
Total (X)					
Gross profit (IX-X) (XI)					
Interest charges					
Depreciation					
Management remuneration					
Total (XII)					
Operating profit/loss (XI-XII)					
Taxation					
Net profit (operating profit/loss less taxation)					

(In lakhs of rupees)

	AS AT				
	19	19	19	19	19
Appropriations :					
Preference dividend (Rate)					
Ordinary dividend (Rate)					
Reserves					
Balance carried forward					

Selected Ratios

Debt-equity ratio					
Ratio of net worth plus long-term liabilities to fixed assets					
Ratio of current assets to current liabilities					
% of stocks of finished goods to annual sales					
% of receivable to annual sales					
% of operating profit to sales					
% of net profit (after taxation) to equity share capital					

FORM NO. II

Form of letter addressed to the other banker(s) or financing institutions of the applicant concern or Secretaries and Treasurers of the applicant concern to be forwarded to the financing bank/institution

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(This letter should, in the case of the applicant or any other conern, be written on printed letter head and signed by a person or persons autho-rised to operate the account with the said banker(s) or other institution. It should be forwarded to the said institution, endorsing a copy to the financing bank/institution)

Date :

The Manager,

(Name and address of the other banker/financing institution to be inserted here)

Dear Sir,

We hereby authorise you to discuss with the (*name of the financing institution to which the application is being forwarded*) to which we are making an application for financial assistance, our affairs or any matter relating thereto, and to disclose such information as the above institution may request of you or as you may consider fit to disclose.

Yours faithfully,

STATEMENT No. 1

STATEMENT SHOWING THE COST OF PLANTING (EXTENSION, REPLANTING OR REPLACEMENT) AND MAINTENANCE TILL THE BEARING STAGE

(Cost per acre)

Particulars	First year Rs.	Maintenance cost till the bearing stage (cost per annum) Rs.	Total cost Rs.
I. Direct expenses :			
(1) Cost of clones and seeds and making nursery			
(2) Levelling, clearing and planting			
(3) Hoeing, weeding and pruning and draining			
(4) Forking and manuring			
(5) Spraying, dusting, etc. ..			
(6) Cover crop			
(7) Fence and boundaries ..			
(8) Miscellaneous			
Total A			
II. Overheads if any B ..			
III. Cost of planting (A plus B)			

Notes.—If the cost of maintenance differs from year to year, it may be given separately for each year.

Signature :

Date :

STATEMENT No. 2

YEAR-WISE REQUIREMENTS OF FINANCE

Year (1)	Planting expenses (2) Rs.	Maintenance expenses (3) Rs.	Machinery, etc. (4) Rs.	Tea factory and other processing equipments (5) Rs.	Labourers' and supervisors' quarters (6) Rs.
19					
19					
19					
19 ..					
19					
19					
19					
Total					

Year (1)	Other capital expenses (specify) (7) (Rs.)	Total expenses (8) Rs.	to be met out from own resources or from other sources such as subsidies from Tea Board, State Government (9) Rs.	Loan requirements (10) Rs.
19				
19 ..				
19				
19				
19				
19				
19				
Total				

Note : Details of machinery, factory, processing houses, labourers' quarters etc. and the basis on which the requirements are calculated should be indicated.

Signature :

Date :

STATEMENT No. 3

YIELD FROM TEA AND VALUE THEREOF (UNDER THE SCHEME PROPOSED)

Years			Acreage	Yield per acre (Saleable) Kgs.	Total yield (Saleable) Kgs.	Value (@Rs. per Kg.)
19	..	..				
19	..	..				
19	..	..				
19	..	..				
19	..	..				
19	..	..				
etc. etc. (till the loan is completely repaid)						

Signature :

Date :

STATEMENT No. 4

TOTAL INCOME AND EXPENDITURE OF TEA CULTIVATION UNDER THE PROPOSED SCHEME

Years		Total income as shown in statement No. 3	Expenses for maintenance and manufacture (including interest on short-term loan)	Depreciation	Overheads	Total expenses (3+4+5)	Net surplus (2 minus 6)
1		2 Rs.	3 Rs.	4 Rs.	5 Rs.	6 Rs.	7 Rs.
19	..						
19	..						
19	..						
19	..						
19	..						
19	..						
19	..						
19	..						
etc. etc. (till the loan is completely repaid)							

Signature :

Date :

STATEMENT No. 5

INCOME FROM OTHER SOURCES

Years	Net Income from existing tea plantations				Net income from other crops raised Rs.	Net income from other sources, if any Rs.	Total Rs.
	Acreage	Yield (Kg.)	Gross income	Net income			
19 ..							
19 ..							
19 ..							
19 ..							
19 ..							
19 ..							
19 ..							
19 ..							
etc. etc. (till the loan is completely repaid)							

Note : This statement should also show the basis on which the net income is arrived at, *i.e.*, the price, yield, expenses, etc.

Signature :

Date :

STATEMENT No. 6

ECONOMICS OF THE SCHEME

Year	Loan received during the year	Loan outstanding at the end of the year@	Net income: from existing tea plantation (Statement 5)	Net income: from new crop under the scheme (Statement 4)	Income from other sources (Statement 5)	Net income of the party (4+5+6)	Taxation
1	2	3	4	5	6	7	8

Year	Surplus after providing for taxation	Total receipts (2+9)	Total requirements as per Statement 2	Interest on term loan	Repayment of principal	Total outgoings (11+12+13)	Net surplus (+) or deficit (—) (10—14)
1	9	10	11	12	13	14	15

STATEMENT No. 7

DETAILS REQUIRED IN RESPECT OF LOAN SOUGHT FOR CLEARANCE OF OLD DEBTS

(Details to be furnished for each loan or debt to be cleared)

Particulars of debt to be cleared	1	2	3	4	5	6	Total
(*a*) The amount borrowed initially							
(*b*) Date of borrowing							
(*c*) The agency or person from whom borrowed.							
(*d*) Amount repaid (indicate date of repayment and amount of each instalment repaid).							
(*e*) Source from which repayment has been made.							
(*f*) Amount outstanding (as on the date of application).							
(*g*) Terms and conditions of borrowing :							
(*i*) Period of repayment							
(*ii*) Amount to be repaid in each year.							
(*iii*) Rate of interest payable							
(*iv*) Security for the loan, if any (give full details of security offered).							
(*h*) The purpose for which it was utilised (Give details; year/s and amount utilised for each purpose).							

STATEMENT No. 8

STATEMENT SHOWING THE EXISTING CAPACITY, PROPOSED INSTALLED CAPACITY, ESTIMATED PRODUCTION AND SALES

	1st year	2nd year	3rd year	4th year	5th year	..	..
1. Installed capacity (quantity per day)							
2. Number of working days							
3. Number of shifts							
4. Estimated supply of green leaf per day at the peak of the cropping season.							
5. Estimated production per day (at the peak of the cropping season)							
6. Estimated annual production							
7. Estimated output as percentage of plant capacity							
8. Sales (quantity)							

Note : The projection should be worked out to cover the entire currency of the loan.

STATEMENT No. 9

STATEMENT OF LABOUR REQUIREMENTS

Date	Peak labour strength (Estimated/ actual) (Residential labour force)	Number of houses required at the rate of 1 house for 2 persons (Husband and wife)	Number of standard houses now available	Deficits with reference to the present houses available as on	Remarks

APPENDIX IV

CHECK-LIST

General.

1. Name of applicant

2. Address of applicant

3. Amount and type of financial assistance sought from the lending institution

4. Constitution of applicant
   (Sole Proprietorship/Partnership/Joint Hindu Family/Private or Public Co./Co-operative Society, etc.).

5. Names and addresses of bankers

6. Whether the applicant's bankers have been authorised to furnish such information regarding financial background and credit-worthiness as the lending institution may require.

7. Bankers' references on applicant/his principal/agent/broker.

8. Commercial references, if any on the above parties.

9. Purpose of the financial assistance sought (full details of proposed utilisation of loan proceeds to be given).

Details of present business activities.

10. Brief history of the existing business.

11. Final accounts for the last 3 years and Directors' reports together with proforma Balance Sheet and if possible Profit and Loss Account if the last audited Balance Sheet is more than six months old. If audited balance sheets could not be furnished, a statement of assets and liabilities should be furnished supported by proper income-tax assessment certificates.

12. Explanations for any abnormal items in the above accounts.

13. Details of present valuation of (1) land and buildings (2) machinery and equipment. Are the above mortgaged/ under legal charge? If so, details thereof.

14. Reasons for revaluation of assets, if any.

15. A copy of the report on which the above revaluation is based. Any limitation in the borrowing powers.

16. Present borrowings:
    (Showing amount, period, source, security furnished, and its value and rate of interest).

    Outstanding debentures.

    Outstanding mortgages and other long-term debt.

    Outstanding bank borrowings and maximum limit.

17. Whether copies of documents in support of the above have been produced.

18. Depreciation policy.

19. Present position regarding income-tax/agricultural income-tax assessments.

20. Details of pending litigation either by or against the company.

21. Details of contingent liabilities, if any.

22. Copy of Memorandum and Articles of Association/Partnership deed, etc.

MANAGEMENT

23. Name/s of proprietor/partners/Karta/directors/promoters, their financial standing, business connections and technical competence.

24. Names of officers holding important posts, their qualifications and experience.

25. Names of Secretaries and Treasurers.

26. Names and brief particulars of the companies in which the persons mentioned in 23 and 25 above are connected as proprietors/partners/directors/Secretaries and Treasurers (with details).

27. Interest of Secretaries and Treasurers in the company particularly as regards shares held.

28. Terms and conditions of their appointments (copy of relevant Agreement).

29. Arrangements for sale of teas.

PROJECT REPORT

30. Full technical report on the project.

31. Report on completion of preliminaries.

32. Cost of production — estimates (tentative estimates to be given).

33. Existing and proposed rated capacity.

34. Normal expected production indicating the basis of estimates such as number of normal working days in a year.

35. Anticipated trend in annual production until normal production is reached.

36. Schedule of new planting programme, construction, commencement of production, etc.

37. Lists showing individual items of machinery, etc. (with corresponding cost) to be purchased.

38. Extent of future expansion proposed.

39. Details of the phasing of proposed expansion (with dates and capacity levels).

COST OF THE PROJECT

40. Detailed break-up of the capital cost of the project on the following lines, indicating expenditure :

    (*i*) already incurred.

    (*ii*) to be incurred.

Buildings :

(*i*) factory and administrative buildings, godowns and other civil works.

(*ii*) labourers and supervisors quarters.

Plant and Machinery :

(*i*) Costs of the main plant and auxiliaries including power power plants, transformers, etc., if any.

(provision for escalation of price to be shown separately).

(*ii*) Insurance and freight.

(*iii*) Transportation charges to site on both imported and indigenous equipment.

(*iv*) Provision for distribution of power, cabling and lighting.

(*v*) Spare parts.

(*vi*) Erection charges.

Miscellaneous fixed assets :

(*i*) Vehicles, furniture, fixtures, etc.

(*ii*) Fire fighting equipment.

(*iii*) Railway siding.

Others :

Allowances for unforeseen costs :

(indicating basis of estimate).

Initial requirements of working capital :

(showing details of total requirements and arrangements made therefor).

MEANS OF FINANCING

41. Sources of funds for the project requiring financial assistance should be shown giving terms of issue and of redemption under the following heads :

    (*i*) by issue of equity share capital.

    (*ii*) by issue of preference share capital (different types).

    (*iii*) by issue of secured debentures (different types).

    (*iv*) by mortgage loans.

    (*v*) by unsecured loans and deposits.

    (*vi*) by deferred payments to machinery suppliers.

    (*vii*) from internal resources.

    (*viii*) from banks (maximum limit allowed).

    (*ix*) from other sources.
    (Source of funds for expenditure should be shown separately).

42. Assistance sought from lending institution.

43. Security offered in respect of borrowings (details such as the basis of valuation of security to be given).

44. Present and proposed capital structure.

45. Details of other applications for financial assistance.

COST OF PRODUCTION AND PROFITABILITY

46. Detailed statement of cost of production and profitability, setting out distinctly production from existing plantation and from expansion separately for each year during the currency of the loan.

    on the following :

    (*i*) Tea leaves
    (indicating the quantity required per unit of finished product and the price at which it will be obtained).

    (*ii*) Consumable stores :

(*iii*) Power :

(*a*) Cost of power bought out.

(*b*) Cost of power generated internally.

(*iv*) Fuel.

(*v*) Labour (direct).

(*vi*) Repairs and maintenance of plant.

(*vii*) Factory supervision and overheads.

(*viii*) Administrative overheads :
(office salaries, insurance, rent, travelling and other expenses).

(*ix*) Selling and advertising expenses :

(*a*) commission/brokerage.

(*b*) outward freight.

(*c*) packing.

(*d*) advertising and publicity.

(*x*) Interest (rate to be indicated).

(*a*) on bank borrowings for working capital.

(*b*) on medium and long-term borrowings.

(*xi*) Depreciation (rate to be given for all items).

(*xii*) Managing Directors'/Secretaries and Treasurers' Remuneration.
(indicate also rate).

(*xiii*) Sales (indicate quantities and prices for each product line).

(*xiv*) Operating profits.

(*xv*) Taxation.

(*xvi*) Net profits.

47. Whether details and/or supporting documents have been supplied wherever possible and particularly regarding :

(*a*) Source and rate of supply of green leaves, power, fuel, etc.

(*b*) Number of labourers and other personnel employed and the basis of the estimated cost of labour.

(*c*) Basis for selling prices assumed.

48. Sales and profitability ratios :

(*i*) Ratio of sales to total capital employed.

(*ii*) Ratio of sales to receivables.

(*iii*) Ratio of operating profit to sales.

(*iv*) Ratio of profit (before taxes with interest on long-term debt added back) to total capitalisation.

(*v*) Ratio of net profit to equity.

49. At what stage will the estate 'break even' financially, after the programme is completed ? i.e., will the total gross income be just sufficient to cover all essential expenses, interest and payments towards amortisation of debt ?

50. Facilities for costing and internal check.

SOURCES AND APPLICATION OF FUNDS

51. Statement of economics of the scheme :
Sources and application of funds as follows :

(*a*) Sources of funds :

Net profit (before taxes with interest added back but after depreciation and development rebate reserve and development allowance).

Share capital increase.

Increase in long-term borrowings.

Increase in short-term borrowings.

Depreciation provisions.

Development Rebate Reserve.

Development allowance.

Others (to be specified).

(*b*) Application of funds :

Fixed assets and capital expenditure.

Current assets (such as book debts, closing stocks, bills receivable etc.)

Repayment of long-term borrowings (including deferred payments).

Repayment of short-term borrowings.

Interest.

Other assets.

Taxation.

Other expenses.

Debt service coverage ratio.

PRO-FORMA BALANCE SHEETS

52. Pro-forma balance sheets of company during the currency of the loan on the following lines, indicating for each year during the currency of the loan, the estimated capital and liabilities, and assets of the concern :

(*i*) Capital and liabilities :

Share capital.

Reserves and surplus.

Long-term debt.

Current liabilities

Total ..

(*ii*) Assets :

Gross fixed assets.

Less Depreciation.

Current Assets.

Investments.

Intangible assets.

Others

Total

53. Current ratios as per the above balance sheets.

54. Debt-equity ratios as per the above balance sheets.

MARKETABILITY

55. Company's sales for the past 3 years :

Quantity Value	at home
Quantity Value	exports.
Total	

56. Percentage of prospective sales intended for :

(*i*) home market.

(*ii*) export.

57. Advantages, if any, available from Government for exports.

58. Methods of sales :

(*i*) Existing — at home. / abroad.

(*ii*) Proposed — at home. / abroad.

59. (*i*) Verification of correctness of all information furnished by borrower.

(*ii*) Supplementing the above information with further details where necessary.

(*iii*) Physical verification of assets and security offered.

(*iv*) Valuation of security and assets.

(*v*) Verification of details of depreciation policy.

(*vi*) Investigation of details of borrowings, liabilities existing and contingent—and claims admitted as well as in dispute.

(*vii*) Quality of management.

(*viii*) Worth of guarantors.

60. *Tea :*

Whether the site plan clearly indicates the Sections earmarked for new plantings ?

Has the ownership of the estate been verified from licensing records and other documents ?

Is there any dispute about the ownership of the estate according to the licensing records ?

Whether the estate is free-hold or leasehold ?

If leasehold whether the lease contains any restrictive clause ?

To what extent and to which of the institutions the tea estate is encumbered otherwise than as collateral security to the crop financing bank (the primary security being a hypothecation charge on the crop).

Whether the crop financing bank or other institution to which the estate is already charged has accepted the title as clear and marketable ?

Whether legal opinion on the property has been obtained and such opinion has been accepted by the other members of the consortium ?

Whether the nature of the charge to be created has been specifically agreed to by each member of the consortium ?

Whether encumbrance certificates, valuation report, tax receipts relating to the property have been obtained.

Whether the party has made any application for obtaining subsidy from the Tea Board ?

In the case of an equitable joint mortgage whether the place where the mortgage is to be created has been notified under the Transfer of Property Act, 1882.

Whether letters of authority has been received for accepting the title deeds on behalf of other members of the consortium ?

Whether necessary entry has been made in the books of the institutions accepting the title deeds ?

Whether the memorandum of deposit has been registered with the Registrar of Assurances ?

Whether a certificate to the effect that the financing institution holds the title deeds deposited by the borrower for itself and on behalf of other institutions and that they would be made available to them when necessary has been given by the financing institution.

In the case of a borrowing company whether the charge created by it has been registered with the Registrar of Companies ?

Whether the soil analysis report is satisfactory ?

Whether the position relating to labour relations has been verified ?

Whether the actuals of the cost, if any, already incurred have been verified by a technical expert and certified ?

RECOMENDATIONS AND TERMS AND CONDITIONS

61. Recommendations.

62. Reasons for the recommendations.

63. The purpose and broad outline of the agreements.

64. The general and exact uses to which the funds are to be loaned.

65. Total amount of borrowings that may be outstanding under the agreement.

66. Interest — rate, and time of interest payments.

67. Due dates of instalments of repayments of principal amount of the loan.

68. Schedule of disbursement of the loan.

69. Audited statements and interim statements to be submitted periodically.

70. Special conditions to be attached to the agreement :

    (*i*) material change of ownership/management.

    (*ii*) maintenance of adequate insurance.

    (*iii*) payment of all taxes when due.

    (*iv*) negative pledge clause.

    (*v*) maintenance of minimum working capital.

    (*vi*) maintenance of current ratio.

(*vii*) maintenance of net worth.

(*viii*) limitation of total debt by restriction in :

Amount

Ratio to working capital

Ratio to net worth

Debt-equity ratio.

(*ix*) other term borrowings.

(*x*) other current borrowings.

(*xi*) limitation on dividends.

(*xii*) limitation on retirement of capital.

(*xiii*) limitation of capital expenditure.

(*xiv*) limitation of investments in or advances to subsidiaries.

(*xv*) limitation of loans to stock holders.

(*xvi*) limitation of guarantees of obligations.

(*xvii*) limitation of subsidiary borrowings.

(*xviii*) restriction on sale of subsidiaries.

(*xix*) restriction on sale of assets.

(*xx*) restriction on pledge of assets.

(*xxi*) restriction on merger or amalgamation.

(*xxii*) restriction on distribution of selling commission.

(*xxiii*) right to appoint a nominee on the board of directors of the concern.

71. Default clauses :

(*i*) Period of grace.

(*ii*) Failure to repay instalments of principal on due dates.

(*iii*) Failure to pay interest.

(*iv*) Failure to perform covenant.

(*v*) Failure to meet other obligations.

72. Provision for waiver of conditions.

FOLLOW-UP

73. Periodical reports on the following lines :

(1) Plantation, replantation, infilling etc.

(*i*) Statement of expenditure already incurred and yet to be incurred indicating the availability and source of funds.

(*ii*) Deviations or changes in the financial plans requiring revision of the financial estimates—reasons for the changes. A final report on the project at the end of the programme of development as completed may be called for indicating the cost, sources of funds and the major changes from the original plans.

(2) Production and Sales :

(*i*) Production

(*a*) quantity.

(*b*) cost.

(*ii*) Sales

(*a*) quantity.

(*b*) value.

(*iii*) Cost of teas sold.

(*iv*) Reasons for deviations from the earlier estimates of production costs and profitability.

(3) Whether wages and salaries and other dues have been paid on the due dates to labour.

(4) Particulars of additions, if any, to financial resources of the concern.

(5) Changes, if any, in the value of security and in the financial position or means of guarantors.

(6) Pro-forma balance sheet and profit and loss account for the period ended (quarterly/half-yearly as may be desired).

(7) Other particulars and explanations having a bearing on the progress of the concern not covered under any of the above heads.

(8) Details of insurance cover held agianst the assets charged as security —

	Type of risk covered	Amount Rs.	Date of expiry of the policy
(*a*) Crop			
(*b*) Buildings			
(*c*) Plant and Machinery			
(*d*) Others (Specify) ..			

(9) Position regarding income-tax and agricultural income-tax—whether necessary provisions have beeen made up-to-date and outstanding liability, if any.

(10) Position regarding rent, rates, taxes—whether they have been paid on the due dates.

POST-SANCTION INSPECTION

74. (1) That the loan has been used for the purpose for which it was intended ;

(2) that the terms and conditions of the loan, particularly the restrictive covenants, are being duly implemented ;

(3) the progress made in regard to new planting ;

(4) the reasons for changes in plans or estimates ;

(5) value of security ;

(6) verification of inventory ;

(7) financial position of the concern with particular reference to the following :—

(*a*) reasons for changes in capital, if any ;

(*b*) the reason/purpose behind increase or decrease in reserves ;

(*c*) whether adequate reserves for taxation, bad debts, etc. have been created ;

(*d*) whether any fresh charge on assets already mortgaged has been created ;

(*e*) increase or decrease in borrowings and the rates of interest thereon ;

(*f*) any abnormal increase in liabilities ;

(*g*) nature and size of contingent liabilities ;

(*h*) schedule of capital assets and the valuation thereof ;

(*i*) nature of investments of the concern and their effect on its liquid position ;

(*j*) extent of interlocking of funds.

(8) reasons for defaults, if any, or delayed repayment of the instalments of the loan ;

(9) production and sales record ;

(10) availability of green leaves, power, etc. ;

(11) position regarding insurance ; and

(12) any factors impeding or threatening the progress of the concern according to plan.

(Adapted mainly from Appendix I to the "Appraisal of Term Loans" published by the Reserve Bank of India).

APPENDIX V

(Letter authorising the sponsoring agent of the Consortium arrangement to accept the title deeds as agent for other members)

To

(*Name of the institution which will be accepting the deposit of title deeds*)

Dear Sir,

.... Loan for Rs. ....
(*Name of borrower*)

We, ...
(*Name of the institution issuing the letter of authority*)

hereby authorise you ....
(*Name of the institution which will be accepting the title deeds*)

.... to act as agent for ....
(*Name of the institution issuing the letter of authority*)

.... for accepting, through any of your duly authorised officers, the deposit of title deeds to be made by .... the borrower, in respect of its immovable properties situate in
(*Name of borrower*)

within the Police Station and Sub-Registration Office ....

in District .... in ....
(*Name of State*)

for securing the due repayment of a sum of Rs. ....

(Rupees .... only) agreed to

be granted by ....
(*Name of the institution issuing the letter of authority*)

to the borrower together with interest, commitment charge, costs, charges and other expenses payable by the borrower under the Loan

Agreement dated the .... entered into bet-

between the borrower of the First Part and ....
(*Name of the institution*

.... of the Second Part.
issuing the letter of authority)

Yours faithfully,

APPENDIX VI

A Scheme for the setting up of a Tea Development Foundation

Tea Development Foundation

Any scheme for rehabilitation and invigoration of the tea industry has to take into account certain imperatives such as low cost finance, stability in interest costs over the entire period of development, an interest holiday and the reinforcement of financial assistance by managerial and technical assistance. While the more organised sections may make do without the last named, it has a relevance forthe thirteen thousand or more small gardens and many an uneconomic garden among the big-sized ones. It would be desirable for the tea industry to help itself, instead of merely looking to the Government for subsidy or fiscal reliefs. In the present context of the financial set up, no method of finance except debenture issues could ensure the supply of capital at a low and constant rate. It follows that in order to successfully float the debentures, it would be necessary to have the services of experts in the form of consultancy services to create projects and certify them as to the technical, economical and financial feasibility. The debentures that would be issued should have strong financial backing and this could be in the form of a Government guarantee, credit insurance or an organisation in the private sector. As the first two alternatives are not feasible, the third one has to be founded. It is in pursuance of such a thinking that the idea of setting up of a Tea Development Foundation is being mooted. The Foundation to be created by the industry and managed by it should be a non-profit organisation and its chief functions shall be :

(*i*) to assist establishment of Management services in every tea region on professional basis and to bear the cost thereof.

(*ii*) to assist 'Management Services' in regard to placing of debenture issues, term loans or working capital loans with financial institutions, banks and others.

(*iii*) to participate with the State Governments in their schemes under which the State Governments may contribute towards subsidising the rate of interest on loans and/or debentures with a view to reducing the interest burden on weaker or fractional tea estates.

(*iv*) (*a*) to guarantee or to undertake to buy the debentures or term loans at par, with interest, in case of default by the issuing tea estates.

(*b*) to sell debentures so acquired.

(*c*) to take over defaulting tea estates and arrange for management, lease, sale or disposal otherwise.

(*v*) to nominate trustees for the debenture issues in consultation with financial and credit institutions.

(*vi*) to borrow and lend money from time to time on long, medium, or short-term basis.

(*vii*) to assist the formation of specialised land mortgage banks in the co-operative sector for raising resources through issue of deventures and to finance for development against mortgage, of non-corporate fractional tea estates.

(*viii*) to make continuous efforts to attract the support of international financial organisations to finance the cost of technical services to tea industry.

The Foundation shall have members drawn from the following Tea Associations :

1. Indian Tea Association,
2. Indian Tea Planters' Association,
3. Assam Tea Planters' Association,
4. Bharatiya Cha Parishad,
5. Surma Valley Indian Tea Planters' Association,
6. Tripura Tea Association,
7. Terai Indian Planters' Association,
8. United Planters' Association of Southern India,
9. Tea Association of India,
10. Kangra Valley Tea Planters' Association,
11. Dehra Dun Tea Planters' Association,
12. Kangra Valley Small Tea Growers' Association,

13. Nilgiri Small Tea Growers' Association.

A Management Committee could comprise some or all of the following :

(*i*) Nominees of the Tea Associations ;

(*ii*) Nominees of Debenture holders and the financial institutions ;

(*iii*) A nominee of the Tea Board ;

(*iv*) A nominee of the Agricultural Refinnce Corporation ;

(*v*) One or more trade union leaders nominated by the Managing Committee ;

(*vi*) Experts or Consultants to be nominated by the Managing Committee.

For day to day functioning an Executive Committee consisting of about five members may be formed. While considering matters concerning individual States, the nominees of the respective State may be invited to attend the Committee. Besides, the Committee may invite such other persons, from time to time, as are considered necessary.

The Foundation shall derive its funds by a levy on annual sale proceeds of all tea estates as may avail credit in any form from the banks or the financial istitutions or by issue of debentures to the public, as may be fixed by an Actuary, approved by the Foundation, at a rate not exceeding ½ per cent per annum. The rate of levy may be revised upwards or downwards to meet the needs of the situation. The funds of the Foundation may be invested in any or all of the following forms :

(*a*) Deposits with banks;

(*b*) Government Bonds and Trustee Securities ;

(*c*) Debentures of approved tea estates ;

(*d*) Bridging finance to the Estates in a limited manner.

Arrangement for collection of the levy may be made through :

(*a*) Bankers ;

(*b*) Tea Brokers; or

(*c*) Otherwise, as the Foundation may deem fit to nominate.

An estimate of the financial position of the Foundation is shown below :

The long-term funds required by the industry can be estimated at about Rs. 150 crores in ten years. Of this amount, the weaker sector may utilise about Rs. 20 crores. The total annual sales of tea can be estimated at around Rs. 250 crores, half per cent thereof will be about Rs. 1.25 crores. The expenditure has been estimated as follows :

(*a*) Management services	Rs. 10 lakhs
(*b*) Interest subsidy	Rs. 10 lakhs
(*c*) Administrative charges	Rs. 5 lakhs
(*d*) Obligation arising out of guarantee of interest payment on debentures	Rs. 10 lakhs
	Rs. 35 lakhs

The annual surplus would be Rs. 90 lakhs which will accumulate in 10 years to about Rs. 12.4 crores and Rs. 35 crores in 20 years assuming a compound interest of 6 per cent.

The debentures shall be issued for a tenure of 15—20 years, first maturity in the 11th year and at a rate of interest of 8 per cent or more depending on tenure. The debenture issue should take into account the needs of the estate for both 'Core Loan' and development cost and the norm for composite tea estates of the affluent category shall be :

(*a*) North India	50% of average sale proceeds plus Development Loan.
(*b*) South India	1/6th of average sale proceeds plus 1/3rd of the value of the Tea Estate.

For 'Fractional tea estates,' Bought Leaf Factories, the co-operative factories and tea estates without factories, weak tea estates, the norms could be quite different, depending on the circumstances obtained.

The debenture issue is being recommended because within the existing institutional set up and monetary policy, the cost of 'Core finance' and 'Development finance' may be at 9 per cent or less (8 % is permitted by the C.C.I.) and would be steady at this level for a good number of years. The tea estates issuing debentures shall create a sinking fund from the third year at the rate of 1/10th of the core loan to begin with and at the rate of 1/10th of core and developmental loans from the 11th year. The sinking fund shall be used for buying back the debentures on maturity.

There is no doubt that debenture issues by the larger and profitable companies would be a success because on top of the debentures being fully secured, the 'buy back' being guaranteed by the Foundation should ensure the saleability of debentures. As regards the weaker and fractional ones, the 'buy back' assurance should largely assist the success of the debenture issues. If the 'core loan' system is adopted in the Debenture Issue Scheme a good portion of funds of the tea financing banks will be released and they will be in a position to support the Debenture Issues.

The Management Services proposed would ensure better management of gardens and minimum of default. In the event of default also, the estates can be taken over by the Foundation through the Trustees of the Debentures. On take-over, the estates can be sold with very minimum loss. Funds that would grow with the Foundation could meet all the defaults.

Assuming that tea estates raise the core loan and development finance through the issue of debentures, the levy proposed will be a very insignificant part of the after-tax profits of the Tea Estates/Companies and will definitely be less than the 'savings' obtained currently and prospectively, through difference in rate of interest paid at present, and the rate of interest on debentures.

The Foundation can also act as a 'Merchant Banking' agent, functioning through the Management Services, and can be a very useful tool to the Tea Industry collectively and individually *vis-a-vis* the banks, credit institutions and even the Government and the labour. The Foundation can provide, subject to assessment by the Management Services, temporary bridging loans. Difficulty in raising bridging loans has caused serious difficulties and strain in many cases. Further, no differential recommendations for fractional, small, medium and weaker tea estates need be made if the scheme for establishing the Foundation is accepted by the Tea Industry and the Government. In fact, is the hope that if the Tea Development Foundation comes into being, other industries may also find it worthwhile to create such foundation for their respective industries.

A financial guarantee, by itself, may not ensure the prospective success of the debentures issues. The gardens should work economically and efficiently. As such, the need for Management Services arises and it has to be there. An organisation like the Management Services could act as the catalytic agent as between the Foundation and the credit institutions on the one hand and the Tea Estates of all categories on the other. The functions of the Management Services shall be to study individual working capital problems—indicate solutions, to assist in drawing up of plans for development of the property in general and advise on diversification, certify feasibility and to work out plans for financing arrangements. It shall also study method of operations and systems of reporting and control, suggest modifications if any and report on technical aspects of operations where obvious difference with the norms of operations in progressive Estates are there.

The Management Services should progressively create added confidence in the minds of short-term and long-term lenders regarding the inherent strength of the gardens so that there shall be the climate for appropriate flow of working capital finance, and long-term finance develops the requisite flow in every case. It could usefully assist communication-flow, as between garden management and the various interests and help create appropriate understanding as between tea estates, the Government, labour unions, etc.