

Note : The text marked with the red colour is suggestions/amendments proposed in the scheme

Annexure-‘A’

Performa for the Interest Subvention on Working Capital Loan

Sr. No.	Particulars	Details of the Borrower		
1	Name of the Owner			
2	Name of the Establishment/ Tourism Unit			
3	Address & Phone No.			
4	Date of Registration of Tourism Unit			
5	No. of Rooms registered			
6	No. of Employees			
7	Details of GST Deposited	2018-19	2019-20	2020-21
8	Details of Turn over	2018-19	2019-20	2020-21
9	Details of Occupancy	2018-19	2019-20	2020-21
10	Name of the Bank obtaining Loan			
11	Working capital loan proposed			
12	Affidavit in respect of non Defaulter			
13	Affidavit in respect of self Guarantee			
14	Affidavit in respect to pay the principal amount of the loan on regular basis			
15	Affidavit in respect of self/personal guarantee			

Dated:-

Signature of the Owner

Name & Address of the Owner

Contact No.

Revised Scheme for Interest Subvention on Working Capital Loan for Hospitality Industry

1. Introduction:

The Indian tourism industry is the fastest growing amongst the G20 countries. The hospitality industry is also the third largest source of foreign exchange earnings for the country, making it an important peg in the economic cycle. However, the industry has a long operating cycle from inventory purchases to sales and credit receipts. Further, the cost of inventories is also large adding to the short-term capital requirement for tourism units.

The Indian hospitality industry is undoubtedly one of the biggest casualties of the COVID-19 outbreak as demand has declined to an all-time low. Global travel advisories, suspension of Visas, the imposition of Section-144 (prohibition against mass gatherings), India like most other countries is on lockdown, the ramifications of which are unprecedented.

The outbreak of COVID-19 presents the tourism sector with a major and evolving challenge. While the full extent of the outbreak's economic ramifications is still unknown. India's tourism and Aviation sector has been one of the first few industries to be hit.

The World Travel & Tourism Council (WTTC) expects the crisis to cost the tourism sector at least USD22 billion, with the travel sector anticipated to shrink by up to 25 per cent in 2020, resulting in a loss of 50 million jobs.¹

¹Corona virus puts up to 50 million Travel and Tourism jobs at risk says WTTC, Press Release, 13 March 2020

2. Need for the Interest Subvention on Working Capital Loan:

In Hospitality sector, more than 60% cost of running business is fixed. A scenario where revenues are nil and fixed costs intact, begs the question of business continuity itself. Independent tourism unit operators don't draw fixed salaries to live on; the money they make is from the profits after covering costs. In a country like India, a good performing tourism unit, with great reviews, good staff and a control over your operating costs, may manage a year-round occupancy of 55% to 60%. In such a scenario, hoteliers are able to draw profits for six months, cover costs for four months and suffer a loss for the remaining two months, essentially meaning the small operators are left with very little retained earnings to drive through a phase of prolonged closure of business.

Where we stand today, there is absolutely no question of inbound tourism resuming in India for at least another next 2 quarters, domestic tourism, however, may revive in the next 3 to 4 months. This means that Tourism unit operators are now facing the possibility of little business for a period of 5 to 6 months with massive fixed costs, low business reserves and a big question mark on their own survival itself.²

It is important to mention here that unlike the industry giants, small companies have little or no cash reserves to survive the delayed repercussions of a Pandemic like Covid-19. It is one thing to go through a slow month and another to drop revenues to '0' whereas the liability part remains intact. The landlords still require rentals, the staff which has worked tooth and nail for the company to grow still needs their salary to feed their families. The utility bills, Bank EMIs, necessity expenses, software costs are very much still due. While the bigger firms can invoke "Force Majeure" and strong arm the vendors to hold up any invoices, a chunk of the industry does not have such negotiating power.

²<http://bwhotelier.businessworld.in/article/Impact-of-Covid-19-on-Independent-Budget-Hotel-Industry-in-India/25-04-2020-190282/>

In view of the above and mass scale closure of independent properties with 10 – 15 rooms across Himachal Pradesh. Such business operators will be left with no option but to wind up and look for alternative professions since it's a question of their survival. This would also mean a large-scale erosion of employment opportunities. It is important to note here that this segment employs individuals from varied backgrounds and most of them are without professional degrees or certifications, a lot of staff is constituted of people who have studied till only 8th or 10th standard but have been working with small tourism unit for a long time and have developed their skills and have been trained by tourism unit operator and they may not get employment at other places with the skill set they have.

3Definitions:

3.1“Department” means Department of Tourism and Civil Aviation, Himachal Pradesh.

3.2 “Defaulter” means a person who defaults or fails to fulfil an obligation towards outstanding loan of a Bank or a Financial Institution.

3.3 “Dy. Director/DTDO/ATDO” means Deputy Director, Tourism/District Tourism Development Officer/Assistant Tourism Development Officer.

3.4 “Government” means Government of Himachal Pradesh.

3.5 “GST” means Goods and Services Tax.

3.6 “Interest Subvention” means Subsidy or rebate in the rate of interest.

3.7 “MSME” means Micro Small and Medium Enterprises defined by Ministry of MSME Govt. of India.

3.8 “NABARD” means National Bank for Agriculture and Rural Development.

3.9 “Occupancy” means the percentage of all guest rooms in the hotel that are occupied at a given time.

3.10 “RCS” means Registrar Corporative Society, Himachal Pradesh.

3.11 “RBI” means Reserve Bank of India.

3.12 “Tourism Unit” means any establishment providing facilities and services to the tourists and includes hotel, resorts, motels time share units, apartments, house boats, motor caravans, guests houses, yatri niwas, restaurants and bars, amusements parks, theme parks, Travel Agents, water sports centres, aero sport centres, golf courses, handicraft village complexes, camps, river cruises, lake cruise projects, light and sound shows, adventure Sports complexes, Ropeway projects on Public Private Partnership (PPP), training institutes for adventure sports or tourism industry doing business for a monetary consideration and any these type of establishment as may be notified by the Government from time to time.

3.13 “Tourism Unit Operator” means any person who owns, runs or operates a tourism unit and includes a person managing or operating the affairs on behalf of the proprietor.

3.14 “Turnover” means the annual sales volume net of all discounts and taxes is called Turnover.

3.15 “Working Capital Loan” means assistance refers to the capital required for running day to day business, paying workers wages, rents, utility bills, renovation expenses, pending taxes etc.

4 Mode of Interest Subvention on Working Capital Loan:

The Government of HP is introducing a revised scheme for interest subvention on working capital loan for Tourism sector to support business investment and economic growth over the short-term, by providing Loan for working Capital for immediate needs. (Working capital loan essentially refers to the capital required for running day to day business and paying worker wages, rent and utility bills, renovation expenses, pending taxes etc. It is significant aspect for any business entity as it facilitates smooth functioning and efficient asset utilization.)

The eligible beneficiaries under the scheme would include borrowers from the three State Cooperative Banks viz; HP State Cooperative Bank, Kangra Central Cooperative Bank and Jogindra Central Cooperative Bank, Himachal Gramin Bank and from the Commercial Banks.

4.1 Rate of interest:

The rate of interest to be charged will be a maximum of 11% p.a. (on monthly compounded basis) as agreed to.

However, the rate of interest to be charged by the State Cooperative Banks and Himachal Gramin Bank be left to the Financial Institutions based on the repayment capacity.

In case of commercial Banks, the advancement shall be regulated under the scheme of working capital loan to MSME units as notified by the Govt. of India under the “AATM NIRBHAR BHARAT ABHIYAN”.

4.2 Loan Period

The Loan period shall be of 5 years (Five years). It shall be repaid in Five years including initially for 2 years (two years) of interest subvention and also includes initial 01 year (one year) of moratorium. Interest subvention will be 75% in Moratorium period and 50% for 2nd year following the moratorium period. In the remaining 3 years, the loanee shall bear the entire interest burden.

5. Period of the Scheme to Avail Working Capital Loan:

The interest subvention scheme on working capital loan can be availed by the registered tourism units of the State of Himachal Pradesh from the date of notification of the scheme and can be availed till 31-03-2022.

6. Eligibility Criteria:

- 6.1 The working capital loan is intended only for Tourism Units for meeting their daily operational needs enabling them to meet the daily operational expenditure.
- 6.2 Tourism Unit should be registered with the Department of Tourism and Civil Aviation, HP
- 6.3 The Tourism Unit must continue to follow the health and cleanliness guidelines prescribed by the Govt. from time to time.
- 6.4 Tourism Unit should reassure Guests and Employees by intensifying routine maintenance and increasing deep clean measures and do dry runs before start of operations. At the end of such dry runs, the hotels should be able to understand any gaps remaining prior to the full rollout of the hotel. SOP of the Health & Family Welfare, Govt. of India on preventive

measures to contain spread of COVID-19 in Hotels and other Hospitality services along with COVID-19 Safety and Hygiene Guidelines for Tourism Sector of Ministry of Tourism should also be adhered strictly.

- 6.5 Tourism Unit should not be a defaulter/insolvent/blacklisted etc. earlier by any agency. The Borrower shall submit an affidavit to this effect duly signed by an Executive Magistrate.
- 6.6 Tourism Unit operator must undertake that he/she shall pay the principal amount instalments on a regular basis failing which their interest instalments being paid by the Govt. of the first and second year shall be withheld. This should be in the shape of an Affidavit duly attested by an Executive Magistrate.
- 6.7 The scheme shall cover registered tourism units.
- 6.8 The Bank will complete the documentation for working capital loan under the scheme as per the directions of the RBI / NABARD / RCS after the case is sponsored by the concerned Dy. Director/ DTDO/ ATDO.

7. Entitlement under the Scheme:

- 7.1 The purpose of this scheme for Tourism Unit operators is that, their businesses could be given much easier access to working capital at interest rates lower than the prevailing market rates and with an interest subvention for initial two years. The criteria of eligibility as well as magnitude of financing being provided shall be based on the Unit's GST payment history. The Loan shall be repaid in 05years (five years), including initial two years of interest subvention and also includes initial one year of moratorium on principal repayment. In the first 1 year (one year) of the repayment of the loan, 75% interest amount will be borne by the Government and in the following 01 year(one year) 50% of the interest amount will be borne by the Government. The remaining 03years (Three years)interest will be paid by the Borrower himself as per Table -1

7.2 For small registered tourism units upto 20 rooms which are not covered under GST will be eligible under the said scheme @ Rs. 2.00 lakhs per room as per Table -2 listed below.

7.3 The Restaurants are entitled on GST payment history i.e. on the payment of GST paid for the one year ending 1st March 2021 as per Table – 3 listed below.

7.4 The Travel Agents are entitled on the annual turn over for the one year ending 1st March 2021 as per Table – 4 listed below.

Table -1 For Tourism Units paying GST for at least one year ending 1st March 2021

Sr. No.	Average GST Payment per Year	Eligibility	Maximum Loan
1	Upto Rs.1.00 Crore	Triple the average of annual GST paid during the period of operation	60.00 lakh
2	Above Rs.1.00 crore and upto 3.00 crore	-do-	90.00 lakh
3	Above Rs.3.00 crore (Excluding 5 Star Hotels)	-do-	120.00 lakh

Table -2 For Small Registered Tourism Units not covered in Table - 1

Sr. No	Eligibility	Maximum Loan
1.	Rs. 2.00 lakh per room	Rs. 30.00 lakh

Table -3 For Restaurants paying GST for at least one year ending 1st March 2021

S.No.	Eligibility	Maximum Loan
1	Triple the average of annual GST paid during the period of operation	20.00 lakh

Table -4 For Travel Agents on the annual turn over for the one year ending 1st March 2021

S.No.	Eligibility	Maximum Loan
1	Triple the average of annual Turn over during the period of operation	15.00 lakh

8.Procedure:

8.1 The Tourism Unit Operators shall apply for the Working Capital loan to the District Authority of the Department of Tourism & Civil Aviation, HP. The concerned Dy. Director/ DTDO/ ATDO will sponsor the case to the Bank in a prescribed format as per **Annexure “A”** after due verification of the claim. The Bank will sanction the Working Capital Loan and complete full documentation and codal formalities as per the guidelines of RBI/NABARD/RCS. The Working Capital Loan will operate as a Cash Credit Limit during the first one year. Thereafter, the outstanding balance in the Cash Credit limit at the end of the first one year will be treated as a Term Loan which shall be repayable over the next four years in forty eight equated monthly instalments (EMI's). Copy of the repayment schedule will be

supplied by the Bank to the Borrower and to the concerned Dy. Director Tourism/ DTDO/ ATDO.

8.2 Interest subvention shall before first two years. Interest subvention will be 75% in Moratorium period and 50% for another 1 year (one year) following the moratorium period.

8.3 Department will release or reimburse the interest amount to the Bank after ascertaining from the Bank concerned that the Borrower has paid the principal amount.

8.4 In case, the Borrower does not pay the instalment of the principal amount and interest after the first two years, legal action shall be initiated against the Borrower by the Bank as per their laid down procedure.

8.5 The Bank before advancing any working capital loan would ensure documentation as per their normal operating procedure.