

TERMS AND CONDITIONS OF LOAN

No. RM-1 (2)/71

Dated the 15th July, 1972

To

The Secretary to Government, P.W.D., Maharashtra/Andhra Pradesh/Tamil Nadu/Himachal Pradesh/Punjab/Kerala

Subject : Purchase of road-making machinery for execution of Central Works-Grant of loan

I am directed to refer to this Ministry's letter of even No. dated 25th February 1972 informing you of the approval of Government of India, in principle, to the proposal for grant of loan to the State Government for purchase of machinery for Central works, and to say that the loan will be subject to the following conditions :

- (1) The loan will be payable only after firm purchase arrangements have been made. In this connection your attention is invited to this Ministry's letter of 25th February 1972 referred to above wherein the State Government have been requested to forward to this Ministry their proposal detailing the items of machinery sought to be purchased and their number with due regard to their requirement for central works and Central equipment if any already allotted to your State. The State should have such proposal approved immediately as it shall be only after such approval has been obtained that the State Government shall really become entitled to place firm purchase orders on the suppliers. A copy of the purchase order together with the confirmation of the supplier to comply with the order will be sent to this Ministry for considering issue of sanction for release of funds.
- (2) The loan will carry an interest of 5% per annum or such rate as may be fixed by the Government of India from year to year in respect of loans granted to the State Governments.
- (3) The loan will be repayable in 25 years in equal annual instalments together with interest on the outstanding balance. The amounts annually payable (by way of principal and interest) would be paid in four equal instalments on 1st July, October, January and March each year. The loan would be deemed to have been drawn as on 1st October of the year in which the loan is sanctioned irrespective of the fact whether the loan has been sanctioned prior to that date or after that date. In case there is more than one loan during the same year, these loans would be consolidated and deemed to have been drawn as on 1st October as indicated above. A rebate of ¼% will be admissible for timely payment of principal and interest.
- (4) The repayment of loan will commence from the first anniversary date of its drawal and not in lump on the expiry of the period of loan.
- (5) In the event of any default in repayment of loan and/or payment of interest, a penal rate of compound interest @ 2½% per annum would be charged over and above the rate of loan interest upon all overdue instalments of principal and/or interest from the due date of payment to the actual date of payment.
- (6) The State Government shall furnish the details of machinery purchased from this loan and details of expenditure incurred thereon duly verified by Audit, in course of time.
- (7) The State Government shall at all times maintain and keep in good order and repair all machineries and accessories thereto at their own cost.
- (8) For the use of these machines on Central road works, the State Government shall be entitled to debit the usage charges against the approved Central works estimates at rates based on the formula supplied with this Ministry's letter No. IDA/W-25 (10)/63, dated the 8th October (copy enclosed) addressed to the States of Bihar, Orissa, West Bengal and Maharashtra, subject to such revision as may be made by the Government of India from time to time.
- (9) The State Government will ensure that the machinery and equipment bought with the loan are actually earmarked and used for Central Road and bridge works as long as Central schemes or Centrally operated schemes are available and require the use of the machinery or equipment purchased out of this loan. Only if such works are not available at any time, such machinery could be used for State Government's works.
- (10) In regard to conditions 7, 8 and 9 the State Government shall furnish all information, reports and returns which the Government of India may, either generally or specially, prescribe in this regard and shall allow access and facility and assistance for inspection as may be required by Government of India or any of its officers so authorised in this regard.
- (11) No machinery or accessory thereto shall be disposed of in any manner so long as the loan or any part thereof remains unpaid by State Govt.
- (12) The State Government shall not use the loan for re-lending to their industrial or commercial undertakings but shall utilise it entirely for the purchase of road building machinery required for execution of Central works.

2. The loan will not be paid in cash but adjusted against monthly Plan Ways and Means advances sanctioned by the Plan Finance Division of the Ministry of Finance.

3. The Government of— are requested to communicate their acceptance of the conditions mentioned above before the loan is formally sanctioned.