**Entrepreneur in blind alley**

**Surya Paper Industries**

The representative of M/s. Surya Paper Industries visited TIHCL complaining that despite having good sales record the banker is reluctant to enhance their working capital limit. On TIHCL’s investigation the following facts came to light.

M/s. Surya Paper Industries was incorporated on 31st December 2015. The unit located in, Koratikal Village, Yadadri Bhuvanagiri District, Telangana, owned and managed by scheduled caste woman entrepreneur, Ms K. Renuka. The firm’s line of activity is to manufacture disposable glasses, paper cups and paper plates having market in Yadadri Bhuvanagiri District and Nalgonda District.

Under **CGTMSE** scheme the unit has availed term Loan of ₹ 34.89 Lakhs for construction of shed and Open Cash Credit (OCC) Limit of ₹ 3.00 Lakhs for working capital from the bank. The unit received subsidy of ₹ 19,65,336 under **T-PRIDE** on 31st March 2016 after 15 months from the date of incorporation which has been adjusted to the term loan. The unit availed the sanction of ₹ 3,92,286 under Pavala Vaddi which is reported to be under process.

Though the unit received enough financial support from the government and the bank, it has faced shortage of working capital and approached TIHCL for the help.

**On detailed investigation of case by TIHCL reasons for the sickness are listed below**:

1. The estimations made in the project plan didn’t serve the purpose,
	1. The initial process of estimating unit’s capital requirement and working capital requirement went wrong, hence the tight liquidity started at the initial stage of the operation of the unit. The unit was operating at 50% of its capacity.
	2. There was working capital short fall as the cost incurred in the construction of shed and factory premises exceeded the estimation by ₹ 6.5 lakhs, where entrepreneur had spent all his savings and part of unit’s working capital.
2. Entrepreneur being unaware of handling finances, utilized working capital towards fixed assets.
3. Sale proceeds are not being routed through Bank Account and entrepreneur is unaware of the process of routing his funds through OCC account.
4. As sale proceeds aren’t routed through bank account, operations in the account are not at the desired level to enhance his working capital limit.

We have concluded that the unit is not a wilful defaulter; there is enough market for the unit’s long-term viability; the technology is not out of date; production processes are all in good place and the unit required financial discipline and handholding. The unit is agreeable to install ERP given training and act responsibly on finance.

**Suggestion from TIHCL:**

1. Working capital sanctioned to the entrepreneur eroded owing to usage towards long-term purposes/ payment of CGTMSE fee etc., it needs to be converted into Working Capital Term Loan with adequate repayment period/ gestation period in line with the project cash flow.
2. Sanction of additional working capital of ₹3 lakhs by bank.
3. TIHCL is prepared to sanction soft loan of ₹ 1 Lac to entrepreneur in case the borrower is not able to meet his margin towards additional working capital proposed to sanction.

The unit is in the process of receiving the additional working capital from the bank and margin amount from TIHCL to restart its operations and to provide employment to around 15 persons in that locality.