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Training Manual

51 FAQs for easy access to loans through schemes of Govt. of India



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Indian Institute of Corporate Affairs
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GETTING PREPARED FOR FINANCING AND AVAILMENT OF CLCSS AND CGTMSE SCHEMES

This booklet has been prepared to (a) make micro and small enterprises (MSEs) better prepared to make them loan-fit and (b) make MSMEs aware about various financing schemes of the Banks and Government of India, and in particular detail the two most popular financing schemes (i) Credit Linked Capital Subsidy Scheme (CLCSS for foundry units) and (ii) Credit Guarantee Trust for Micro and Small Enterprises (CGTMSE).

The booklet has been prepared as a part of the Project “Scaling up Sustainable Development of MSME Clusters in India”, being jointly implemented by Foundation for MSME Clusters (FMC), The Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Global Reporting Initiative (GRI), Indian Institute of Corporate Affairs (IICA), United Nations Industrial Development Organization (UNIDO) and Small Industries Development Bank of India (SIDBI) and partly funded by the EU Switch Asia Project. The booklet has not been formally edited. This booklet intends to enhance the knowledge of MSEs about the schemes. However, for taking any commercial decision, MSEs must get in touch with the concerned organizations and financial experts.

This booklet contains 51 frequently asked questions on getting the finance from the banks and to understand the route for availing the subsidy under CLCSS Scheme and Collateral free loans under CGTMSE Guarantee Cover of Govt. of India.

I am pleased to acknowledge the dedicated efforts of CA Harish Baweja, Certified Concurrent Auditor (Ludhiana) who provided his precious time and inputs, our colleague Ms. Neetu who started efforts of implementation and, I had the privilege of completing this FAQ guide. I am also thankful to CA Puneet Jain (Jalandhar) who provided precious time for the successful compilation of this FAQs.

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1. What is an MSME?

As per the Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 and MSME can be either a manufacturing or a services enterprise. Manufacturing enterprises are engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and Regulation) Act, 1951. A Manufacturing Enterprise is defined in terms of investment in plant and machinery. Service enterprises are engaged in providing or rendering services and are defined in terms of investment in equipment. The definitions of the different categories of MSMEs are shown in Table 1 below

Table 1: Definition of MSME

Investment in plant and machinery/equipment (excluding land and building)		
	Manufacturing Enterprise	Service Enterprise
Micro	Up to Rs 25 lakhs	Up to Rs 10 lakhs
Small	More than Rs 25 lakhs and up to Rs 5 crores	More than Rs 10 lakhs and up to Rs 2 crores
Medium	More than Rs 5 crores and up to Rs 10 crores	More than Rs 2 crores and up to Rs 5 crores

2. What is a loan?

In a loan, the borrower borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money to the lender at a later time in the form of regular installments or partial repayments along with interest.

3. What are the different types of loan?

- ✓ **Short term loan/cash credit limit:** It usually covers finance available from bank for payments to raw material suppliers, workers, maintenance and overheads, etc and it also provides the finance for continuation of production till the debtors are realized to whom sale are being made. It is usually sanctioned for one year and mandatorily to be reviewed at the completion of each year.
- ✓ **Long term loan:** Usually covers payments for purchasing machinery, land and building, etc to be used for manufacturing of goods but not for re-sale purpose. This loan is usually sanctioned for a period more than one year.

4. What are the formal sources of getting loan?

- ✓ Private and public sector banks
- ✓ Non bank financial corporations
- ✓ Financial intermediaries.

**5. What are the documents required to get finance from the bank?
What is the purpose for each document?**

Table 2: Documents required along with their purpose

S.No	Name of the document	
1	PAN Card	To see whether the person is an Income Tax Assessee or not. It is also used as an identity proof.
2	Address proof of residence	To check the authenticity of residence of the person
3	Copy of address proof of Business establishment	To check the authenticity and existence of business establishment
4	Photograph of the borrower	To match the identity and facial appearance of the borrower and its identification thereof at later stage.
5	Copy of Partnership deed (In case of Partnership Firm)	To check the existence of the Partnership Firm and its partners
6	Memorandum and Articles of Association (In case of Company)	To check the existence of the Company and its promoters.
7	VAT (Value added Tax) registration certificate, if applicable	To check whether item to be traded or manufactured is subject to VAT or not
8.	Entrepreneur memorandum number (SSI Number)	To check whether unit is actually a manufacturing or service providing micro, small or medium enterprises and whether it is established at the premise situated as per the approved master plan of respective city as specified by the District Industries Center (DIC)
9.	Rent deed (if premise is on rent)	To check whether premise hired on rent is actually in existence or not and its period of letting is in no way hampering the financing of unit
10.	Balance Sheet, Income Tax return with computation for last three years	To calculate the eligibility of unit for loan /limit and assess its financial soundness.
11.	VAT return submitted for the last one year	To calculate the eligibility for limit as it is usually sanctioned @ 20 % of turnover achieved/projected as the case may be and also to see whether unit is complying with the statutory compliance of submission of VAT return well in time.
12.	Current account statement for at least one year	To check whether units is rotating the sales through their current account or not
13.	CMA (Credit Monitoring Appraisal) reflecting the projections for the specified period	To check whether the unit is eligible for specific loan/ limit or not with regard to the projections made in the CMA and its practical viability of the project.

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14.	Quotation of Machinery to be financed	To check value of machinery to be financed and authenticity of suppliers.
15.	Request to the bank on letter head of the proposed borrower , for machinery to be financed under CLCSS Scheme	To intimate to the financial institutions specifically in prior notice that borrower is applying for the loan for that kind of machinery which is eligible for CLCSS and it is required to be processed by the bank on that specific format as specified for CLCSS so that borrower should not suffer later on .
16.	Proof of the Change of Land use (CLU), if required	To ensure that property to be mortgaged should not be a agricultural land and it comes under the master plan of District Industries Centre (DIC) for establishing the Industry and further to check the applicability of SARFASAI Act in case of default in repayment of loan as the SARFASAI Act is not applicable on Agricultural Land.
17.	Clearance from the state Pollution Control Board (PCB)	To ensure safety from the material discharged in the environment, while producing the product

6. What is the function to be performed by the bank after submitting all the aforesaid documents?

- a) Generation of Credit Information Reports (CIR) and credit scores which are provided to credit institutions in order to help evaluate and approve loan applications. This is done by Credit Information Bureau (India) Limited (CIBIL) to observe the credit history of the proposed borrower (existing loans and credit facility and its track). In case of company (Partnership unit) apart from the unit, the credit history of each (partner) is evaluated director.
- b) Visit to the enterprise and accordingly prepare the visit report
- c) Legal opinion from the empanelled advocate of bank regarding the title deed of property to be mortgaged with the bank. It ensures the legality and authenticity of the title deed to be submitted for the property with the bank as collateral security.
- d) Valuation of proposed property as collateral security from the Empanelled Valuer of the Bank
- e) Appraisal Form is prepared by bank to check the eligibility of loan limit of the concerned borrower.
- f) Credit rating to calculate the rate of interest to be applied on the basis of Credit rating
- g) Credit report is prepared by bank to assess the net worth of the concerned borrowers

- h) Legal documentation like hypothecation/mortgage deed agreement on stamp paper
- i) Sanction letter (reflecting the sanctioned amount, rate of interest, margin, repayment period, sanctioning authority and terms and conditions of sanction)
- j) Process for applying the respective CLCSS subsidy with the respective department.

7. What is CIBIL?

Credit Information Bureau (India) Ltd; CIBIL is India's first Credit Information Company, also commonly referred as a Credit Bureau. They collect and maintain records of individuals' and non-individuals' (commercial entities) payments pertaining to loans and credit cards. These records are submitted to them by banks and other lenders on a monthly basis; using this information a Credit Information Report (CIR) and Credit Score is developed, enabling lenders to evaluate and approve loan applications. A Credit Bureau is licensed by the RBI and governed by the Credit Information Companies (Regulation) Act of 2005.

8. What is a credit score?

A Credit Score also called CIBIL Trans Union Score is a three-digit numeric summary of your credit history. The score is derived using the credit history found in the CIR.

9. What is a Credit Information Report (CIR)?

A CIR is an individual's credit payment history across loan types and credit institutions over a period of time. A CIR does not contain details of your savings, investments or fixed deposits.

10. What do the banks broadly check for in CIBIL?

- ✓ Suite filed or written off cases reported in the CIR. This is indicated in the 'Account Status' section of the CIR
- ✓ Payment history trend - whether there has been any default or amount overdue. This is indicated in the 'Days Past Due' (DPD) field of the CIR.
- ✓ Company profile where you work - the banks generally have an approved list to whom they extend loan/credit card
- ✓ EMI (Equated Monthly Installments) to Income ratio: if your current total EMI exceeds your monthly income by more than 50% then chances of getting loan gets reduced.

11. How the bank will calculate the eligibility for the purpose of sanction of cash credit limit?

Bank will sanction the least of the following as cash credit limit:

- ✓ 20 % of the turnover achieved or projected for the current year.
- ✓ Fair value of the collateral security offered.
- ✓ 75 % (Stock –Creditors)+ 60 % of (book debts of up to 90 days)

12. How the bank will calculate the eligibility for the purpose of sanction of term loan for machinery or building?

Bank will sanction the least of the following as cash credit limit:

- ✓ 75 % of proposed cost of machinery/building to be constructed.
- ✓ Fair value of the collateral security offered.

13. What is difference between primary and collateral security?

In the case of cash credit limit:

Stock and Debtors would be the primary security; however the additional security taken by the bank like property would be called collateral security.

In the case of term loan for machinery:

That specific machinery which has been financed through term loan would be called the primary security; however the additional security taken by the bank like property would be called collateral security.

In the case of term loan for construction of factory building:

That specific building which has been constructed by financed through term loan would be called the primary security, however the additional security taken by the bank like land on which building has been constructed would be called collateral security.

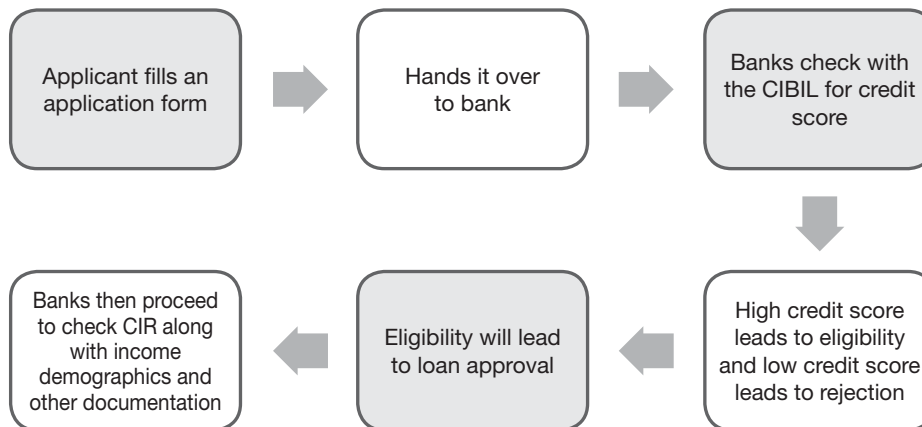
14. Which types of documents are required for getting the valuation of property from the Empanelled Valuer of the bank?

- ✓ Xerox copy of the title deed of property to be mortgaged with the bank.
- ✓ Identity and address proof of the owner of the Property.
- ✓ Approved master plan (MAP) of the building constructed.
- ✓ Original Jamabandi of last 13 years.
- ✓ Original TS-1 of the Property from the municipal corporation
- ✓ Chain of title deed in original of all the previous owner and present for the last 13 years.

15. Which types of documents are required for getting the legal opinion from the Empanelled Advocate.

- ✓ Xerox copy of the title deed of property to be mortgaged with the bank.
- ✓ Identity and address proof of the owner of the property.
- ✓ 3p Photographs of the owner of the property.
- ✓ Affidavit from the owner of property for applying the Non Encumbrance Certificate with the Registrar of property.
- ✓ Original Jamabandi of Last 13 years.
- ✓ Original TS-1 of the Property from the municipal Corporation
- ✓ Chain of title deed in original of all the previous owner and present for the last 13 years.

16. What is the process of loan evaluation?



17. What is credit rating?

A credit rating is an evaluation of the credit worthiness of a proposed borrower and its financial soundness in lieu of balance sheet submitted to the bank is done for a business (company) or a government. The evaluation is done for understanding the financial soundness of the financial Statements.

Rating only provides an additional input to the bank and the Banker is required to make his/her own independent and objective analysis before arriving at decision. Ratings are based on comprehensive evaluation of company's financials along with in-depth study of industry, macro-economic,

regulatory and political scenario. Rating is represented by symbols like AAA, AA, AA+, A-, B++, B+, B, B-, C++, C+, C, C, D, E, F, and S indicating the degree of risk associated with repayment of loan/debt. Each rating agency has its own symbols of rating. The credit rating agencies do not have common symbols because they use different rating methodologies and have different factors bearing different weight. Here “+” and “-” signs indicate distinctions within a rating category. The minus symbol associated with ratings has no negative connotations. In fact, ratings in a higher rating category such as “AA-” are stronger than ratings in a lower rating category such as “A+”. Credit rating is done by banks which is called internal credit rating and also by external agencies, called external credit rating.

18. What is the benefit of external credit rating?

Good external credit rating allows borrowers to easily borrow money from financial institutions or public debt markets. Better your credit rating, the better will be the terms of loan and if your credit rating is poor, the bank may even reject you for a loan. Depending on the grade of credit rating a concession on rate of interest of 0.25 % to 1.00 % is also provided by banks. Concession can also be received in interest rate on NSIC’s Raw Material Assistance / Bank Guarantee Scheme. It is also a tool for self correction & self improvement.

19. Whether External Credit is mandatory for all the units?

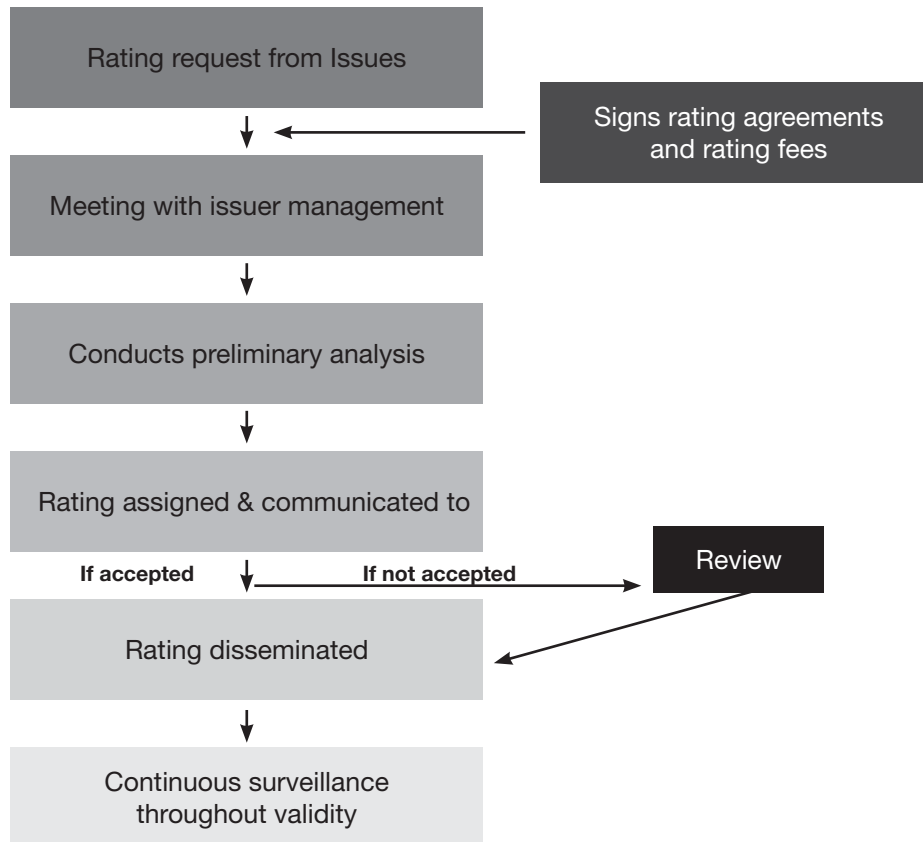
It is not mandatory for all units but is applicable for units having fund based exposure of > Rs.5 crores. Bank will insist for external credit rating in case your fund based exposure exceeds Rs. 5 crores. However Borrower can voluntarily get the external rating done even if the fund based exposure is less than Rs.5 crores. This limit of Rs. 5 crores usually varies from bank to bank.

20. From where can I get external credit rating done?

Some of the credit rating agencies are:

- ✓ Moody’s
- ✓ Standards & Poors
- ✓ Fitch Ratings India Private Limited
- ✓ Credit Analysis and Research Limited (CARE)
- ✓ ICRA Limited
- ✓ CRISIL Limited
- ✓ Brickworks Ratings India Private Limited
- ✓ Onicra Credit Rating Agency of India Ltd.
- ✓ SME Rating Agency of India Ltd. (SMERA)
- ✓ Dun & Bradstreet Information Services India Pvt Ltd

21. What is the process involved in external credit rating?



22. How long is the credit rating process?

It takes about three to four weeks after submission of requisite information to the credit rating agency.

23. What is the process of bank's internal credit rating?

Every bank has its own system of credit rating. After calculating the internal rating based on certain ratios as shown below, banks communicate the internal ratings to the borrowers. On the basis of these ratings the rate of interest to be levied is decided by bank. Every bank has a specific circular with regards to the rate of interest to be applied in relation to the rating. Usually internal ratings are applied to advances less than Rs 5 crore and in other cases external ratings are insisted upon.

Some standard financial ratios which are considered by banks in deciding the rating of a borrower are:

✓ **Current Ratio:**

The objective of current ratio is to assess the ability of the enterprise to meet its short-term liabilities promptly. The ideal Current Ratio is 1.30 This ratio is calculated as: $\text{Current Assets} / \text{Current Liabilities}$

✓ **Debt Equity Ratio:**

Debt Equity ratio is computed to ascertain soundness of the long-term financial position of the firm. This ratio expresses a relationship between debt (external equities) and the equity (internal equities). The ideal Debt Equity Ratio is 2:1. This ratio is calculated as: $\text{Debt (Long-term Loans)} / \text{Equity (Shareholders' Fund)}$

It implies that own capital in the business should always be at least 50 % of the loan raised from the external sources

✓ **Proprietary Ratio:**

The objective of this ratio is to measure the proportion of total asset financed by equity or proprietors' funds. This ratio highlights the general financial position of the enterprise. This is calculated as: $\text{Proprietors' Fund or Shareholders' Funds} / \text{Total Assets (Excluding Fictitious Assets)}$

✓ **Gross Profit Ratio:**

Gross Profit Ratio establishes the relationship of gross profit on sales to net sales of a firm. The ratio is calculated and presented in percentage. The ratio reflects the gross margin on product to be manufactured. This ratio is calculated as: $(\text{Gross Profit} / \text{Net Sales}) * 100$

✓ **Operating Ratio:**

Operating ratio is computed to establish relationship between operating costs and net sales. This ratio indicates the proportion that the cost of sales or operating cost bears to sales. It is computed as: $[(\text{Cost of Goods Sold} + \text{Operating Expenses}) / \text{Net Sales}] * 100$.

24. What is the process of calculating different risks by banks while doing the internal credit rating?

Four types of risks are calculated by banks for credit rating. There are

- ✓ Financial risk
- ✓ Business risk
- ✓ Management risk
- ✓ Industry/activity risk

Balance Sheet: It is a Statement reflecting the financial position of the company with regard to proper utilization of funds for the purpose for which fund has been raised.

A format of balance sheet is shown below:

BALANCE SHEET AS ON 31ST MARCH 2013			
LIABILITIES	AMOUNT (RS.)	ASSETS	AMOUNT (RS.)
Prop's Capital A/c		FIXED ASSETS	
Capital Account	886777.90	Plant and Machinery etc	716146.61
UNSECURED LOANS		CURRENT ASSETS, LOANS &	
ABC Bank CC	471193.00	ADVANCES	
SECURED LOANS			
ABC bank Term loan and other	915478.00		
		Closing Stock	436876.00
CURRENT LIABILITIES AND		(As valued and certified by the Prop.)	
PROVISIONS		SUNDRY DEBTORS	
SUNDRY CREDITORS		Sohan Singh & Sons	656489.00
Mohan Lal & Company	275831.00	Other Loans and advances	625000.00
		Cash in hand	179790.29
SUNDRY SUM PAYABLE			
Professional charges payable	5500.00		
Electricity expenses payable	12561.00		
Accountancy charges payable	1000.00		
Salary and Wages payable	45961.00		
	2614301.90		2614301.90

The detailed explanation is as follows:

A. FINANCIAL RISK: (Aggregate Score 30)

Parameter	Score	
A.1) Current Ratio (ideal ratio- 1.33:1): Formula: Current Assets/Current Liabilities		06
• 1.33 or More	4	
• 1.33 or More but below 1.33	3	
• 1.17 or More but below 1.25	2	
• 1.13 or More but below 1.17	1	
• Below 1.13	0	
Comment : Satisfactory		
A-2) TOL/TNW RATIO (ideal ratio- ≤3.50): Formula: Total Outstanding Liabilities/Total Net Worth		05
• 2.00 and below	4	
• Above 2.00 & up to 3.00	3	
• Above 3.00 & up to 4.50	2	
• Above 4.50 & up to 5.00 (Up to 7.50 for infrastructure/construction/PSU Sector)	1	
• Above 5.00 (above 7.50 for Infrastructure/construction/PSU Sector)	0	

Parameter	Score	
A.3) INTEREST COVERAGE RATIO (PBDIT/INTERSET) (ideal ratio- 3 times or more) Formula: Profit Before Interest and Tax/Interest		
• 3 or More	4	02
• 2.50 or More but below 3	3	
• 1.75 or More but below 2.50	2	
• 2.50 or More but below 1.75	1	
• Below 1.5	0	
Comment :		
A.4) Average DSCR : Applicable for Fresh Term Loan of Existing Unit As such case Interest Coverage Ratio will be replace by DSCR) Formula: Net Operating Income/Total Debt Service		06
• More than 1.75 : 1	4	
• From 1.50 : 1 to 1.75 : 1	3	
• From 1.30 : 1 or More but below 1.50 : 1	1	
• Below 1.30 : 1	0	

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A.5) ROCE Formula: Profit Before Interest/Capital Employed		
• 18% or More	4	05
• BR 4% or More but below 18%	3	
• BR 2% or More but below + 4%	2	
• Above BR but below BR + 2%	1	
• BR or Below	0	
<i>Comment :</i>		
A.6) Trend Analysis :		
TREND ANALYSIS – VARIATION IN NET CURRENT ASSET		
• Increasing Trend in Net Current Asset	(+) 2	02
• Decreasing Trend in Net Current Asset	0	
• Stable (not more than 5% downward variation from previous year or current ratio not below bench mark)	1	
A.7) TREND ANALYSIS – VARIATION IN TANGIBLE NET WORTH		
• Decreasing Trend in TNW	(-) 2	02
• Increasing Trend in TNW	0	
• Stable (not more than 5% downward variation from previous year)	1	
A.8) TREND ANALYSIS : PROFITABILITY (NET PROFIT/NET SALES OR RECEIPT	0	
• Increasing Trend in Profitability	(+) 2	02
• Decreasing Trend in Profitability	0	
• Stable (not more than 2% downward variation from previous year)	1	
A.9) COLLATERAL		
• 100% and above	4	06
• 75% or More but below 100%	3	
• 60% or More but below 75%	2	
• 50% or More but below 60%	1	
• Below 50%	0	
<i>Comment :</i>	30	

B. BUSINESS RISK: (Aggregate Score: 12)

B.1 Key Business Features :	Score-Yes: 2	Score- No: 0
1. Product Range/Mix is satisfactory	2	
2. Future growth potential is high.	2	
3. Capacity utilization is 80% or more. (For mfg)	2	
4. Business is not cyclical or there is no cyclical earnings	2	
5. Borrowers not dependent on limited customers.	2	
6. There are only few competitors in local market.	1	0
7. The business is not sensitive to changes in Govt. Policies like price control, pollution, custom/excise duty etc.	3	0
Total: Eligible Scores under B. 1. __18 Scores obtained: 14		

C. MANAGEMENT RISK: (Aggregate Score : 30)

C.1. Key Management Features :	Score - Yes: 1	Score - No: 0	
i) Management is established player for more than 5 Years	1		1
ii) Having good reputation and track record (no litigation with customers /suppliers, no penal action from any tax/govt./statutory authority, fair dealing with customers, timely wage payment to their workmen/ employees etc)	1		1
iii) Having Satisfactory relation with bank for more than 2 years.	1		1
iv) The associate concern/Group/family is financially sound & their support is available to the borrower, when in need.	1		1
v) Management has a growth an amended.	1		1
Total :	5		
2 Payment of Interest/installment, payment of amount involved in devolved LC or Invoked B.G., Payment of Bills :			06
• Due amt. paid within working days and less		4	
• Due amt. paid between 16 to 30 working days.		3	
• Due amt. paid between 31 to 45 working days.		2	
• Due amt. paid between 46 to 60 working days.		1	
• Due amt. paid after 60 or since un paid.		0	
3. Operations In the account (for working capital limit): In case of consortium/multiple financing, sales would mean proportionate sales based on our share in total limit			04
• High turnover (above 90% of sales) in the account & negligible return of cheques		3	
• Good turnover (80-90% of sales) in the account & nominal return of cheques.		2	
• Average turnover (70-80% of sales) & average level of return of cheques.		1	
• Unsatisfactory turnover (below 70% of sales or 2 times of working capital limit, which is low) &/or frequent return of cheques.		0	
4. Compliance of Terms & Conditions :			
• All Terms and Conditions complied with.		2	
• Compliance of terms & conditions other than creation of Collateral Security due to reasons duly accepted by the Sanctioning Authority.		1	04
• Non-Compliance of Major Terms & Conditions.		0	

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5. Credibility:		
PAST COMMITMENT WITH RESPECT TO NET SALES:		02
• Achievement is 95% or above of Projection	4	
• Achievement is 90% or More but below 95% of Projection	3	
• Achievement is 75% or More but below 90% of Projection	2	
• Achievement is 60% or More but below 75% of Projection	1	
• Achievement if below 60% of Projection &/or below last year actual.	0	
6. 1 For Fresh Connections where projections not available In place of C.4.A)		
• Sales Growth during the year Exceeds 20% of last two year average Sales.	4	NA
• Sales Growth during the year Exceeds 15% -20% of last two year average Sales.	3	
• Sales Growth during the year Exceeds 10% -15% of last two year average Sales.	2	
• Sales Growth during the year Exceeds 5% -10% of last two year average Sales.	1	
• Sales Growth during the year Exceeds 5% of last two year average Sales.	0	
7. PAST COMMITMENT WITH RESPECT TO NET PROFIT :		
• Achievement is 95% or above of Projection.	4	02
• Achievement is 90% or More but below 95% of Projection	3	
• Achievement is 75% or More but below 90% of Projection	2	
• Achievement is 60% or More but below 75% of Projection	1	
• Achievement is 60% or Projection &/or below last year actual.	0	
8. FOR FRESH CONNECTIONS WHERE PROJECTIONS FOR NET PROFIT NOT AVAILABLE (IN PLACE OF C.4.B)		NA
• N. Profit Growth during the year Exceeds 20% of last two year average N. Profit	4	
• N. Profit Growth during the year Exceeds 15%-20% of last two year average N. Profit	3	
• N. Profit Growth during the year Exceeds 10%-15% of last two year average N. Profit	2	
• N. Profit Growth during the year Exceeds 5%-10% of last two year average N. Profit	1	
• N. Profit Growth during the year Exceeds 5% of last two year average N. Profit	0	
Scores under Credibility (“C.4.A+C 4.B” or C.4.A1 + C.4.B.1)		

D) INDUSTRY/ACTIVITY RISK: (Aggregate Score 8)

D.1. For all Industries/Activities other than D.2 below

Assign 1 for Yes & 0 for NO

Particulars	Yes (1)	No (0)
1. Technology/Activity is proven for medium term.	1	
2. Availability of Raw Material/Products (Traders) is adequate.	1	
3. Industry/Activity does not depend on the vagaries of nature	1	
4. The products are having established markets.	1	
5. Quality of the product is satisfactory.	1	
6. Requisite infrastructural facility (power, fuel, road or rail, water supply, telephone etc) are available.	1	
7. Threat of substitute/competitors to the products/s is not there.	1	
8. Firm is not assembler or trader of unbranded items.	1	0
TOTAL SCORE FOR INDUSTRY ACTIVITY RISK:	8	

D.2. For accounts with Rs. 1.00 crore & above aggregate limit failing under those Industries/activities whose Industry Risk Score under Software based RAM Module is available (In this case D.1. will not be applicable):

Risk Adjusted Score to be assigned = (Scores under RAM* 10)/1

COMPUTATION OF FINAL SCORE:

SL NO.	RISK CATEGORY	MAXM. SCORE	R/O ELIGIBLE SCORE 100	SCORE OBTAINED
			X	Y
A	Financial Risk	42	42	36
B	Business Risk	26	24	20
C	Management Risk	36	35	23
D	Industry/Act. Risk	10	10	9
E	Total Marks	114	112	101

TOTAL RISK ADJUSTED SCORE : 78

RATING AWARDED : AB-3

Marks	Gradation	Risk Nature
• More than 90	A+	Very Low
• More than 80 & up to 90	A	Low
• More than 70 & up to 80	A-1	Moderately Low
• More than 60 & up to 70	B+	Fair
• More than 50 & up to 60	B	Moderate
• More than 40 & up to 50	B	High
• More than 35 & up to 40	C+	Very High
• 35 or below	C	Critical/Default

25. How can the borrower improve the credit rating of their establishment ?

- ✓ Improve your debt equity ratio by infusing the own funds in the firm so that there must be at least Rs. 100 of your own against Rs. 200 of long term loan from the outside agencies.
- ✓ Improve your total outside liabilities/tangible net worth by infusing the capital so that there must be at least Rs 100 of your own funds against the total outside liabilities (Long term + Short term) of Rs. 350 from outside sources including the bank cash credit limit.
- ✓ Try to retain your debtor holding period as low as possible preferably 1-1.5 Months so that you may realize your debts from the market and to invest same in the business again.
- ✓ Improve your current ratio to keep it at 1.33 which means that current liabilities should be only Rs. 100 against the current assets of Rs.133. It implies that we must have stock and debtors of Rs. 133 to repay the creditors and other current liabilities of Rs. 100only.
- ✓ Improve your return on capital employed in such a way that there must be at least a profit of Rs. 15 by investing the amount of Rs.100 in the business so that we also able to earn that much as bank is earning from ourselves (Rate of interest 13 %+ bank charges).
- ✓ Improve your interest coverage ratio in such a way that your profit before deducting the bank interest must be double of the interest to be paid to the bank.
- ✓ Always try to give figures in projected balance sheet which is really achievable in the coming year so that there must not a major deviation in the actual and projection given earlier.

26. What is loan under CGTMSE?

With a view to providing small industries guarantees to a substantial extent in respect of credit facilities to borrowers in micro and small enterprises, Credit Guarantee Fund Scheme for Small Industries (CGFSI) came up in the year 2000 which was renamed as Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) in the year 2006.

Micro and Small enterprises are only eligible for credit facility (whether fund or non fund based) for term loan and working capital up to Rs 100 lakhs without any collateral security or a third party guarantee.

27. How much is the guarantee cover in CGTMSE?

CGTMSE seeks to reassure the bank that, in the event of on MSE unit, which availed collateral free credit facilities, fails to discharge its liabilities to the lender, the Guarantee Trust would make good the loss incurred as detailed in last 3 below : by the lender up to 75 / 80/ 85 per cent of the credit facility with a maximum guarantee cap of Rs 62.50 lakh / Rs 65 lakh. The extent of guarantee cover is 85% for micro enterprises for credit up to Rs 5 lakhs.

The extent of guarantee cover is 80% (i) Micro and Small Enterprises operated and/or owned by women; and (ii) all credits/loans in the North East Region (NER). In case of default, Trust settles the claim up to 75% (or 80%) of the amount in default of the credit facility extended by the lending institution.

The details are shown in the table below:

Table 3: Details of Guarantee Cover under CGTMSE

Category	Maximum extent of Guarantee where credit facility is		
	Up to Rs.5 lakhs	Above Rs.5 lakhs up to Rs.50 lakhs	Above Rs.50 lakhs up to Rs.100 lakhs
Micro Enterprises	85% of the amount in default subject to a maximum of Rs.4.25 lakhs	75% / Rs 37.50 lakhs	Rs.37.50 lakhs plus 50% of amount in default above Rs.50 lakhs subject to overall ceiling of Rs.62.50 lakhs
Women entrepreneurs/ Units located in North East Region (including Sikkim) other than credit facility up to Rs 5 lakhs to micro enterprises	80% of the amount in default subject to a maximum of Rs.40 lakhs		Rs.40 lakhs plus 50% of amount in default above Rs.50 lakhs subject to overall ceiling of Rs.65 lakhs
All Other category of borrowers	75% / Rs.37.50 lakhs		Rs.37.50 lakhs plus 50% of amount in default above Rs.50 lakhs subject to overall ceiling of Rs.62.50 lakhs

28. Who can get loan without collateral from bank under CGTMSE?

New and existing Micro and Small Enterprises (MSEs) engaged in manufacturing or service activity excluding 'Retail Trade' can be covered under the scheme. Also, additional credit facilities in the form of term loan or renewal of working capital facilities can be covered as and when the facilities are extended, provided. No collateral security and/ or third party guarantee is obtained. Part of the credit facility with collateral and part of the facility without collateral for guarantee cover would not be entertained if it is considered as a composite credit.

29. Can I get additional term loan from the same bank under CGTMSE, even if my existing facilities have collateral cover?

Yes, the CGTMSE scheme has the concept of giving insurance cover "facility wise and not borrower wise". So an MSE unit can apply for an additional facility in form of term loan1 or term loan 2 to its present banker and request the bank to cover the additional facility under CGTMSE.

30. Can I jointly borrow for different facilities from two different financial institutions?

Yes, Borrower can apply for one term loan for machinery/building in one bank and another term loan in another bank both under CGTMSE Scheme. However cash credit facility can only be applied on one bank only whether under CGTMSE Or otherwise.

31. Whether Bank Guarantee can also be covered under CGTMSE Scheme as a Non fund facility?

Yes, Non fund based all the facility can be covered under CGTMSE Scheme but subject to the cap of 100.00 Lacs.

32. Whether One facility Under CGTMSE and another facility under Collateral Scheme can be covered in same branch of the bank?

Yes For example term loan machinery can be covered under CGTMSE scheme and Term loan for building can be covered under Collateral security in the same branch of the bank or in different branch of the same bank or in different branches of the different bank.

33. Whether it possible is that one loan of Rs. 70.00 Lacs which is covered under CGTMSE in State bank of India and another term loan of Rs.60.00 Lacs is covered through CGTMSE in Andhra Bank?

No, 100.00 Lacs cover is to be considered borrower wise not bank wise. If the

Borrower has availed the term loan of Rs, 70.00 Lacs in State bank of India which is covered under CGTMSE, then he is eligible for only 30.00 Lacs cover under CGTMSE in any bank.

30.0 and is available in one bank and wise to be considered bank wise

34. Can co-financing to a MSE unit be done by Financial Institution with a Commercial Bank under the CGTMSE?

Yes, joint financing by a financial institution (e.g. SIDBI, NSIC, NEDFi) and Commercial bank can be covered under the scheme. For e.g. MSE unit is financed by term loan from State financial institution and Working capital from a commercial bank.

35. Is there an additional rate of interest or charges under CGTMSE?

The interest rate levied on the loans has no impact whether the loan has been covered under CGTMSE or not. The Member Lending Institution (MLI) shall follow the guidelines issued by RBI. However, interest rate shall not exceed 3 per cent over and above the Prime Lending Rate (PLR) of the member lending institution, excluding the annual service fee, but the borrower has to pay guarantee fees as detailed below till the repayment of the entire term loan.

36. Whether there is guarantee fee for availing the CGTMSE Cover ?

Yes as detailed below:

a) One time Guarantee fee

Table 4: Details of Guarantee Fees under CGTMSE

Credit facility	Payment to Trust by MLI
Up to Rs 5 lakhs	1% of the amount sanctioned will have to be paid to the Trust by the MLI
Rs.5 lakhs and up to Rs.100 lakhs	1.5% of the amount sanctioned will have to be paid to the Trust by the MLI
Credit facility up to Rs. 50 lakhs for units in the North Eastern Region including Sikkim	0.75% of the amount sanctioned will have to be paid to the Trust by the MLI

The guarantee fee has to be paid within 30 days from the date of first disbursement of credit facility by the MLI to a borrower.

b) Annual service fee

The annual service fees at specified rate (as shown in the table below) is charged on the credit facility sanctioned (comprising term loan/working capital

facility) shall be paid by the MLI within 60 days i.e. on or before May 31 of every year.

Table 5: Details of Annual Service Fees

Credit Facility	% of Annual Service Fees
Credit facilities up to Rs 5 lakhs	0.50% on the amount guaranteed
Credit facilities Rs 5 lakhs and up to Rs 100 lakhs	0.75% on the amount guaranteed

The Trust reserves the right to revise the guarantee fee / annual service fee from time to time.

c) Cost to the borrower

The Credit Guarantee Scheme leaves it to the discretion of the MLIs to decide about passing on the burden of Guarantee Fee and Annual Service Fee to the borrower or alternatively they may decide to bear it themselves.

37. Which are the member lending institutions that can be approached?

The list of member lending institutions is attached as annex I.

38. What are the eligible products/sub-sectors under CLCSS?

The list of eligible products/sub-sectors is attached as annex II

39. How will I know I am eligible for the CLCSS?

- ✓ The eligible beneficiaries include sole proprietorships, partnerships, co-operative societies, private and public limited companies in the SSI sector. Priority shall be given to Women entrepreneurs.
- ✓ The unit should be registered with State Directorate of Industries as micro or small as per the definition of Ministry of Micro, Small and Medium Enterprise
- ✓ The unit should have taken term loan from bank
- ✓ The sanction letter from bank should specify that the “loan has been sanctioned under CLCSS”

40. What type of units is covered under CLCSS?

- ✓ Existing MSE units registered with the State Directorate of Industries, which upgrade their existing plant and machinery with the state-of-the-art technology, with or without expansion.
- ✓ New MSE units which are registered with the State Directorate of Industries and which have set up their facilities only with the appropriate eligible and proven technology duly approved by the Governing and Technology Approval Board (GTAB)/ Technical Sub-Committee (TSC).

- ✓ Replacement of existing equipment/technology with the same equipment/technology will not qualify for subsidy under this scheme, nor would the scheme be applicable to units upgrading with second hand machinery

41. What is the mechanism of getting subsidy under CLCSS?

An MSE unit can get subsidy under Credit Linked Capital Subsidy Scheme (CLCSS), provided the unit belongs to the sector as mentioned in the scheme. The list of machinery covered under CLCSS for foundry and forging & hand tools industry is attached as annex II.

42. What is the maximum amount of term loan and subsidy that can be availed under CLCSS?

The maximum limit of eligible loan under the scheme is Rs 100 lakhs. Accordingly, the ceiling on subsidy would be Rs15 lakhs or 15 per cent of the investment in eligible plant and machinery, whichever is lower. However it may be noted here that the units with project cost of more than 100 lakhs can avail the maximum benefit of Rs 15.00 lakhs in this scheme and in case the project cost is less than Rs 100 lakhs then the unit can avail the benefit under this scheme in two tranches but the maximum benefit cannot exceed Rs 15 lakhs for a unit.

43. Which types of documents are required to applying the Subsidy under CLCSS Scheme?

- ✓ Application form for applying in specified format as specified by the bank.
- ✓ Agreement in Appendix-III
- ✓ Due Diligence Certificate from the bank who has disbursed the loan
- ✓ Information /data to be submitted to Ministry of MSME for claims under CLCSS.
- ✓ Copy of Bills of eligible machinery.
- ✓ Sanction Letter credit facility sanctioned under CLCSS specifically mentioned that credit facility has been sanctioned under CLCSS Scheme.
- ✓ of term loan.
- ✓ SSI Registration Certificate/Entrepreneur registration number.
- ✓ VAT registration number if applicable.
- ✓ Certificate from the bank of the last date of disbursement of the loan and current status of the loan.
- ✓ Chartered Accountant certificate with regard to the investment in plant and machinery.

- ✓ Project report submitted to the bank at the time of sanction of original loan.
- ✓ Forwarding letter from the branch of the bank to NABARD for Subsidy claim or to the respective Nodal Agencies.
- ✓ Relevant extracts of the approved list as well established and improved technology under CLCSS Scheme.
- ✓ Statement of account of the loan.
- ✓ PAN number of the borrower.
- ✓ Copy of the partnership deed if applicable.

44. Can I apply for CLCSS along with CGTMSE?

Yes both CLCSS and CGTMSE can be availed simultaneously.

45. Can I apply for CLCSS one year after loan disbursement of CGTMSE?

No, the application for the subsidy needs to be applied before the end of 90 days from the last date of quarter in which last disbursement of loan has been made for purchasing the eligible machinery .For instance, if the date on which final disbursement was made falls in March 14, 2014 then the last date of submission of requisite documents for CLCSS subsidy to the bank shall be before 30 June 2014.

46. Which are the nodal banks/agencies for implementation and release of capital subsidy under the CLCSS?

Nodal banks/agencies for implementation and release of capital subsidy under CLCSS are:

S. No.	Name of Bank/Agencies
1.	Small Industries Development Bank of India
2.	National Bank for Agriculture and Rural Development
3.	State Bank of India
4.	Canara Bank
5.	Bank of Baroda
6.	Punjab National Bank
7.	Bank of India
8.	Andhra Bank
9.	State Bank of Bikaner & Jaipur
10	Tamil Nadu Industrial Investment Corporation
11	The National Small Industries Corporation Ltd

47. Can I avail subsidy if term loan is funded through a private bank?

Yes, subsidy under CLCSS can be applied even if a term loan is being funded by a private bank. A list of all banks which are currently eligible to fund the loans under CLCSS is shown in annexure IV.

48. Can I avail subsidy if eligible machinery has been purchased from its own sources rather than the term loan from the bank?

No, CLCSS subsidy is only available if machinery has been financed by the bank. As its name Implies, CLCSS (Credit Linked Capital Subsidy Scheme) Credit Linked means that It should be purchased through the term loan and Machinery purchased should be used for manufacturing of a product not for resale purpose.

49. Whether the aforesaid scheme can be availed of by the medium Enterprises having investment in plant and machinery of more than Rs.5.00 Crores?

NO, both the aforesaid facility can only be availed of only by the Micro and Small Enterprises.

50. Whether plant and machinery worth of Rs. 5.50 Crores can be purchased under CLCSS and under CGTMSE Cover?

No. Maximum investment in plant and machinery (whether existing or proposed) should be less than Rs. 5 Cores for getting eligible for the aforesaid schemes.

51. Whether plant and machinery worth of Rs. 4.70 Crores will be eligible under CLCSS scheme if borrower also wants 0.90 Crores as cash credit limit from the same branch of the bank and whether both the aforesaid facilities can be covered under CGTMSE Scheme?

Yes, Aforesaid plant and machinery will be eligible under CLCSS Scheme; however CGTMSE cover would be available only for cash credit limit as limit exceeds Rs. 1.00 Crore if we consider the plant and machinery also.

Annex I

Annex I

S No.	Member Lending Institutions	Operating Offices
1	Allahabad Bank	54
2	Allahabad Up Gramin Bank	11
3	Andhra Bank	26
4	Andhra Pradesh Grameena Vikas Bank	11
5	Andhra Pradesh State Financial Corporation	26
6	Andhra Pragathi Grameena Bank	7
7	Aryavart Gramin Bank	7
8	Assam Gramin Vikash Bank	1
9	Axis Bank Ltd	58
10	Baitarani Gramya Bank	1
11	Ballia Etawah Gramin Bank	1
12	Bangiya Gramin Vikash Bank	11
13	Bank of Bahrain And Kuwait	1
14	Bank of Baroda	70
15	Bank of India	52
16	Bank of Maharashtra	37
17	Barclays Bank PLC	1
18	Baroda Gujarat Gramin Bank	3
19	Baroda Rajasthan Gramin Bank	4
20	Baroda Uttar Pradesh Gramin Bank	8
21	Bihar Kshetriya Gramin Bank	4
22	Canara Bank	40
23	Cauvery Kalpatharu Grameena Bank	1
24	Central Bank of India	95
25	Chaitanya Godavari Grameena Bank	1
26	Chattisgarh Gramin Bank	6
27	Chikmagalur-Kodagu Gramin Bank	1
28	City Union Bank.	1
29	Corporation Bank	32
30	Deccan Gramin Bank	5
31	Delhi Financial Corporation	2
32	Dena Bank	23

continued...

33	Dena Gujarat Gramin Bank	1
34	Deutsche Bank	1
35	Development Credit Bank Ltd.	1
36	Durg Rajnandgaon Gramin Bank	1
37	Export Import Bank of India	1
38	Gurgaon Gramin Bank	5
39	Hadoti Kshetriya Gramin Bank	1
40	Haryana Gramin Bank	5
41	HDFC Bank Ltd.	1
42	Himachal Gramin Bank	1
43	ICICI Bank Ltd.	34
44	IDBI Bank Limited	1
45	Indian Bank	35
46	Indian Overseas Bank	59
47	IndusInd Bank Ltd.	16
48	Ing Vysya Bank Ltd.	8
49	Jaipur Thar Gramin Bank	2
50	Jammu & Kashmir Development Finance Corporation Ltd	5
51	Jammu & Kashmir Gramin Bank	1
52	Jharkhand Gramin Bank	5
53	Karnataka Bank Ltd.	1
54	Karnataka Vikas Grameena Bank	10
55	Kashi Gomti Samyut Gramin Bank	9
56	Kerala Financial Corporation	1
57	Kotak Mahindra Bank Ltd.	2
58	Krishna Grameena Bank	1
59	Lakshmi Vilas Bank	4
60	Langpi Dehangi Rural Bank	2
61	Madhya Bharat Gramin Bank	5
62	Madhya Bihar Gramin Bank	1
63	Maharashtra Godavari Gramin Bank	1
64	Maharashtra Gramin Bank	1
65	Malwa Gramin Bank	1
66	Meghalaya Rural Bank	1
67	MGB Gramin Bank	1

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68	Mizoram Rural Bank	1
69	Nainital - Almora Kshetriya Gramin Bank	1
70	Narmada Malwa Gramin Bank	5
71	National Small Industries Corporation Ltd.	9
72	Neelachal Gramya Bank	1
73	North Eastern Development Finance Corporation Ltd.	1
74	North Malabar Gramin Bank	1
75	Oriental Bank Of Commerce	33
76	Pallavan Gramin Bank	1
77	Pandyan Grama Bank	7
78	Parvatiya Gramin Bank	1
79	Pragathi Gramin Bank	1
80	Prathama Bank	1
81	Puduvai Bharathiar Grama Bank	1
82	Punjab & Sind Bank	24
83	Punjab Gramin Bank	1
84	Punjab National Bank	75
85	Purvanchal Gramin Bank	1
86	Rajasthan Gramin Bank	1
87	Rewa Siddhi Gramin Bank	1
88	Rushikulya Gramya Bank	1
89	Samastipur Kshetriya Gramin Bank	1
90	Saptagiri Grameena Bank	1
91	Sarva Up Gramin Bank	6
92	Satpura Narmada Kshetriya Gramin Bank	1
93	Saurashtra Gramin Bank	4
94	Sharda Gramin Bank	1
95	Shreyas Gramin Bank	5
96	Small Industries Development Bank of India	67
97	South Malabar Gramin Bank	1
98	Standard Chartered Bank	7
99	State Bank of Bikaner & Jaipur	8
100	State Bank of Hyderabad	21
101	State Bank of India	622
102	State Bank of Mysore	36

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103	State Bank of Patiala	9
104	State Bank of Travancore	46
105	Surguja Kshetriya Gramin Bank	1
106	Sutlej Gramin Bank (SGB)	1
107	Syndicate Bank	40
108	Tamilnad Mercantile Bank Ltd.	1
109	The Dhanalakshmi Bank Ltd.	1
110	The Federal Bank Ltd.	14
111	The Jammu & Kashmir Bank Ltd.	18
112	The Karur Vysya Bank Ltd	12
113	The Nainital Bank Ltd.	2
114	The Ratnakar Bank Ltd.	1
115	The South Indian Bank Ltd.	1
116	The Tamil Nadu Industrial Investment Corporation Ltd.	1
117	Tripura Gramin Bank	1
118	Triveni Kshetriya Gramin Bank	1
119	UCO Bank	42
120	Union Bank of India	61
121	United Bank of India	34
122	Uttar Bihar Gramin Bank	1
123	Uttaranchal Gramin Bank	4
124	Uttarbanga Kshetriya Gramin Bank	1
125	Vananchal Gramin Bank	5
126	Vidharbha Kshetriya Gramin Bank	3
127	Vidisha Bhopal Kshetriya Gramin Bank	1
128	Vijaya Bank	25
129	Visveshvaraya Grameena Bank	1
130	Wainganga Krishna Gramin Bank	5
131	Yes Bank	4

S.n	Activity	Technology Need	Cost (in Rs lakh) #	Advantages
1.	Melting Section	Divided blast cupola	3-5	<ul style="list-style-type: none"> • 15 per cent coke saving, • Better melt quality, • Higher tapping temperature, • Lower emissions, • Reduced air pollution.
		Gas fired cupola	12-15	<ul style="list-style-type: none"> • Eco friendly, • Higher tapping temperature, • Better melt quality.
		Gas fired Pit furnace	0.75-1.50	<ul style="list-style-type: none"> • Eco friendly, • Higher tapping temperature, • Better melt quality.
		Oil fired rotary furnace	37 (imported), 3 (indigenous)	<ul style="list-style-type: none"> • Pollution control, • Better quality product, • Cost effective.
		Induction Furnace with cooling tower & water treatment plant	10 - 25	<ul style="list-style-type: none"> • Flexibility to produce ferrous castings of all grades, • Flexibility for charge mix selection, • Best melt quality, • Eco friendly.
		Induction ladle refining furnace	30-40	<ul style="list-style-type: none"> • Value added casting, • Eco friendly.
		D.C. Arc Furnace	30-40	<ul style="list-style-type: none"> • Special grade castings, • Eco friendly.
		Oil fired rotary furnace	37 . 40 (imported), 30 indigenous.	<ul style="list-style-type: none"> • Proven technology, • Reduced air pollution, • Better quality product, • Cost effective.
		Metal Refining Converter	40	<ul style="list-style-type: none"> • Value added castings, • Eco friendly.
		Skip charger for cupola	Up to 1.50	<ul style="list-style-type: none"> • Ease of charging, • Reduced labor cost, • Better control.
Pouring/treatment ladles as per Indian standard 4475, 4476	Up to 1	<ul style="list-style-type: none"> • Quality assurance, • Increased safety for workmen. 		

Based on Tentative cost

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2.	Utility Section	Gas based Generating set	Up to 30	<ul style="list-style-type: none"> • Reduced air pollution, • Energy saving.
3.	Quality Control Lab.	Metallurgical Testing: Metallurgical Microscope with image analyzer, photographic attachment, sample preparation machines.	1.50-10	<ul style="list-style-type: none"> • Quality assurance, • Defect analysis, • Diversification e.g. SG Iron Production equipment essential to meet process control requirements.
		a) Laboratory Testing / Quality Control equipment	1	<ul style="list-style-type: none"> • Quality control, • Defect investigation, • Quality assurance, • Consistency in quality, • Reduced defective casting, • Cost control.
		b) Stroholien Apparatus, Muffle furnace, Hot Plate, Glass ware etc.	Up to 3	
		c) U.T.S. Spectrometer / Mass Spectrometer.	15-25	
		d) Hardness tester	Up to 1	
		e) Izod & Charpy Impact testing machine	Up to 0.75	
f) Ultrasonic testing machine	Up to 3			
g) Magnaflux testing machine	Up to 1.50			
Sand Testing equipment Moisture Teller, Universal Sand Strength testing machine, Sieve shaking device, Compactability scale, Rapid Moisture Teller, Permeability Meter, Mold Hardness Tester, Muffle furnace, Wash bottles, stirrer/ Shaker, Hotplate, Vortex shaker, Centrifuge etc., Shatter index machine, Scratch Hardness Tester, Stick point, hot tensile, peel back.	2 to 8	<ul style="list-style-type: none"> • Reduced defective casting, • Consistency in quality, • Reduction in additives cost, • Better as cast surface finish. 		
Dimensional Inspection instruments: Surface plate for marking, Height gauge, Micrometer, Vernier, Profile projector with Digital Reading system, Dial & Micro snap gauges, Floating carriage diameter measuring machine, 3-Co-ordinate measuring machines.	Up to 10	<ul style="list-style-type: none"> • Quality assurance, • Defect analysis. 		
Process Control Equipment: a) Carbon equivalent meter, b) Pyrometer (dip type immersion).	0.75 - 1.75, 0.20	<ul style="list-style-type: none"> • Consistency in quality, • Reduced defective casting, • Cost saving. 		
4.	Design & Development	Computers & CAD Software's, simulation software with Printers/ Plotter.	1.50 - 15	<ul style="list-style-type: none"> • Computerization of design & development to gain efficient & fast working.

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5.	Molding/ Core	Intensive mixers	2.50 - 5	<ul style="list-style-type: none"> • Reduced defective casting, • Better as cast surface finish, • Reduction in additive cost, • Reduced air pollution.
		Simultaneous Jolt/Squeeze moulding machine	3-10	<ul style="list-style-type: none"> • Higher productivity, • Dimensional accuracy, • Less skill requirement.
		Shell Moulding Machine	3-5	<ul style="list-style-type: none"> • Higher productivity, • Dimensional accuracy, • Less skill requirement.
		Centrifugal casting machine	1.50-3.50	<ul style="list-style-type: none"> • Liner castings exclusive process, • Eco-friendly.
		Spun pipe casting machine	Up to 40	<ul style="list-style-type: none"> • Export potential, higher productivity, • Eco friendly.
6	Investment Casting	Wax Injection Machines	Up to 10	<ul style="list-style-type: none"> • Requirement for modern investment casting process.
		Sand Raining Machine	Up to 4	<ul style="list-style-type: none"> • Requirement for modern investment casting process.
		Slurry Mixtures	Up to 2	<ul style="list-style-type: none"> • Requirement for modern investment casting process.
		Dewaxing Oven	Up to 2	<ul style="list-style-type: none"> • Requirement for modern investment casting process.
		Burt out furnace	Up to 2	<ul style="list-style-type: none"> • Requirement for modern investment casting process.
		Belt Polishless	Up to 1	<ul style="list-style-type: none"> • Requirement for modern investment casting process.
		Sand reclamation system	Up to 20	<ul style="list-style-type: none"> • Cost saving, • Pollution control, • Reduced binder's composition.
		Continuous mixer for no bake sand	Up to 15	<ul style="list-style-type: none"> • Reduced additive cost, • Quality improvement, • Pollution control, • Improved quality.
		Shot blasting machine	Up to 8	<ul style="list-style-type: none"> • Better surface finish • Quality improvement
		CO 2 Gassing machine	Up to 0.50	<ul style="list-style-type: none"> • Cost saving, • Pollution control, • Quality improvement.
		Moulding boxes as per Indian Standard 1280 & 10518	Up to 3	<ul style="list-style-type: none"> • Better dimensional accuracy, • Higher productivity
		Core shooter-shell or no bake sand	2 - 5	<ul style="list-style-type: none"> • Higher Productivity, • Consistency in quality, • Narrower as cast dimensions, • Excellent finish.

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7.	H e a t Treatment Section	<ul style="list-style-type: none"> • Induction Hardening Equipment 100 KW, 500Hz to 3KHz • Removable Hearth type chamber F/C up to 1200 C moving with computer compatible temperature controller • Handling equipment-overhead crane- 2 ton capacity • Quenching: <ul style="list-style-type: none"> > Water quenching tank-with Heat exchanger unit, > Oil Quenching tank-fitted with oil heating & heat exchanger to tain desired & cooling rates for hardening > Air quenching fans. 	10 - 15	<ul style="list-style-type: none"> • Higher Productivity, Consistency in quality, eco friendly • Cost saving, Consistency in quality, Better productivity • Reduced labor cost, Higher Productivity, Consistency in quality • Process requirement to achieve quality. • Process requirement to achieve quality. • Process requirement to achieve quality.
			3 – 5	
			1-3	
			0.75	
			1.50	
0.30				
8.	M a c h i n e Shop	<ul style="list-style-type: none"> • CNC Milling machine • CNC Lathe Machine • Capstan lathe/Turret lathe • Radial Drill • Planner • Shaper • Jig Boring Machine • Hydraulic Hooning machine 	25-30 10-15 Up to 3 Up to 5 Up to 3 Up to 3 Up to 5 Up to 3	<ul style="list-style-type: none"> • Higher productivity, Dimensional accuracy, Less skill requirement, Consistency in quality
9.	P a t t e r n Shop	<ul style="list-style-type: none"> • CNC Milling • Pentograph • Drilling • Disc and Bobino sand grinder 	30-50 Up to 2 Up to 1 Up to 3	<ul style="list-style-type: none"> • HigherProductivity,Consistency in quality, Narrower as cast dimensions, Excellent finish, Better productivity
10.	F e t t l i n g Section	<ul style="list-style-type: none"> • Shot Blasting Machine • Pedestal Grinder • Swing Frame Grinder • Painting Booth 	Up to 5 Up to 0.50 Up to 0.25 Up to 0.50	<ul style="list-style-type: none"> • Higher Productivity, Process requirement to achieve quality.

Pollution Control

S.No.	Activity	Technology Need	C o s t (Rs. in lakh)	Advantages
1	Pollution Control	Wet Scrubber, Cyclone, Ventury Scrubber, Bag Filter.	Variable up to 15	Reduction of suspended particulate matter (SPM) emissions.

Foundry Chemicals

S. No.	Activity	Technology Need	C o s t (Rs. in lakh)	Advantages
1	Resin	Stainless steel kettle or reactor complete plant assembly.	25	By using SS reactor vessel replacing Mildseel vessel eliminates iron content from resin improving quality of resin eliminating casting defects due to iron content in the resin which results into surface defects, blow holes, pin holes. It will improve productivity, quality of product and work environment in the unit.
		Thermic Oil Heating System, 3000 Kcal/hr.	4	It saves energy considerably and is absolutely environmental friendly and there is no pollution.
2	Exothermic / insulating Sleeves	Oven for Baking Sleeves, Molding Machines, Vacuum system.	25	It reduces requirement of molten metal for risers thus increasing yield of castings to the level of sometimes more than 20%. Highly energy saving, cost reduction system thus improving productivity.

List of machinery covered forging and hand tools

S.No	Activity	Technology Need	Cost (in Rs lakhs)	Advantages
1.	Stock Cutting	Automatic Band saw machine with indexing & circular sawing	3-5 each	<ul style="list-style-type: none"> • Higher cutting accuracy, • Preferred for Alloy steel cutting, • Technologically recommended for upset forging
		Mechanical pneumatic clutch operated Crank type Billet shearing press	40-70 each	<ul style="list-style-type: none"> • High productivity • Low cutting loss
2.	Material handling	Fork lift Overhead crane/swing frame crane Automatic conveyor systems	2-10 each	<ul style="list-style-type: none"> • Quick & safe material & tools movement inside shop • Facilitate better housekeeping • Clean work environment
3.	Heating	Oil/Gas fired energy efficient furnaces with recuperator & temperature controls	2.50-5	<ul style="list-style-type: none"> • Energy efficient • Consistent Quality • Eco-friendly
		Continuous Electrical billet heaters with temperature control	10-30	<ul style="list-style-type: none"> • Eco-friendly • Fast & uniform heating • Less space requirement • Automation possible
4.	Forge shop	Pneumatic double acting hammer	30-80	<ul style="list-style-type: none"> • High production rate, • Reduced maintenance cost
		High energy forging presses	20-80	<ul style="list-style-type: none"> • High production rate • Production of close tolerance forging • Less skill requirement
		Micro processor based, Energy controlled, pneumatic clutch operated, Screw friction presses	10-30	High production rate, controlled blow pattern, low investment, less skill requirement.
		Knuckle joint presses	10-25	Improved press stiffness, less space requirement, good off ualit loading capabilities.
		Cold and warm forging mechanical presses with eccentric drive	25-80	Precision forging, complete automation, less tool changeover time, high productivity.

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4.	Forge shop	Fully automatic electrical upsetter	20-35	Suitable for high value items such as rear axle shaft, dead axle shaft, etc., high productivity, less skill requirement.
		Hydraulic double acting hammer	50-100	Precision forging with high production rate & reduced maintenance cost.
		Modified Knuckle joint presses for cold/warm forging	40-100	Precision forging with post forging operations minimized less raw material wastage, high production rate, automation feasible.
		Multi station horizontal formers	40-100	Cold forging of socket wrenches, driving, accessories, screw driver blades with bolsters. Precision forging with post forging operations minimized, less raw material wastage, high production rate, automation feasible.
		Material gathering machines with electrical heaters	5-20	To reduce the raw material wastage during manufacture of items such as wheel wrenches, extension bars, handles etc.
		Hot Shearing automats forging presses	30-60	Microprocessor control, high productivity.
		Wide Ram Trimming, Presses	10-20	Allows large ram area sustain high degree of off center loading, precision working.
		Reduce rolling machine	5-15	Higher production rate, less skill requirement. Capable of making performs of various cross sectional areas and lengths, high productivity.

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5.	Heat Treatment section	Gas fired/High temperature furnace with automatic temperature controller & recorder.	2.50-5	Eco-friendly, reduced scale losses, facilitate automation, quality improvement.
		Fluidised bed heat treatment line with controlled atmospheres and recuperators for preheating.	20-80	Eco friendly, highly energy efficient, requiring minimum time/energy to come on line. Flexible operations with adaptability to handle small batches, controlled atmosphere minimizing de-carburisation as well provides flexibility to carry out process such as carburizing, carbonitriding and cyaniding without use of polluting salts. No pre-cleaning/drying required, post treatment cleaning minimised.
		Medium Frequency Induction Heaters.	10-20	For controlled depth surface hardening of tools such as pipe wrenches jaws, hammers, pliers teeth etc. improved quality.
		Electrical resistance furnace.	2-5	Eco-friendly uniform heating, precise control.
		Forced air circulation furnace.	1-3	Uniform heating.
		Forced air low temperature furnace.	1-3	Requirement for tempering.
		6.	Electroplating	Electrostatic powder coating plant.
Electro less plating equipment.	5-10			For improved flake less, hard and wear resistance coating.
Manganese phosphating plant. Automatic Electroplating Plant. Vibrator/Barrels along with media.	2-10 90-200 10-15			A hydrogen embrittlement free process for providing a corrosion resistant black finish suitable for impact tools.

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7.	Finishing & Cleaning	Shot blasting machine.	3-5	Faster scale removal, Improve surface finish.
		Aluminium Oxide Grit Blasting Machine.	1-5	Hydrogen embrittlement free pre-cleaning process required before Mn. Phosphating of Impact Tools.
		Tumb blast machine.	As per the prevailing market rate.	Low cost, suitable for small forging, Improved surface finish.
8.	Quality Control & Testing	<p>Metallurgical Testing :</p> <ul style="list-style-type: none"> • Metallurgical Microscope with image analyzer, photographic attachment, sample preparation machines • Strohlien Apparatus, Muffle furnace, Hot plate, Glass ware etc • Universal Testing Machine • Spectrometer • Hardness tester • Izod & Charpy Impact testing machine • Ultrasonic testing machine • Magnetic particle testing m/c • Tongue testing and life cycle testing equipment for hand tools 	<p>1.50-3.50</p> <p>1</p> <p>Up to 3 12-20</p> <p>Up to 1</p> <p>Up to 0.75</p> <p>Up to 3.00</p> <p>Up to 1.50</p> <p>50-100</p>	<p>Quality assurance, Defect analysis, Diversification e.g. S.G. Iron production equipment essential to meet process control requirements.</p> <p>Quality control, Defect investigation, Quality assurance, Consistency in quality, Reduced defective casting, Cost control</p>
9.	Inspection	Surface plate for marking, Height gauge, Micrometer, Vernier.	0.50	Quality assurance, Defect analysis
10.	Design & Development	Computers & CAD Software, simulation software with Printers/Plotter	1.50-15	Computerization of design & development to gain efficient & fast working
11.	Utility Section	Gas fired generating set	15-40	Eco-friendly, low power cost
12.	Tool room	CNC turning center	10-20	Improved quality, high productivity, Precision machining, eco-friendly
		CNC milling machine	15-50	Improved quality, high productivity, Precision machining, eco-friendly

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12.	Tool room	Electro Discharge machine (EDM)	3-8	Improved quality, high productivity, Precision machining, eco-friendly
		CNC Wire cut machine	10-20	Improved quality, high productivity, Precision machining, eco-friendly
		Profile projector	0.50-2	Easy to understand drawing and make modification
		3 D co-ordinating machine	2-5	Accurate dimensional inspection
		Plastic Blow Molding Machine	25-75	For manufacturing tool kits
		Fully Automatic CNC Injection Molding machine	15	Modern version, for making handle of screw drivers and sleeves of pliers
		Special Purpose machines Welding Sets (for making special steel vices)	5-25	Special purpose
		Special Purpose machines for Machining/ Grinding/ Polishing/ finishing Spanner, Wrenches and other tools	50-100	Special Purpose
		Packing Machine	25-50	For packing

Annex III

Annex III

List of product/sub-sectors covered under CLCSS

S.No	Product/Sub-sector
1	Bio-tech Industry
2	Common Effluent Treatment Plant
3	Corrugated Boxes
4	Drugs and Pharmaceuticals
5	Dyes and Intermediates
6	Industry based on Medicinal and Aromatic plants
7	Plastic Moulded/ Extruded Products and Parts/ Components
8	Rubber Processing including Cycle/ Rickshaw Tyres
9	Food Processing (including Ice Cream manufacturing)
10	Poultry Hatchery & Cattle Feed Industry
11	Dimensional Stone Industry (excluding Quarrying and Mining)
12	Glass and Ceramic Items including Tiles
13	Leather and Leather Products including Footwear and Garments
14	Electronic equipment viz test, measuring and assembly/ manufacturing, Industrial process control; Analytical, Medical, Electronic Consumer & Communication equipment etc.
15	Fans & Motors Industry
16	General Light Service(GLS) lamps
17	Information Technology (Hardware)
18	Mineral Filled Sheathed Heating Elements
19	Transformer/ Electrical Stampings/ Laminations /Coils/Chokes including Solenoid coils
20	Wires & Cable Industry
21	Auto Parts and Components
22	Bicycle Parts
23	Combustion Devices/ Appliances
24	Forging & Hand Tools
25	Foundries – Steel and Cast Iron
26	General Engineering Works
27	Gold Plating and Jewellery
28	Locks
29	Steel Furniture
30	Toys

31	Non-Ferrous Foundry
32	Sport Goods
33	Cosmetics
34	Readymade Garments
35	Wooden Furniture
36	Mineral Water Bottle
37	Paints, Varnishes, Alkyds and Alkyd products
38	Agricultural Implements and Post Harvest Equipment
39	Beneficiation of Graphite and Phosphate
40	Khadi and Village Industries
41	Coir and Coir Products
42	Steel Re-rolling and /or Pencil Ingot making Industries
43	Zinc Sulphate
44	Welding Electrodes
45	Sewing Machine Industry

Annex IV**ANNEX IV**

List of banks currently eligible to fund the loans under CLCSS in Punjab, Rajasthan and West Bengal

S.No	Name of Bank
1	Allahabad Bank
2	Amritsar Dist Central Cooperative Bank, Ltd
3	Andhra Bank
4	Axis Bank
5	Bank of Baroda
6	Bank of India
7	Bank of Maharashtra
8	Bank of Rajasthan Ltd.
9	Bankura Dist Central Coop Bank Ltd, Bankura
10	Baroda Rajasthan Grameena Bank
11	Bharat Overseas Bank
12	Burdhaman Dist Central Coop Bank Ltd, Burdhaman
13	Canara Bank
14	Catholic Syrian Bank
15	Central Bank of India
16	City Union Bank Ltd.
17	Corporation Bank
18	Dena Bank
19	Federal Bank Ltd.
20	Gaur Gramin Bank
21	HDFC Bank Ltd
22	Hoogly DCCB Ltd
23	Indian Bank
24	Indian Overseas Bank
25	ING Vysya Bank Ltd
26	J & K Bank Ltd.
27	Jaipur Nagaur Anchalik Gramin Bank

continued...

28	Jalandhar Dist Central Cooperative Bank Ltd
29	Karnataka Bank Ltd.
30	Karur Vysya Bank Ltd.
31	Ludhiana Dist Central Coop Bank Ltd
32	Malwa Gramin Bank
33	National Bank for Agriculture and Rural Development
34	Oriental Bank of Commerce
35	Patiala Central Cooperative Bank
36	Punjab and Sind Bank
37	Punjab Financial Corporation
38	Punjab Gramin Bank
39	Punjab National Bank
40	Rajasthan Financial Corporation
41	Rajasthan State Industrial Development and Investment Corporation
42	Sagar Gramin Bank
43	Sangrur Dist Central cooperative Bank Ltd
44	Small Industries Development Bank of India
45	State Bank of Bikaner & Jaipur
46	State Bank of India
47	State Bank of Patiala
48	Tamil Nadu Industrial Investment Corporation
49	The Chittorgarh PCARDB, Ltd, Chittorgarh
50	The Ghannaur PCARDB, Ltd, Ghannaur
51	The Ghatal PCARDB, Ltd, Ghatal
52	The National Small Industries Corporation Ltd
53	The Nawanshahr Central Cooperative Bank Ltd, Nawanshahr
54	The Punjab State Cooperative Agri Development Bank, Ltd, Chandigarh
55	The Punjab State Cooperative Bank Ltd, Chandigarh
56	The Sikar Central Cooperative Bank, Ltd, Sikar
57	The Vidyasagar Central Cooperative Bank Ltd, Vidyasagar
58	UCO Bank
59	Union Bank of India

continued...

60	United Bank of India
61	United Western Bank
62	UTI Bank Ltd.
63	Vijaya Bank
64	West Bengal Financial Corporation

About Foundation for MSME Clusters (FMC)

FMC is a non-government, not-for-profit registered Trust. It was set up in the year 2005 with technical support of the United Nations Industrial Development Organisation (UNIDO) Cluster Development Programme.

FMC is an apex national body known worldwide as a pioneer organization for the development of MSMEs through cluster development approach. FMC has rich experience of working with MSMEs and has provided services in the areas of advocacy, implementation and coordination, training and research to more than 150 clusters nationally and globally across 10 countries. FMC draws its technical roots from UNIDO that has provided a broad range of project based services to the 'Micro, Small & Medium Enterprises' (MSMEs), their representative 'Business Membership Organizations' (BMOs), Technical agencies, Financial institutions and Government (both state level and national level) in India since 1996. FMC was set up for conceptualization and implementation of such initiatives for MSME sector across various thematic areas of specialization that include productivity & competitiveness, energy efficiency, business responsibility, policy & research, common infrastructure development, training & capacity building, marketing and innovation.

Our Milestone

- Worked in more than 10 developing countries
- Worked in almost all the states/regions across India
- Created 10 publications on cluster development including 3 methodology documents for promoting business responsibility, poverty alleviation & innovation through cluster development programme (CDP).
- Organized more than 40 training programmes on cluster development methodology.
- Teamed up with over 100 associations & 25 institutions to promote CDP.
- Developed 1st Cluster Observatory of India (www.clusterobservatory.in)

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