

## Micro, Small & Medium Enterprises (MSME) Sector

### Section - I

#### Micro, Small & Medium Enterprises Development (MSMED) Act, 2006

The Government of India has enacted the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006 on June 16, 2006 which was notified on October 2, 2006. With the enactment of MSMED Act 2006, the paradigm shift that has taken place is the inclusion of the Services Sector in the definition of Micro, Small & Medium enterprises, apart from extending the scope to medium enterprises. The MSMED Act, 2006 has modified the definition of micro, small and medium enterprises engaged in manufacturing or production and providing or rendering of services.

#### 1. Definition of Micro, Small and Medium Enterprises

Enterprises: An “enterprises” means an Industrial undertaking or a business concern or any other establishment, by whatever name called, 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 or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use or engaged in providing or rendering of any service or services.

The following enterprises whether Proprietorship ,Hindu Undivided Family, Association of Persons, Cooperative Society, Partnership or undertaking or any other legal entity, by whatever name called:

SL. No.	Category	Definition Of Micro, Small And Medium Enterprises (MSME)
1.1.1	<b>MICRO ENTERPRISES (MANUFACTURING)</b>	Enterprises engaged in the manufacture/ production, processing or preservation of goods and whose investment in Plant and Machinery (Original cost excluding Land and Building and the items specified by the Ministry of Small Scale Industries (vide its notification no. S.O.1722 (E) dated October 5, 2006) <b>does not exceed Rs.25Lakh.</b>

1.1.2	<b>MICRO ENTERPRISES (SERVICE)</b>	<p>i. Enterprises engaged in the providing / rendering of services and whose investment in Equipment (Original cost excluding Land and building and furniture, fittings and other not directly related to the service rendered or as may be under the Micro, Small and Medium Enterprises Development, Act 2006) <b>does not exceed Rs.10 Lakh.</b></p> <p>ii. The <b>Micro Enterprises (Service)</b> shall include Small Road &amp; Water Transport Operator (SRWTO), Professional and Self Employed (PSEP), Small Business, Retail Trade and all other service enterprises whose <b>investment in equipment does not exceed Rs.10Lakh.</b></p>
1.1.3	<b>SMALL ENTERPRISES (MANUFACTURING)</b>	Enterprises engaged in the manufacture/ production, processing or preservation of goods and whose investment in Plant and Machinery (Original cost excluding Land and building and the items specified by the Ministry of Small Scale Industries vide its notification no. S.O.1722 (E) dated October 5, 2006) <b>is above Rs.25 Lakh to Rs.5 Crore.</b>
1.1.4	<b>SMALL ENTERPRISES (SERVICE)</b>	<p>i. Enterprises engaged in the providing / rendering of services and whose investment in Equipment (Original cost excluding Land and building and furniture, fittings and such items as per 1.2.) <b>is above Rs.10Lakh to Rs.2 Crore.</b></p> <p>ii. The <b>Small Enterprises (Service)</b> shall include Small Road &amp; Water Transport Operator (SRWTO), Professional and Self Employed (PSEP), Small Business, Retail Trade and all other service enterprises, whose <b>investment in equipment is above Rs.10Lakh to Rs.2 Crore.</b></p>
1.1.5	<b>MEDIUM ENTERPRISES (MANUFACTURING)</b>	Enterprises engaged in the manufacture/ production, processing or preservation of goods and whose investment in Plant and Machinery Original cost excluding Land and building and the items specified by the Ministry of Small Scale Industries vide its notification no. S.O.1722 (E) dated October 5, 2006) <b>is more than Rs.5 Crore but does not exceed Rs.10 Crore.</b>
1.1.6	<b>MEDIUM ENTERPRISES (SERVICE)</b>	<p>i. Enterprises engaged in the providing/rendering of services and whose investment in Equipment (Original cost excluding Land and building and furniture, fittings and such items as per 1.2.) is more <b>than Rs.2 Crore but does not exceed Rs.5 Crore.</b></p> <p>ii. The <b>Medium Enterprises (Service)</b> shall include Small Road and Water Transport Operator (SRWTO), Professional and Self Employed (PSEP), Business and all other service enterprises, whose <b>investment in equipment is above Rs.2 Crore to Rs.5 Crore.</b></p>
1.1.7	The Ministry of MSME has now made amendment in the notification in terms of their order dated 15 <sup>th</sup> April 2009 rescinding the notifications of Govt. of India dated 10.12.1997, regarding specified classification of Small Scale Industrial undertaking or ancillary Industrial undertaking as a subsidiary of or owned or controlled by any other Industrial Undertaking for the purpose of equity participation.	

In case of the above enterprises, investment in plant and machinery is the original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No. S.O.1722(E) dated October 5, 2006 ([Annex I](#)).

Lending by banks to medium enterprises will not be included for the purpose of reckoning of advances under the priority sector.

Since the MSMED Act, 2006 does not provide for clubbing of investments of different enterprises set up by same person / company for the purpose of classification as Micro, Small and Medium Enterprises, the Gazette Notification No. S.O.2 (E) dated January 1, 1993 on clubbing of investments of two or more enterprises under the same ownership for the purpose of classification of industrial undertakings as SSI has been rescinded vide GOI Notification No. S.O. 563 (E) dated February 27, 2009.

Loans for food and agro processing will be classified under Micro and Small Enterprises (manufacturing), provided the units satisfy investments criteria prescribed for Micro and Small Enterprises, as provided in MSMED Act, 2006.

Bank loans to Micro and Small Enterprises (MSE) engaged in providing or rendering of services will be eligible for classification as direct finance to MSE Sector under priority sector up to an aggregate loan limit of Rs. 5 crore per borrower/unit, provided they satisfy the investment criteria for equipment as defined under MSMED Act, 2006. Service Sector includes Retail Trade also.

Loans for construction and running of storage facilities (warehouse, market yards, godowns and silos) including Cold Storage Units designed to store agriculture produce/ products, irrespective of location can be classified under Micro and Small Enterprises Sector if they are registered as SSI Unit/Micro or Small Enterprises.

<b>2.1</b>	<b>Direct Finance :</b>
	<p>2.1.1. All loans granted to Small Enterprises including Micro Enterprises (both Manufacturing and Services) will be classified under Direct Finance to Micro and Small Enterprises Sector.</p> <p>2.1.2. <b>Khadi and Village Industries Sector (KVI):</b> All advances granted to units in the KVI sector, irrespective of their size of operations, location and amount of original investment in plant and machinery will be covered under priority sector advances and will be eligible for consideration under the sub-target (60 per cent) of the micro enterprises segment within the MSE Sector.</p> <p>2.1.3. Export credit to MSE units (both manufacturing and services) for exporting of goods/services produced by them.</p>
<b>2.2</b>	<b>Indirect Finance :</b>
	<p>2.2.1 Persons involved in assisting the decentralized sector in the supply of inputs and marketing of Outputs of artisans, village and cottage industries.</p> <p>2.2.2 Advances to cooperatives of producers in the decentralized sector viz. artisans, village and cottage industries.</p> <p>2.2.3 Loans granted by banks to Micro Finance Institutions on, or after, April 1, 2011 for on-lending to micro and small enterprises (manufacturing as well as services) subject to the compliance of guidelines on lending to Priority Sector.</p>

Office of the Development Commissioner (MSME), **Ministry of Micro, Small and Medium Enterprises, Government of India** regarding **categorization of specific activities** under **Manufacturing or Service** under the provisions of **MSMED Act-2006** , has clarified that the following categories have been **considered** under **Manufacturing or Service Sector** :

**A. Manufacturing Activities:**

- i. Medical Equipment and Ayurvedic Product
- ii. Composite unit of Bacon Processing and Piggery Farm
- iii. Tobacco Processing
- iv. Beedi/Cigarette manufacturing and other tobacco products
- v. Extraction of Agave Spirit from Agave juice (imported medicinal plant ) extraction of Agave
- vi. Manufacture of Bio-Fertilizer

**B. Service Activities:**

- i. Sanitation Services (Hiring of Septic Tank Cleaner)
- ii. Clinical /Pathological Laboratories and Scanning , MRI Tests
- iii. Hospitals
- iv. Agri-Clinic and Agri-Business
- v. Restaurants with Bar
- vi. Canteens
- vii. Hotels
- viii. Motel Industry
- ix. Consultancy Services including Management Services.
- x. Composite Broker Services in Risk and insurance Management.
- xi. Third Party Administration (TPA) Services for medical insurance Claims of Policy Holders.
- xii. Seed Grading Services.
- xiii. Training-cum-incubator Centre.
- xiv. Educational Institutions.
- xv. Training Institutes.
- xvi. Fair price shops.
- xvii. Consumer cooperative stores.
- xviii. Private Retail Trade
- xix. Practice of Law, i.e. legal services
- xx. Trading in medical instruments (brand new).
- xxi. Placement and Management Consultancy Services.
- xxii. Advertising agency and Training centres.
- xxiii. Any other eligible activities.

The following categories will **not** be classified under manufacturing or as Service Enterprises:

1. **Piggery Farm** without bacon processing as this is a farming activity.
2. The activity of "**Bee-Keeping**" being farming allied activity.

## **Section II**

### **Certain types of funds deployment eligible as priority sector advances**

#### **2.1 Investments**

##### **2.1.1 Securitised Assets**

Investments made by banks in securitised assets, representing loans to various categories of priority sector, shall be eligible for classification under respective categories of priority sector (direct or indirect) depending on the underlying assets, provided the securitised assets are originated by banks and financial institutions and fulfill the Reserve Bank of India guidelines on securitisation. This would mean that the bank's investments in the above categories of securitised assets shall be eligible for classification under the respective categories of priority sector only if the securitised advances were eligible to be classified as priority sector advances before their securitisation.

2.1.2 Outright purchases of any loan asset eligible to be categorised under priority sector, shall be eligible for classification under the respective categories of priority sector (direct or indirect), provided the loans purchased are eligible to be categorised under priority sector; the loan assets are purchased (after due diligence and at fair value) from banks and financial institutions, without any recourse to the seller; and the eligible loan assets are not disposed of, other than by way of repayment, within a period of six months from the date of purchase.

2.1.3 Investments by banks in Inter Bank Participation Certificates (IBPCs), on a risk sharing basis, shall be eligible for classification under respective categories of priority sector, provided the underlying assets are eligible to be categorised under the respective categories of priority sector and are held for at least 180 days from the date of investment.

#### **2.2 Scheme of Small Enterprises Financial Centres (SEFCs) :**

As per announcement made by the Governor in the Annual Policy Statement 2005- 06, a scheme for strategic alliance between branches of banks and SIDBI located in clusters, named as "Small Enterprises Financial Centres" has been formulated in consultation with the Ministry of SSI and Banking Division, Ministry of Finance, Government of India, SIDBI, IBA and select on May 20, 2005. SIDBI has so far executed MoU with 15 banks. Our Bank has also signed the MoU. List of MSME clusters covered by existing SIDBI branches is furnished in Annexure II. Our Bank branches shall extend finance to MSME units in these clusters.

### Section III

#### RBI stipulated growth targets for Domestic Commercial Banks

3.1. The domestic commercial banks are expected to enlarge credit to priority sector and ensure that priority sector advances (which include the Micro and Small Enterprises (MSE) sector) constitute 40 % of Adjusted Net Bank Credit (ANBC) or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

3.2 In terms of the recommendations of the Prime Minister's Task Force on MSMEs, banks are advised to achieve a 20 % year-on-year growth in credit to Micro and Small Enterprises and a 10 % annual growth in the number of Micro Enterprise accounts.

3.3 In order to ensure that sufficient credit is available to micro enterprises within the MSE sector, banks should ensure that:

Particulars	RBI Stipulated Target
i. % of <b>total advances of Micro Enterprises (manufacturing)</b> having investment in plant and machinery (original cost) up to <b>Rs.10.00 lakh and Micro Enterprises (service)</b> having investment in equipment up to <b>Rs.4.00 lakh to total advances of Micro and Small Enterprises (MSE)</b> .	<b>40%</b>
ii. % of <b>total advances of Micro Enterprises (manufacturing)</b> having investment in plant and machinery (original cost) above <b>Rs.10.00 lakh and up to Rs.25.00 lakh</b> and <b>Micro Enterprises (service)</b> having investment in equipment <b>above Rs.4.00 lakh and up to Rs.10.00 lakh to total advances of Micro and Small Enterprises (MSE)</b> .	<b>20%</b>
<b>% of total advances of Micro Enterprises to total advances of Micro and Small Enterprises.</b>	<b>60%</b>

### Section IV

#### COMMON GUIDELINES/INSTRUCTIONS FOR LENDING TO MSME SECTOR:

Sl. No.	Parameter	Banks' Policy
1.	Loan Applications	<b>Issue of Acknowledgement of Loan Applications</b>  Banks should give acknowledgement for loan applications received under MSME. Towards this purpose, it may be ensured that all loan application forms have perforated portion for acknowledgement to be completed and issued by the receiving branch. Each branch may affix on the main application form as well as the corresponding portion for acknowledgement, a running serial number. While using the existing stock of application forms which do not have a perforated portion for acknowledgement separately given, care should be taken to ensure that the serial number given on the acknowledgement is also recorded on the main application. The loan applications should have a check list of documents required for guidance of the prospective borrowers.

	<b>Loan Applications</b>	<p>Revised <b>Simplified Loan Application Form</b> prescribed by IBA along with check Disposal of Applications:</p> <ul style="list-style-type: none"> <li>• <b>In case of Loans up to Rs.25000/-</b> : Within 2 weeks</li> <li>• <b>In case of Loans above Rs.25000/- to Rs.5lakh</b> : Within 4 Weeks</li> <li>• <b>Above Rs. 5 lakh</b> : 8 to 9 weeks</li> </ul> <p>(Provided the loan applications are complete in all respect and accompanied by a 'check list' enclosed to the application form)</p> <p><b>Register of Receipt/Sanction/Rejection of Applications:</b></p> <p>(a) A register shall be maintained at branch level containing information on the date of receipt, sanction, disbursement, rejection with reasons, should be recorded. The register should be made available to facilitate verification by the Bank's officials including Zonal Heads during visit to the branch.</p> <p>(b) Branch Manager may reject application within their delegated powers (except in respect of SC/ST). In the case of proposals of SC/ST, rejection should be done at a level higher than Branch Manager.</p> <p>(c) The reason for rejection will be communicated to the borrower in line with the stipulation mentioned in the Fair Practices Code for Lenders.</p> <p><b>Photographs of Borrowers:</b> While there is no objection to take photographs of the borrowers, for the purpose of identification, branches themselves should make arrangements for the photographs and also bear the cost of photographs of borrowers falling in the category of Weaker Sections. It should also be ensured that the procedure does not involve any delay in loan disbursement.</p>
<b>2.</b>	<b>Nature/ Type of Credit Facilities</b>	<ol style="list-style-type: none"> <li>1. The Bank may provide all types of funded and non funded facilities to the borrower under this sector viz, <b>Term Loan, Cash Credit, Letter of Credit, Bank Guarantee, etc.</b></li> <li>2. A <b>Composite Loan</b> with maximum limit up to <b>Rs.1.00 crore</b> may be considered by bank to enable the Micro and Small Enterprises {both for manufacturing and service sector} to avail of their working capital and Term loan requirement through Single Window.</li> </ol>
<b>3.</b>	<b>Margin</b>	As applicable under various Schemes/Advances.
<b>4.</b>	<b>Security</b>	<ol style="list-style-type: none"> <li>1. No collateral or third party guarantee for advances [Micro &amp; Small Enterprises (both manufacturing and service sector)] up to Rs.10.00 Lakh irrespective of coverage under CGTMSE.</li> <li>2. To cover eligible accounts under CGTMSE.</li> <li>3. In case of loan accounts not covered under CGTMSE scheme, endeavour shall be made to obtain collaterals in the form of liquid securities or fixed assets, immovable properties, based on the credit risks perception of the borrower. However, availability of collateral security shall not be the mere criterion for arriving at credit decision.</li> <li>4. Collateral security shall not be insisted upon in those cases where the RBI directives specifically advised the banks not to insist on obtaining collateral security /third party guarantee.</li> </ol> <p>The other guidelines as per Lending Policy of the Bank and subsequent amendments, if any, should be closely observed.</p>

5.	<b>Risk Rating</b>	<ol style="list-style-type: none"> <li>1. All the MSME accounts with limits above Rs.10 lakhs are to be rated as per rating modulus (In- House Module of Rating) prescribed under Bank's Credit Risk Management Policy.</li> <li>2. Bank has entered into MOU with CRISIL, ONICRA, ICRA, CARE, Brickwork, Fitch (India) and SMERA, for rating of SME borrowers.</li> <li>3. To promote more external rating which provides the broader comparability of rating at all levels, the Bank may allow incentive in rate of interest to the extent of 0.50% and 0.25% below the applicable rate in case of highest rated and high &amp; average rated accounts respectively for rating done by outside rating Agencies.</li> </ol>
6.	<b>Pricing/ Rate of Interest</b>	<ol style="list-style-type: none"> <li>1. The rate of interest to the borrower classified under Micro, Small and Medium Enterprises will be guided by bank's policy on interest rate issued from time to time.</li> <li>2. Concessions on Rate of Interest: As per the scheme guidelines and as per policy of the bank issued from time to time.</li> <li>3. Interest rate fixation in case of schematic lending like PMEGP / PMRY/ SGSRY/ other Government Sponsored Schemes etc will be fixed as per the scheme and no concession will be further allowed to them.</li> </ol>
7.	<b>Other Charges (Service / Inspection Charges).</b>	The charges will be levied in terms of guidelines of the Bank.
8.	<b>Repayment / Moratorium</b>	<ol style="list-style-type: none"> <li>1. Repayment schedule should be fixed taking into account the sustenance requirements, surplus generating capacity, the break-even point, the life of the asset, etc., and not in an "ad hoc" manner.</li> <li>2. Moratorium period depending on requirement of the project will be considered.</li> <li>3. Interest accrued during moratorium period may be capitalized and accordingly loan instalment may be fixed.</li> </ol>
9.	<b>Mode of Disbursement of Loan</b>	The disbursement of the loan will be made in phases depending on the progress on implementation of the project and the end use to be ensured.



<b>10.</b>	<b>Methodology for Calculation of Bank Finance</b>	<p><b>1. Working Capital :</b></p> <p>i) Working capital credit limits to Micro, Small and Medium Enterprises in individual cases up to Rs.5.00 Crore (Manufacturing sector) and up to Rs.2.00 Crore (Service sector) will be computed as per existing guidelines on the basis of minimum 20% of projected annual turnover (turnover method). However in case of borrower applying for working capital limit higher or lower than the working capital computed on the basis of turnover method shall be assessed as per actual requirement.</p> <p>ii) For assessment of the working capital requirement for borrowers falling within the band of above Rs.5.00 crores and below Rs.10.00Crore (Manufacturing Sector) and above Rs.2.00 Crore and below Rs.10.00 Crore (Service Sector) the traditional method of computing MPBF as per second method of lending will continue. If any of the borrower falling in this band intends to shift to cash budget system, the same may be accepted.</p> <p>iii) For borrowers having working capital limit of Rs.10.00 crores and above, Cash Budget System will be applicable.. However, if a borrower is desirous to continue with the existing MPBF system the Bank may accept the request. If any of the borrowers falling in this band intends to shift to cash budget system, the same may be accepted.</p> <p><b>2. Term Loan and Other Facilities :</b></p> <p>i) The technical feasibility and economic/ financial/ commercial viability, managerial competence, environment viability and bank-ability of the proposal with reference to risk and legal aspect will be assessed.</p> <p>ii) The finance for purchasing of Genset will also be considered on merit of the case.</p> <p><b>3.</b> All the benchmark financial ratios, tenure etc. will be in line with the Bank's Domestic Lending Policy.</p>
<b>11.</b>	<b>Financing under Cluster Based Approach</b>	<p>1. The cluster based approach should be given thrust for financing as the cluster financing approach reduces the cost of transaction to the Entrepreneurs.</p> <p>2. The Zonal Offices/ Branches will give due importance for financing of MSME sector through Specialized SME Financing Branches and the identified Thrust branches and Branches situated near to clusters.</p>
<b>12.</b>	<b>Machinery To Look Into Complaints</b>	<p>Each Zonal office will form a Committee headed by the Zonal Head at the Z.O. level to look into the complaints and their time bound redressal. The Zonal Head will be the "Nodal Officer" at Z.O. level for redressal of complaints. The Committee will verify periodically that the guidelines under Priority Sector in general and MSME sector in particular are complied by the branches and complaints are redressed promptly. The names and addresses with telephone number of the Nodal Officer with whom complaints can be lodged should be displayed on the notice board of every branch.</p>
<b>13.</b>	<b>Debt Restructuring</b>	<p>1. Debt Restructuring: As applicable under the Bank's policy for Debt Restructuring.</p> <p>2. The Bank's policy of one time settlement for MSME's as provided in the Recovery Management Policy will be applicable.</p>
<b>14.</b>	<b>Other Aspects</b>	<p>The other aspects of the Bank's lending policy/other policy guidelines including discretionary authority shall be applicable as per the changes made by RBI/Banks guidelines in the matter.</p>

## **Section V**

### **1. Specialized MSME branches**

In order to render focused attention to SMEs, our Bank has six specialized Branches functioning at Madurai, Tirupur, Mumbai (Marol), Delhi (Mayapuri), Rajkot, and Noida. SME Loan Centres are functioning at 16 centres namely, Bangalore, Mangalore, Chennai, Coimbatore, Trichy, Kochi, Hyderabad, Pune, Mumbai, Vadodara, Ahmedabad, Delhi, Chandigarh, Ludhiana, Kolkata and Jaipur. Bank has opened smallB Branch at Bangalore to finance Start ups and Innovative MSME (SIMS). Bank has launched an SME Loan Sanctioning and Processing Centre at Bangalore.

### **2. Cluster Approach**

(i) 60 clusters have been identified by the Ministry of Micro, Small and Medium Enterprises, Government of India for focused development of Small Enterprises sector. All SLBC Convenor banks have been advised to incorporate in their Annual Credit Plans, the credit requirement in the clusters identified by the Ministry of Micro, Small and Medium Enterprises, Government of India.

As per Ganguly Committee recommendations banks have been advised that a full service approach to cater to the diverse needs of the MSE sector may be achieved through extending banking services to recognized MSE clusters by adopting a 4-C approach namely, Customer focus, Cost control, Cross sell and Contain risk. A cluster based approach to lending may be more beneficial:

- (a) in dealing with well-defined and recognized groups;
- (b) availability of appropriate information for risk assessment and
- (c) monitoring by the lending institutions.

Clusters may be identified based on factors such as trade record, competitiveness and growth prospects and / or other cluster specific data.

(ii) In terms of recommendations of the Prime Minister's Task Force on MSMEs banks should open more MSE focused branch offices at different MSE clusters which can also act as Counseling Centres for MSEs. Each lead bank of a district may adopt at least one MSE cluster.

**3. Government of India, Ministry of Micro, Small and Medium Enterprises has conveyed their approval for continuation of the Credit Linked Capital Subsidy Scheme (CLSS) for Technology Upgradation of Micro and Small Enterprises from X Plan to XI Plan (2007-12) subject to the following terms and conditions:**

- (i) Ceiling on the loan under the scheme is Rs. 1 crore.
- (ii) The rate of subsidy is 15% for all units of micro and small enterprises up to loan ceiling at Sr. No. (i) above.
- (iii) Calculation of admissible subsidy will be done with reference to the purchase price of plant and machinery instead of term loan disbursed to the beneficiary unit.
- (iv) SIDBI and NABARD will continue to be implementing agencies of the scheme.

**4. Banking Codes and Standard Board of India (BCSBI)**

Bank has adopted the Banking Codes and Standard Board of India (BCSBI) Code of Bank's Commitment to Micro and Small Enterprises. This is a voluntary Code, which sets minimum standards of banking practices for banks to follow when they are dealing with Micro and Small Enterprises (MSEs) as defined in the Micro Small and Medium Enterprises Development (MSMED) Act, 2006. It provides protection to MSE and explains how banks are expected to deal with MSE for their day to-day operations and in times of financial difficulty.

The Code does not replace or supersede regulatory or supervisory instructions issued by the Reserve Bank of India (RBI) and banks will comply with such instructions / directions issued by the RBI from time to time.

**Objectives of the BCSBI Code**

The Code has been developed to

- (a) Give a positive thrust to the MSE sector by providing easy access to efficient banking services.
- (b) Promote good and fair banking practices by setting minimum standards in dealing with MSE.

- (c) Increase transparency so that a better understanding of what can reasonably expected of the services.
- (d) Improve understanding of business through effective communication.
- (e) Encourage market forces, through competition, to achieve higher operating standards.
- (f) Promote a fair and cordial relationship between MSE and banks and also ensure timely and quick response to banking needs.
- (g) Foster confidence in the banking system.

The complete text of the Code is available at the BCSBI's website ([www.bcsbi.org.in](http://www.bcsbi.org.in))

#### **5. Prime Minister's Task Force on Micro, Small and Medium Enterprises**

A High Level Task Force was constituted by the Government of India (Chairman : Shri T K A Nair) to consider various issues raised by Micro, Small and Medium Enterprises (MSMEs).The Task Force recommended several measures having a bearing on the functioning of MSMEs, viz., credit, marketing, labour, exit policy, infrastructure / technology / skill development and taxation. The comprehensive recommendations cover measures that need immediate action as well as medium term institutional measures along with legal and regulatory structures and recommendations for North-Eastern States and Jammu & Kashmir.

#### **6. CALCULATION OF INVESTMENT FOR PLANT AND MACHINERY:**

6.1.	The List of Plant and Machinery to be Excluded or Included is provided in Appendix – '1'.
6.2.	In case the Branch is unable to assess the original investment criteria, a certificate with regard to investment in plant/machinery/equipment etc. would be obtained from a Chartered Accountant.

## APPENDIX – '1'

### CALCULATION OF INVESTMENT FOR PLANT AND MACHINERY

1. In calculating the value of plant and machinery **for the purpose of calculating investment limit**, the original price thereof, irrespective of whether the plant and machinery are new or second hand shall be taken into account.
2. The List of Plant and Machinery to be excluded is provided in the box below.
3. Inclusion of Wind Mill activity may be considered as a Service Enterprise wherein all such equipments (conventional and non-conventional) which are essential for generation of power through wind mills will be taken into account while computing the value of equipments for determining the status of the said enterprises.
4. In the case of imported machinery, the following shall be included in calculating the **value :-**
  - (a) Import duty (Excluding miscellaneous expenses as transportation from the port to the site of the factory, demurrage paid at the port).
  - (b) The shipping charges.
  - (c) Customs clearance charges.
  - (d) Sales Tax or Value Added Tax.

### EXCLUDED ITEMS OF PLANT AND MACHINERY/OTHER ITEMS

In calculating the value of plant and machinery, the following shall be **excluded** namely: -

1. The cost of equipments such as tools, jigs, dies, moulds and spare parts for maintenance and cost of consumable stores.
2. The cost of installation of plant and machinery.
3. The cost of research and development (R&D) equipment and pollution control equipment.
4. **The cost of power generation** sets, extra transformer, etc. installed by the undertaking as per the regulations of the State Electricity Board.
5. The Bank charges and services charges paid to the National Small Industries Corporation or the State Small Industries Corporation.
6. **The cost involved in procurement or** installation of cables, wiring, bus bars, electrical control panels (not those mounted on individual machines), oil circuit breakers/miniature circuit breakers etc. which are necessarily to be used for providing electrical power to the plant and machinery/safety measures.
7. The cost of gas producer plant.
8. Transportation charges (excluding of taxes e.g. Sales Tax, Excise etc.) for indigenous machinery from the place of manufacturing to the site of the factory.
9. Charges paid for technical know-how for erection of plant and machinery.
10. Cost of such storage tanks which store raw-material, finished goods only and are not linked with the manufacturing process.
11. Cost of fire fighting equipment.

**Under MSMED Act-2006, it is clarified that cost of Pollution Control, research and development, industrial safety devices and such other items as may be specified by notification, shall be excluded.**

**Annex - II**

**List of MSME Clusters covered by Existing SIDBI Branches**

<b>Sr. No.</b>	<b>Branch Offices</b>	<b>No. of MSME Clusters</b>	<b>Product</b>
1	Hyderabad	5	Ceiling Fan, Electronic Goods, Pharmaceuticals- Bulk Drugs, Hand Pump sets & Foundry
2	Patna	1	Brass and German Utensils
3	Delhi	19	Stainless Steel Utensils & Cutlery, Chemicals, Electrical Engineering Equipment, Electronic Goods, Food Products, Leather Products, Mechanical Engineering Equipment, Packaging Material, Paper Products, Plastic Products, Wire Drawing, Metal Fabrication, Furniture, Electro Plating, Auto Components, Hosiery, Readymade Garments, Sanitary Fittings
4	Ahmedabad	17	Pharmaceuticals, Dyes & Intermediates, Moulded Plastic Products, Readymade Garments, Textile Machinery Parts, Diamond Processing, Machine Tools, Castings & Forging, Steel Utensils, Wood Product & Furniture, Paper Products, Leather Footwear, Washing Powder & Soap, Marble Slabs, Power Driven Pumps, Electronic Goods, Auto Parts
5	Surat	4	Diamond Processing, Powerloom, Wood Product & Furniture, Textile Machinery
6	Baroda	3	Pharmaceutical- Bulk drugs, Plastic processing & Wood product & furniture
7	Goa	1	Pharmaceutical
8	Faridabad	3	Auto components, Engineering Cluster, Stone Crushing
9	Gurgaon	5	Auto Components, Electronic Goods, Electrical Engineering Equipment, Readymade Garments, Mechanical Engineering Equipment
10	Parwanoo(Baddi)	1	Engineering Equipment
11	Jammu	3	Steel Re-rolling, Oil mills, Rice Mills
12	Jamshedpur	1	Engineering & Fabrication
13	Bangalore	6	Powerloom, Electronic goods, Readymade garments, Light engineering, Leather products
14	Kochi / Ernakulum	3	Rubber products, Powerlooms & Sea Food processing
15	Aurangabad	2	Auto components & Pharmaceuticals- Bulk drugs

16	Mumbai	11	Electronic Goods , Pharmaceutical-Basic drugs, Toys (plastic), Readymade garments, Hosiery, Machine Tools, Engineering equipment, Chemicals, Packaging material, Hand tools, Plastic products
17	Nagpur	6	Powerlooms, Engineering & Fabrication, Steel furniture, Readymade garments, Handtools, Food processing
18	Pune	6	Auto components, Electronic goods, Food products, Readymade Garments, Pharmaceuticals -Bulk Drugs, Fibre glass
19	Thane	2	Pharmaceuticals -Bulk Drugs & Sea food
20	Bhopal	1	Engineering equipment
21	Indore	4	Pharmaceuticals- Bulk drugs, Readymade garments, food processing, Auto components
22	Ludhiana	9	Auto Components, Bicycle Parts, Hosiery, Sewing M/C Components, Industrial Fastners, Handtools, Machine tools, Forging, Electroplating
23	Jaipur	7	Gems & Jewellery, Ball Bearing, Electrical Engineering Equipment, Food Products, Garments, Lime, Mechanical Engineering Equipment
24	Chennai	3	Auto components, Leather products, Electroplating
25	Coimbatore	6	Diesel Engines, Agricultural Implements, Machine Tools, Castings & Forging, Powerloom, Wet Grinding Machines
26	Tirupur	1	Hosiery
27	Noida/ Ghaziabad	10	Electronic goods, Toys, Chemicals, Electrical engineering equipment, Garments, Mechanical engineering equipment, Packaging material, Plastic products, Chemicals
28	Kanpur	3	Saddlery, Cotton hosiery, Leather products
29	Varanasi	4	Sheet work (Globe Lamp), Powerloom, Agriculture implements, Electric fan
30	Dehradun	1	Miniature Vacuum bulb
31	Nasik (shortly to be opened)	1	Steel furniture
<b>Total</b>		<b>149</b>	