



[Annexure 4]

Micro Small and Medium Enterprises (MSME) Advances

Based on the circulars issued by the Reserve Bank of India (RBI) from time to time and with the enactment of the MSMED Act 2006, the MSME definition has become clearer. The MSMED Act has been notified by the Government with an objective to facilitate the promotion and development and enhancing the competitiveness of Micro, Small and Medium Enterprise (MSME) and for matters connected with and incidental thereto.

Only the Head Office of the Bank is empowered to sanction any kind of MSME Advances.

In this regard the following RBI circulars need to be adhered to:

SL No	Circular Reference Number	Date	Subject
1	RBI/2006-2007/37	02-07-2007	Lending to Small and Medium Enterprise Sector
2	RBI/2006-2007/34	02-07-2007	Guidelines on Lending to Priority Sector

With a view to remove the several misgivings/confusions in the minds of the operational staff at various levels, we have concised the entire MSME Policy and all the related guidelines are furnished in the Annexure hereto. We are confident that this Circular, would enable the Operational level Staff to be more confident of themselves in handling MSME advances henceforth without any dichotomy and reply to the several queries raised by the prospective MSME clientele in this regard.

The salient features are given MSME CREDIT- A Handy Reference Chart

1.1 MSME Definition & Eligibility

SME would henceforth be meant to include Micro Small and Medium Enterprises (MSMEs). As per the MSMED Act 2006 (Micro, Small, and Medium Enterprises Development Act 2006), the activities of these enterprises are classified into Manufacturing and Service Categories.

The definitions of Micro, Small and Medium Enterprises would thus be in place of the existing definitions of Small & Medium Industries and SSSBEs/Tiny Enterprises. The following important points may please be borne in mind:

- Micro Enterprises would include Tiny Industries also. Micro, Small Enterprises (Manufacturing) would mean (and replace) Small Scale Industries (SSIs).
- Medium Enterprises (Manufacturing) would mean (and replace) Medium Industries (MIs).



- Micro, Small Enterprises (Services) and Medium Enterprises (Services) would mean Other Small & Medium Enterprises such as Professional & Self-Employed, Small Business Enterprises, and Small Road/Water Transport Operators and Other Service enterprises, engaged in providing/rendering of services.

Thus, MSME Advances would be:

- All the advances to the MSME segments viz. Micro, Small and Medium Enterprises in the Manufacturing sector irrespective of sanctioned limits, (including advances against TDRs/Govt. Securities etc for business purposes to these categories of Borrowers), and
- Advances to the MSME segments in the Services Sectors, such as Professionals & Self-Employed, Small Business Enterprises, SRTOs/WRTOs and Other Services, irrespective of sanctioned limits, (including advances against TDRs/Govt. Securities etc for business purposes to these categories of Borrowers)

PROVIDED these enterprises conform to their respective investment criteria and enjoy borrowing/non-borrowing facilities with the Bank.

Those enterprises exceeding the maximum prescribed investment ceilings would be categorized as Large Enterprises, and therefore be outside the purview of MSME.

The sanctioned limits would thus no longer be the criteria in determining the status as micro or small or medium enterprises in these cases. In other words, the earlier classification of all advances up to Rs.5 crores being treated as MSME advances is since removed. It is the investment levels which would qualify an enterprise as micro or small or medium and within these investment levels, these units would be classified as MSMEs whatever may be the sanctioned limits. Only the above categories should be reported as MSME advances wherever required.

Investment Criteria:

- (a) The following chart indicates the threshold investment levels for both Manufacturing sector (investment in PLANT & MACHINERY)* and Services sector (investment in EQUIPMENT)* for the three categories of Manufacturing and Services Enterprises :

Enterprise	Engaged in Manufacturing/ Preservation of Goods (incl. Processing Units)	Engaged In Providing/Rendering Of Services	Remarks
Micro Enterprises	Not to Exceed Rs. 25 Lakhs	Not to Exceed Rs. 10 Lakhs	1. Separate threshold investment limits proposed by the Act for Manufacturing and Services Sectors.
Small Enterprises	More than Rs.25 lakhs but does not exceed Rs. 5 Crores	More than Rs.10 lakhs but does not exceed Rs. 2 Crores	



Medium Enterprises	More than Rs.5 Crore but does not exceed Rs. 10 Crores	More than Rs.2 Crore but does not exceed Rs. 5 Crores.	2. Micro Enterprises newly introduced under both the sectors.
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*While calculating the investment in plant and machinery/equipment referred to above, the original price thereof shall be taken into account, irrespective of whether the plant and machinery/equipment are new or second hand.

(b) In case of imported machinery/equipment, the following duty/charges/costs shall be included in calculating their value:

- Import Duty (not to include miscellaneous expenses such as transportation from the port to the site of the factory, demurrage paid at the port);
- Shipping Charges;
- Customs Clearance charges; and Goods & Service Tax.

Cost of the following plant & machinery/equipments etc would be excluded:

- equipments such as tools, jigs, dies, moulds, and spare parts for maintenance and the cost of consumable stores;
- installation of plant & machinery;
- research and development and pollution control equipments;
- power generation set and extra transformer installed by the enterprises as per the Regulations of the State Electricity Board;
- Bank charges and Service Charges paid to the National Small Industries Corporation or the State Small Industries Corporation;
- Procurement or Installation of cables, wiring bus bars, electrical control panels (not mounted on individual machines)
- Oil circuit breakers or miniature circuit breakers which are necessarily to be used for providing electrical power to the plant and machinery or for safety measures;
- Gas producer plants;
- Transportation charges (other than Goods & Service Tax) for indigenous machinery from the place of their manufacture to the site of the enterprise);
- Charges paid for technical know-how for erection of plant machinery;



- Such storage tanks which store raw materials and finished products only and are not linked with the manufacturing process;
- Fire-fighting equipment; and
- Such other items as may be specified, by notification from time to time.

(c) In case of Service Enterprises, the original cost to exclude furniture, fittings and other items not directly related to the services rendered. Land and Building would also not be included while computing the machinery/equipments cost.

vii) Services Sector:

Service Enterprises are those engaged in providing or rendering of services (subject to above investment criteria) and will include:

- Small Road and Water Transport Operators.
- Professional & Self-Employed.
- Small Businesses.
- All Other Service Enterprises.

An illustrative list of Services Enterprises is furnished in Annexure IV. It may be noted that the activities should be of services nature and not any and every activity. It may be industry-related such as industrial consultancy, industrial photography, auto repairs/services/garages, Undertakings engaged in maintenance e/repairs/testing/servicing of vehicles/machinery etc or non-industry-related such as tailoring, X-Ray clinic, ISD/STD Booths etc.

1.2. Classification of MSMEs Under Priority Sector:

The RBI has since taken into account the definition of MSMEs as per the MSMED Act 2006 for purposes of their classification under Priority Sector. Accordingly all the following advances would be eligible for classification as Priority Sector. It may importantly be noted that all advances to Micro & Small Enterprises in both the manufacturing and services sectors **except** private Retail Traders with credit limits up to Rs.20 lakhs and advance to Traders under Public Distribution System or Fair Price Shops/Consumer Co-op Societies, have been synchronised with the MSMED definition to fall under Priority Sector classification.

(a) Small Enterprises (Direct and Indirect Finance):

- i) Direct finance to small enterprises shall include all loans given to micro and small (manufacturing) enterprises engaged in manufacture/ production, processing or preservation of goods, and micro and small (service) enterprises engaged in providing or rendering of services, and whose investment in plant and machinery and equipment (original cost excluding land and building and such items as mentioned therein) respectively, does not exceed the amounts specified above under (vi) Investment Criteria.



The micro and small (service) enterprises shall include small road & water transport operators, small business, professional & self-employed persons, and all other service enterprises, subject to the above investment criteria. (Please importantly note that Retail Trade is dealt separately below).

- ii) Indirect finance to small enterprises shall include finance to any person providing inputs to or marketing the output of artisans, village and cottage industries, handlooms and to cooperatives of producers in this sector.
- iii) Reserve Bank of India has classified Retail Trader advances separate from MSME Enterprises. As such, advances to Retail Traders would not be classified under MSMEs, although such advances would be handled and reported by SME-SBU.
 - Under Retail Traders, Private Retail Traders with credit limits up to Rs.20 lakhs would alone be eligible to be classified as Priority Sector. Thus, all advances to Private Retail Traders exceeding Rs.20 Lakhs would not be covered under Priority Sector.
 - Retail Trade shall include retail traders dealing in essential commodities (fair price shops), and consumer co-operative stores (irrespective of credit limits).

(b) Medium Enterprises:

Bank’s lending to Medium Enterprises in both the manufacturing and services sectors would **not** be included for the purpose of reckoning under the **Priority Sector**.

1.3. Target for Micro & Small Enterprises Credit:

The RBI has prescribed the following overall target for the Bank as a whole for Micro & Small Enterprises credit :

Small enterprises Advances	32 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.
Micro enterprises Advances within Enterprises Sector	<p>10 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.</p> <p>i) 40 per cent of total advances to small enterprises sector should go to micro (manufacturing) enterprises having investment in plant and machinery up to Rs 5 lakh and micro (service) enterprises having investment in equipment up to Rs.2 Lakhs.</p> <p>ii) 20 per cent of total advances to small enterprises sector should go to micro(manufacturing)enterprises with with investment in plant and machinery above Rs 5 lakh and up to Rs. 25 lakh, and micro (service) enterprises with investment in equipment above Rs. 2 lakh and up to Rs. 10 lakh. (Thus, 60 per cent of small enterprises advances should go to the micro enterprises)</p> <p>iii) By corollary, the rest 40% should go to Small Enterprises (Manufacturing) with investment in plant and Machinery more than Rs.25 lakhs and up to Rs.5 Crores as well as to Small Enterprises</p>



	(Services) with investment in equipment more than Rs.10 lakhs and up to Rs.2 Crores .
Export Credit	12 per cent of ANBC or credit equivalent amount of Off-Balance Sheet Exposure, whichever is higher.

1.4. Filing of Memorandum by Micro, Small & Medium Enterprises:

There is a change in the entire registration process with the MSMED Act.2006 coming into force w.e.f. 02/10/2006. Vide Chapter III Section 8 (Page 7), the Act stipulates certain important requirements from the Entrepreneurs which are quoted *verbatim* in the Annexure hereto. Accordingly, the following would be the requirements under the MSMED Act 2006:

a) New Enterprises established/to be established *after* the MSMED Act 2006:

A Memorandum has to be filed with the District Industries Centre under whose jurisdiction the enterprise is located/proposed to be located. Depending on the activity of the Enterprise, the filing of the said memorandum is **either mandatory or discretionary** as shown below:

Sl.No.	Enterprises	Memorandum
A	Micro & Small Industries in both Manufacturing and services sector.	Not mandatory but only discretionary with the discretion left to the Entrepreneur concerned.
B	Medium Enterprises in the Services Sectors	Not mandatory but only discretionary with the discretion left to the Entrepreneur.
C	Medium Enterprises in Manufacturing Sector	Mandatory.

- However, with the advantages/benefits available in many ways to such enterprises (A & B above), from several Authorities/Organisations, it is always desirable (**though not mandatory**) to file Memorandum of Registration.
- Wherever SSI Registration Certificate Number is asked for by any other body/authority, the units may furnish the date of filing the Memorandum and the date of acknowledgement thereof, as received from the authorities.

b) Existing SSI & Medium Industries:

- In much the same way as above, it is not mandatory for an existing SME (Mfg.) unit to file the Memorandum as above; however, at their discretion the SME (Mfg.) may file the Memorandum, in view of the benefits available due to Registration.
- An existing Medium industry (in the manufacturing sector), however, should mandatorily file the Memorandum as required.

c) Period for Filing:**(i) Already Established Medium Enterprises:**

In respect of established Medium Enterprises, such a filing of memorandum was to be done



within 180 days from the date of commencement (02/10/2006) of the MSMED Act 2006 **i.e. on or before 30/03/2007**. If units financed by us, more particularly in the Medium Enterprises segment where mandatory filing is required, have not filed the requisite memorandum before 30/03/2007 and submitted the copy of DIC acknowledgement thereof, they should be advised to seek the permission for late filing from the respective DICs.

The Local DIC should be contacted for the latest guidelines in this regard. Branches/Zones should insist upon the filing before extending any further limits. Since online filing is also permitted, there is no reason why medium industries cannot file the requisite memorandum in time. No concessions should be extended to such units till they file the memorandum and produce the copy of the acknowledgement from the DIC.

Newly established/proposed Medium Enterprises:

In respect of newly established/proposed Medium Enterprises, the Branches should insist on the filing and production of the acknowledgement before consideration of any limits/taking up the proposals.

d) Procedural Guidelines for the Entrepreneurs:

- ◆ The form of the Entrepreneur's Memorandum comprises of Parts I & II:
 - Existing units to file only Part II of the Memorandum.
 - Part I to be filed as an expression of interest by all **intending** entrepreneurs.
 - Part II to be filed once the enterprise starts production or starts providing/rendering services, within two years from the date of filing Part I.
 - If Part II not filed within the said two years, Part I would automatically become invalid.
- ◆ Whenever changes/additions take place in the investment/product/Services, the filing to be done within three months of such changes/additions.
- ◆ The Memorandum to be filed would be in quadruplicate.
- ◆ There is no fee prescribed for processing such memorandum.
- ◆ The DIC issues an acknowledgement (Specimen Enclosed For ready reference) after allotting an Entrepreneur memorandum Number:
 - **Within five days** of the receipt of the memorandum - If submitted by post.
 - **Same day** - If submitted in person or online.

Copy of this acknowledgement has to be obtained and kept on records.

- ◆ The Entrepreneurs' Memorandum issued by DIC would also be available at the Small Industries Service Institutes of the State/Jurisdiction as well as with the Joint Development Commissioner in the Office of the Development Commissioner (Small Scale Industries).

Please bring the above important provisions of the MSMED Act 2006 (relating to the Filing of Memorandum) to the notice of all their existing as well as prospective Micro, Small & more particularly **Medium Enterprises** (MSME) Customers by addressing individual letters **as per the enclosed format**.

Delayed Payments By Companies to Micro/Small Enterprises:



- (a) The MSMED Act *inter alia* states that where any buyer (of our SME borrower's products) is required to get his annual accounts audited under any law for the time being in force, such buyer shall furnish the following additional information in his annual statement of accounts, namely:-
- (i) the principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier (read our borrower SME) as at the end of each accounting year;
 - (ii) the amount of interest paid by the buyer in terms of section 18, along with the amounts of the payment made to the supplier (our SME borrower) beyond the appointed day during each accounting year;
 - (iii) the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under this Act;
 - (iv) the amount of interest accrued and remaining unpaid at the end of each year (i.e. accounting year); and
 - (v) the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise (read our borrower SME), for the purpose of disallowance as a deductible expenditure under section 23."
- (b) Please take note of the above provisions of the MSMED Act, 2006 while verifying the receivables shown by the SME Borrower in their Book Debts Statement as well as annual balance sheet by cross-checking if these receivables appear in the respective buyers' audited balance sheet(s). For the same reason, if any Corporate or otherwise buyer (of any SME suppliers' products) happens to be our Bank's borrowers, one should verify if these borrowers reflect their dues (to these supplier SMEs) in their audited balance sheet(s).

Credit Officers/Managers should importantly bring the above provisions to our SME Borrowers' knowledge/information for their necessary action.

1.5. Interest Rate for MSME Advances:

a) Concessions

- (a) Only those enterprises which can be classified as MSMEs in accordance with the above definitions would qualify for interest rate concessions. Any other activity/enterprise, not falling under above MSME definition cannot, therefore, be extended any concessions available to MSMEs. Wherever concessions need to be given for such non-SME advances, the same would be in the normal course (as applicable to and stipulated under C & IC advances). Wherever such concessions were already given in the past, the same would have to be withdrawn immediately under advice to the borrower concerned and appropriate interest rate fixed. If it is desired to extend any concessions to such borrowers for business exigencies, the same would be considered under Commercial & Institutional Credit and NOT MSME.
- (b) In respect of schematic lendings, or advances under any specialized scheme like Priyadarshini Yojana, Star SSI Suprime, Star Laghu Udyog Suvidha or medi-mobile scheme or finance under Star Channel Credit or finance to cluster of accounts under



Cluster Finance, the rate prescribed for the scheme as a whole would prevail over, and the rate concessions would not be applicable. Thus, wherever the interest rates are:

Fixed	The existing rates would continue till reset
Floating, i.e. linked to BPLR	The existing rates would be increased/decreased in tune with the PLR increase/decrease.

b) Judicious Concessions

Although the concessions allowed as above are applicable generally to NEW accounts, concessions may also be offered under the following conditions:

- Only when there is an imminent threat of take-over of our existing accounts. Delegates have to satisfy themselves that such threat of take-over is genuine and there is every chance of losing the account if the concession is not granted.
- Our bid for taking over of satisfactory accounts from other Banks through offer of concessional rates.

The authority should be exercised with great restraint and with adequate justifications so that the Bank’s bottom line does not get affected much.

Extant concessions to Borrowers who are no longer covered under MSMEs (such as Retail Traders etc) would be withdrawn forthwith and in any case, such concessions to non-MSME Traders would, as already stated, be as applicable to advances under Commercial & Institutional Credit (C & IC) sector.

Rating done by External Agencies such as CRISIL, Dun & Bradstreet, SMERA etc before interest concessions are extended.

1.6. Take Over of Accounts

Take-over of advance accounts from other Banks/FIs if the following minimum financial parameters and conditions are complied with:

- Accounts should be eligible for a credit rating of minimum AA as per our credit rating model treating the account as a new one.
- The accounts to be taken over should be standard accounts with the existing Bank.
- The firm/company continuously registering increasing trend in sales volume and making cash profit for at least last three years.
- Maximum debt equity ratio of 3:1 in the case of Medium Enterprises, and Small Enterprises enjoying working capital limits over Rs.5.00 Crores and 4:1 in the case of Tiny Enterprises, and Small Enterprises enjoying working capital limits up to Rs.5.00 Crores.



- Current Ratio around 1.20:1 for accounts with limits up to Rs 5 crores, where Turn Over Method alone would be applied for assessment of the Working Capital (as against 1.33 prescribed normally).
- Minimum Interest Service Coverage Ratio (ISCR) of 1.50:1 as against 1.75:1 prescribed normally.
- If Term Loan is also proposed to be taken over, the minimum Debt: Service Coverage Ratio (DSCR) should be 1.25.
- The Asset Coverage Ratio should not be less than 1.50.

1.7. Credit Appraisal

Although same appraisal norms cannot be uniformly applied to Micro, Small and Medium Enterprises, broadly the appraisal would involve:

- Proper identification of the Proponent(s) and his/her/their antecedents in accordance with KYC Norms/Guidelines, the proponents' experience, educational and social background, technical/ professional competence, integrity, initiatives, etc.,
- Checking out for Wilful Defaulters' List of RBI, Specific Approval List (SAL) of ECGC etc.,
- The acceptability of the product manufactured, its popularity/market demand, market competitors.
- Evaluation of State and Central Govt. Policies (enabling environment) with specific reference to the Enterprise in question, Environmental stipulations, Availability of necessary infrastructure-roads, power, labour, raw material and markets.
- Project Cost, the Proponent's own financial contribution, projections for three years, and other important parameters which would include the BEP, liquidity, solvency, and profitability ratios, etc.,

Working Capital Assessment

For working capital limits up to Rs.5 Crores , Turnover Method would be applicable as mandated under Nayak Committee Recommendations for financing working capital needs of the SMEs @ 20% of the projected turnover based on the assumption of a three month operating cycle. It is abundantly clarified that this 20% is the minimum WC limit to be sanctioned even if the proponent's operating cycle is shorter than 3 months. However, one should ensure to restrict the drawings in such cases to actual drawing power. MPBF method



may be resorted in specific cases with longer operating cycle. One should obtain and scrutinise latest audited financials of the constituent in all cases of WC limits above Rs.10 lakhs. In case of provisional balance sheets it should be ensured that in the audited financials, the variation is not beyond +/- 5%. CMA Data are not also required to be obtained in case of SME Proposals up to Rs.5 Crores under Turnover Method.

The next year's sales projections made by the borrower, however, would have to be corroborated by the trend in sales over 2 years, last year actual sales through verification of the following indicative parameters (besides the financial data submitted by the borrower):

- Sales Ledger/Sales Turnover.
- Credit Summation in the account.
- Sales Memos or Invoices/Delivery Challans.
- Requisites Register/Tax Paid receipt as per Goods & Service Tax,
- Electricity Bills –wherever applicable.
- Orders on hand/expected orders.
- Installed capacity vis-à-vis the projections.
- Overall market trend etc.,

Such projections should be within reasonable limits say 25% over last year's sales. However, in exceptional cases deviations from this may be allowed if supported by LCs/Firm orders on hand etc.,

Current Ratio:

While a benchmark current ratio of 1.33:1 is always desirable, it is felt that some relaxations are provided to SMEs in their Current Ratio. They may be permitted to maintain a minimum current ratio of 1.20:1 as against 1.25-1.33:1 stipulated for others, although ideally under Turnover Method this ratio should be 1.25:1. Such deviations are not to be allowed, particularly if the rating gets below AA. Borrower has to improve the position by building up the current assets through infusion of more capital/funds. Classification of Current Assets and Current Liabilities under MPBF method would be based on extant RBI/Bank guidelines.

Debt: Equity Ratio:

The following may be accepted as the benchmark in this regard:

- W/C Limits up to Rs.5 Crores to Micro & Small Enterprises: 4:1.
- W/C Limits over Rs.5 Crores to Micro & Small Enterprises: 3:1.
- W/C Limits to Medium Enterprises: 3:1.

1.8. Credit Rating

Govt./RBI had advised that Banks may initiate necessary steps to rationalise the cost of loans to SME sector by adopting a transparent rating system with cost of credit being linked to the credit rating of enterprise. The Bank has adopted the Internal rating Model developed in house. The ratings given by reputed Credit Rating agencies such as SMERA, CRISIL etc, which have been approved by the National Small Industries Corporation, may also be considered for granting concessions in the interest rates, in tune with such credit ratings, based on parameters such as



turnover, market position, operating efficiency, existing financial position, and management evaluation.

Internal Credit Rating as advised by HO will be used for rating purposes before pricing the facilities to any borrower with limits over Rs. 10 lakhs.

1.9. Collateral Security and Margin Norms:

As per extant RBI guidelines, Micro & Small Enterprises with limits up to Rs.5 Lakhs (i.e. erstwhile Tiny and SSI) may be sanctioned credit facilities without any collateral security. For customers with good track record, this waiver of collateral security may be for limits up to Rs.50 Lakhs, provided Credit Guarantee Fund Trust for Small Industries (CGFTSI) -since renamed as Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)- cover is available. However, the issue of collateral security would be addressed on a case-specific basis.

Credit facilities extended to Micro & Small Enterprises either by way of Term Loan or Working Capital or both, without any collateral security or third party guarantee, will be covered, if eligible, under CGTMSE scheme. The coverage of the Scheme has since been extended to all new and existing Micro and Small Enterprises (both in the manufacturing and Services Sectors).

The credit guarantee cover has been raised from 75% to 80% for the following category of MSME advances:

- Loans to Micro Enterprises up to Rs.5 lakhs, and
- Loans to Micro and Small Enterprises operated and/or owned by women.

For all others, the cover would be available up to 75% of the amount in default subject to maximum of Rs.37.50 Lakhs.

Till now, CGMTSE (erstwhile CGFTSI) charged one-time Joining fee of 1.50% and Annual Service fee of 0.75% of the sanctioned limits with credit facilities up to Rs.25 Lakhs. This fee structure has since been revised by CGMTSE (erstwhile CGFTSI) and a differential pricing based on slab of coverage has been introduced for credit limits up to Rs.50 lakhs. Thus the following fee structure is prescribed by CGTMSE (erstwhile CGFTSI) to all eligible MSME advances covered under the scheme. However, our Bank would continue with the coverage to the extent of 75% of the credit facility sanctioned in all cases (and 80% in specified categories such as to women and borrowers in North eastern states)

1.10. Time Norms for Disposal of Applications:

With the switchover to the simple Turnover Method for all advances in the SME segment up to Rs.5 Crores, the time for processing of the applications and sanction has to be curtailed as under (from the date of submission of complete papers by the borrower):

Limits	Time Limit Not Exceeding
Up to and including Rs.25,000/=	4 Business Days



Over Rs.25,000/= and up to Rs.10 Lakhs	8 Business Days
Over Rs.10 Lakhs up to Rs.5 Crores	12 Business Days
Over Rs.5 Crores	20 Business Days

A register should be maintained at the branches to record the dates of receipt of applications/ sanction/ disbursements/ rejections with reasons therefore.

1.11. Purpose of the Loans: The Advances can be given for Capital expenditure and Working Capital requirements only.

1.12. Loan Amount: The Loan amount is as per the requirements of the Customer and eligibility arrived as per the Appraisal/ Analysis.

1.13 Tenor/ period of Advance: Working Capital loans will be sanctioned for a period of one year on renewal basis and the Tenor of the Term Loans is defined based on the cash flows and repayment capacity of the applicant.

1.14 Disbursal of Loans: The Disbursement of Loans will be done with in 2 working days, however after completion of the all documentation and pre sanction conditions as mentioned in the Sanction Letter.

1.15 Documentation: The Documentation of the loans will be done based on the Banks policy.

1.16 Right to Recall:

At the option of the Bank, and without necessity of any demand upon or notice to the Borrower, all of which are hereby expressly waived by the Borrower, and notwithstanding anything contained herein or in any security documents executed by / to be executed by the Borrower in the Bank's favour, the said Dues and all of the obligations of the Borrower to the Bank hereunder, shall immediately become due and payable irrespective of any agreed maturity, and the Bank shall be entitled to enforce its security, upon the happening of any of the following events ("Events of Default")

- (a) If any representations or statements or particulars made in the Proposal of the Borrower are found to be incorrect or the Borrower commits or threatens to commit any breach or default in performance or observance of these presents or fails to keep or perform any of the terms or provisions of any other agreement between the Bank and Borrower in respect of the Loan;
- (b) If the Borrower commits any default in the payment of principal or interest of any obligation of the Borrower to the Bank when due and payable;



- (c) If there is any deterioration or impairment of the said Securities or any part thereof or any decline or depreciation in the value or market price thereof (whether actual or reasonably anticipated), which causes the said Securities created in favour of the Bank, in the judgment of the Bank to become unsatisfactory as to character or value;
- (d) If any attachment, distress, execution or other process against the Borrower, or any of the said Securities is enforced or levied upon;
- (e) If there is a failure in business, commission of an act of bankruptcy, general assignment for the benefit of creditors, if the Borrower suspends payment to any creditors or threatens to do so, any petition in bankruptcy of by, or against the Borrower is filed or any petition for winding up of the Borrower is filed and not withdrawn within 30 days of being admitted.
- (f) If the Borrower is unable to pay its debts within the meaning of Section 271 of the Companies Act, 2013 or if a liquidator, or receiver is appointed in respect of any property or estate of the Borrower or the Borrower goes into liquidation for the purpose of amalgamation or reconstruction, except with prior written approval of the Bank;
- (g) If a receiver is appointed in respect of the whole or any part of the property /assets of the Borrower;
- (h) If the Borrower ceases or threatens to cease or carry on its Business; If it is certified by a Firm of Accountants appointed by the Bank (which the Bank is entitled and hereby authorised to so appoint at any time) that the liabilities of the Borrower exceed the Borrower's assets or that the Borrower is carrying on business at a loss;
- (i) If the Borrower, without prior written consent of the Bank, attempts or purports to create any charge, mortgage, pledge, hypothecation, lien or other encumbrance over the said Securities or any part thereof, except for securing any other obligations of the Borrower to the Bank;
- (j) If any circumstance or event occurs which is prejudicial to or impairs or imperils or jeopardises or is likely to prejudice, impair, imperil, or jeopardise any other security given by the Borrower or any part thereof;
- (k) If any circumstance or event occurs which in the opinion of the Bank, would or is likely to prejudicially or adversely affect in any manner the ability/ capacity of the Borrower to perform or comply with its obligations to thereunder and/or to repay the Loan or any part thereof (or the implementation of the Project);
- (l) If the Loan or any part thereof is utilised for any purpose other than the purpose for which it sanctioned by the Bank;
- (m) If any substantial change in the constitution or management of the Borrower occurs without previous written consent of the Bank or the Management ceases to enjoy the



confidence of the Bank;

- (n) If any of the foregoing events occur in relation to any third party which now or hereafter has guaranteed or provided security for or given any indemnity in respect of any money obligation or liability hereby secured or such third party if individual shall commit an act of bankruptcy or die or become incompetent to contract.
- (o) If any circumstances or event occurs which in the opinion of the Bank, would or is likely to prejudicially or adversely affect in any manner the ability/capacity of the Borrower to perform or comply with its obligations to thereunder and/or to repay the Loan or any part thereof (or the implementation of the Project).
- (p) If any event of default or any event which, after the notice or lapse of time or both would constitute an event of default shall have happened, the Borrower shall forthwith give the Bank notice thereof in writing specifying such event of default, or such event. The Borrower shall also promptly inform the Bank if and when any statutory notice of winding-up under the provisions of the Companies Act, 2013 or any other law or of any suit or legal process intended to be filed / initiated against the Borrower, is received by the Borrower. On the question whether any of the above events/circumstances has occurred/ happened, the decision of the Bank shall be final, conclusive and binding on the Borrower.
- (q) The company hereby agree as a pre-condition of the loan given to it by the bank that in case it commits default in the repayment of the loan or in the repayment of interest thereon or any of the agreed installment of the loan on due date, the bank and/or the Reserve Bank of India will have an unqualified right to disclose or publish its name or the name of its directors as defaulter in such manner and through such medium as the bank or Reserve Bank of India in their absolute discretion may think fit.

Notice for Filing of Memorandum under MSMED Act, 2006 to existing Customers:

LETTER FORMAT

Dear Customer,

**Notice To All Our Existing & Prospective SME Clientele On
Filing of Memorandum under MSMED Act 2006**

1. The Micro, Small & Medium Enterprises (MSMED) Act 2006 was enforced w.e.f. 02/10/2006. In terms thereof, filing of Memorandum with the Appropriate Authority is:
 - **Mandatory for all Medium Enterprises in the Manufacturing sector,**
and,
 - **Discretionary for all Micro and Small Industries as well as the Medium Enterprises in the Services Sector.**

In respect of existing units, this filing was be complied with within 180 days from the date of commencement of the MSMED Act. With the Act having come into effect w.e.f.



02/10/2006, the filing process was to have been completed **well before 30/03/2007** wherever mandatory or desired by the Entrepreneurs concerned, at their own discretion. We have not received the acknowledgement copy of your memorandum filed with the DIC for our records.

2. With the advantages/benefits available from several Authorities/Organisations in many ways to enterprises, filing the said Memorandum is always desirable **(despite not being mandatory)**.
3. The other Salient features involved in the filing of Memorandum are furnished below for your ready reference:
 - The authority would be the District Industries Centre in their jurisdiction.
 - The form of the Memorandum is available with the DIC or on the website also (www.smallindustryindia.com or www.laghu-udyog.com).
 - The form of the Entrepreneur's Memorandum comprises of Parts I & II:
 - Existing units to file only Part II of the Memorandum.
 - Part I to be filed as an expression of interest by all intending entrepreneurs.
 - Part II to be filed once the enterprise starts production or starts providing/rendering services, within two years from the date of filing Part I.
 - If Part II not filed within the said two years, Part I would automatically become invalid.
 - Whenever changes/additions take place in the investment/product/services, the filing to be done within three months of such changes/additions.
 - The Memorandum to be filed would be in quadruplicate.
 - There is no fee prescribed for processing such memorandum.
 - The DIC issues an acknowledgement (Specimen Enclosed For Ready reference) after allotting an Entrepreneur memorandum Number:
 - **Within five days** of the receipt of the memorandum - If submitted by post.
 - **Same day** - If submitted in person or online.

Copy of this acknowledgement has to be submitted to us immediately for records.

- The Entrepreneurs' Memorandum issued by DIC would also be available at the Small Industries Service Institutes of the State/Jurisdiction as well as with the Joint Development Commissioner in the Office of the Development Commissioner (Small Scale Industries).
4. We therefore urge upon you to please file the above Memorandum immediately with the Appropriate Authority if not filed already. For any further details/guidance, please contact the undersigned **or** the DIC **or** the Association of Industries in your Centre.



5. Please importantly note that we would not be able to review your limits or extend any concessions in the absence of your submitting the acknowledgement of the Memorandum filed with DIC.

6. Assuring you of our best attention always.

Extracts Relevant to Filing of Memorandum:

1. Any person who intends to establish:-

- ① a micro or small enterprise, may, at his discretion; **or**
- ② a medium enterprise engaged in providing or rendering of services may, at his discretion; **or**
- ③ a medium enterprise 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, shall file the memorandum of micro, small or, as the case may be, of medium enterprise with such authority as may be specified by the State Government under sub-section(4) or the Central Government under sub-section (3):

Provided that any person who, before the commencement of this Act, established:

- a small scale industry and obtained a registration certificate, may, at his discretion; and
- an industry 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, having investment in plant and machinery or more than one crore rupees but not exceeding ten crore rupees and, in pursuance of the notification of the Government of India in the erstwhile Ministry of Industry (Department of Industrial Development) number S.O.477(E), dated the 25 TH July, 1991 file an Industrial Entrepreneurs' Memorandum,shall within one hundred and eighty days from the commencement of this Act, file the memorandum, in accordance with the provisions of this Act.

- 2. The form of the memorandum, the procedure of its filing and other matters incidental thereto shall be such as may be notified by the Central Government after obtaining the recommendations of the Advisory Committee in this behalf.
- 3. The authority with which the memorandum shall be filed by a medium enterprise shall be such as may be specified, by notification, by the Central Government.
- 4. The State Government shall, by notification, specify the authority with which a micro or small enterprise may file the memorandum.
- 5. The authorities specified under sub-sections (3) and (4) shall follow, for the purposes of this section, the procedure notified by the Central Government under sub-section (2)



Such a filing of memorandum has to be done **within 180 days** from the date of commencement (02/10/2006) of the MSMED Act 2006 **i.e. on or before 30/03/2007**.

Procedural Guidelines for the Entrepreneurs:

- The form of the Entrepreneur's Memorandum comprises of Parts I & II:
 - Existing units to file only Part II of the Memorandum.
 - Part I to be filed as an expression of interest by all **intending** entrepreneurs.
 - Part II to be filed once the enterprise starts production or starts providing/rendering services, within two years from the date of filing Part I.
 - If Part II not filed within the said two years, Part I would automatically become invalid.

- Whenever changes/additions take place in the investment/product/services, the filing to be done within three months of such changes/additions.

- The Memorandum to be filed would be in quadruplicate.

- There is no fee prescribed for processing such memorandum.

- The DIC issues an acknowledgement (Specimen Enclosed For ready reference) after allotting an Entrepreneur memorandum Number:
 - **within five days** of the receipt of the memorandum - If submitted by post.
 - **same day** - If submitted in person **or** online.Copy of this acknowledgement may be obtained by branches and kept on records.

- The Entrepreneurs' Memorandum issued by DIC would also be available at the Small Industries Service Institutes of the State/Jurisdiction as well as with the Joint Development Commissioner in the Office of the Development Commissioner (Small Scale Industries).



Micro, Small & Medium Enterprises (MSMEs) : A Handy Reference Chart

Classified into Two Categories/Sectors	Micro and Small	Medium	Remarks, If any
Manufacturing	Micro (incl. Tiny) Enterprise - Investment in Plant & Machinery Up to Rs.25 Lakhs. Small Enterprises (Erstwhile SSIs) - Investment in Plant & Machinery over Rs. 25 Lakhs up to Rs. 5 Crore.	Medium Enterprises - Investment in Plant & Machinery over Rs.5 Crore up to Rs.10 Cr.	
Services	1) Prof & Self Employed in Small Enterprises Businesses 2) Small Road Transport Operators & Water Road Transport Operators & Other Services Investment Upto Rs.2.00 Cr. (* Micro up to Rs.10 Lakhs)	Medium Enterprises - Inv. In Equipment over Rs. 2Cr. Up to Rs. 5Cr.	In respect of Road & Transport Operators, the number of Vehicles is no longer the criterion, but only the overall investments to determine their status as Small or Medium Enterprises in the Service Sector. Retail and other Traders are not MSMEs.
Ceiling on Sanc. Limits	Only above investment criterion applicable. No ceiling on sanctioned/ credit limits (incl. Advances against TDRs/Govt. Securities etc for business purposes.)		
Enterprises with Investments exceeding the inv.ceilings	Those enterprises exceeding the maximum prescribed investment ceilings would be categorised as Large Enterprises and therefore be outside the purview of MSME.		



<p>Advances to Retail/Wholesale Other Traders</p>	<p>Classified separate from MSME Enterprises i.e. these advances are not MSMEs.</p>			
<p>Classification as Priority Sector</p>	<p>The RBI has since taken into account the definition of MSMEs as per the MSMED Act 2006 for purposes of their classification under Priority Sector. Accordingly, all advances to Micro & Small Enterprises in both the manufacturing and services sectors have been synchronized with the MSMED definition under Priority Sector Classification.</p>		<p>Under Retail Traders, Advances to Retail Traders Public Distribution Systems and Fair Price Shops/ Consumer Co-op Societies, irrespective of limits, and Private Retail Traders with credit limits up to Rs.20 Lakhs would alone be eligible to be classified as Priority Sector. Thus, all advances to Private Retail Traders exceeding Rs.20 lakhs would not be covered under Priority Sector.</p>	
<p>Registration as MSME with DIC etc</p>	<p>Micro Enterprises (mfg & services)</p>	<p>Small Enterprises (mfg & services)</p>	<p>Medium Enterprises</p>	<p>However, it is advisable for all such enterprises to get the Registration formalities complied with in view of the available benefits at various points. The application procedures are listed out above</p>
<p>Optional</p>	<p>Optional</p>	<p>Optional/ Discretionary for Services Sector Mandatory for Mfg. Enterprises.</p>		
<p>Concessions in Rates of Interest</p>	<p>Interest Rate Concessions are to be extended judiciously and keeping the bottom line in mind and not the targets alone. Also, rating by outside Credit rating Agencies like SMERA,CRISIL, Dun & Bradstreet etc would be preferable before granting concessions to MSME Borrowers.</p>		<p>Not to be extended If Acknowledgement of Memorandum of filing not submitted for records by existing Medium Enterprises (Mfg).</p>	



		Proposals for New such enterprises to be taken up only after this submission.	
Turnaround Time	Appraisal and sanction would henceforth be a maximum of 20 days for credit limits above Rs. 5 Crores and only 12 days credit limits between Rs.10 lakhs and Rs. 5 Crores.		
Assessment method	Working Capital limits up to and inclusive of Rs. 5 crores would be assessed by Turnover Method.		
Collateral security	Micro and small enterprises with limits up to Rs. 5 Lakhs may be sanctioned without any collateral security.		
Delayed payments received by the MSMEs	Details re required to be reported by their Debtor Corporates in their annual Balance sheets and this aspect may be brought to the specific knowledge of the borrower enterprises.		
Credit Rating	Internal Credit Rating as advised by HO will be used for rating purposes before pricing the facilities to any borrower with limits over Rs. 10 lakhs.		