

यूनियन बैंक  
ऑफ इंडिया



Union Bank  
of India

**CC & MSME Department: Central Office**

Union Bank Bhavan, 239, Vidhan Bhavan Marg, Nariman Point, Mumbai-400 021.

INSTRUCTION CIRCULAR NO. 09267

Date: 09.05.2012

TO : ALL BRANCHES / OFFICES

**MANAGEMENT OF CREDIT PORTFOLIO**

**MSE Policy 2012-13**

1. Bank had put in place maiden MSE policy in January 2009 and subsequently reviewed the same every year.
2. The MSE Policy of the Bank for the year 2012-13 is approved by Board in its meeting held on 20.04.2012. The Policy is enclosed as annexure I.
3. The basic tenets of the policy framework have been kept intact, while updating the same in light of emerging market scenario.
4. The Policy comprises of Bank's various initiatives in providing financial support to MSEs in an effective manner. Details of MSE products, list of Business Banking Branches and a format of common loan application form for MSEs along with checklist are enclosed in Annexure VI, VII & VIII respectively for ready reference.
5. Branches /offices are requested to take careful note of the above and ensure compliance. In the mean time acknowledge receipt of this circular to respective controlling offices.

(R.G.Kelkar)  
General Manager



## MSE POLICY 2012-13

<b>INDEX</b>		
<b>Para No.</b>	<b>Contents</b>	<b>Page No.</b>
1	Introduction	1
2.1	MSE Policy Introduction	2
2.2	Objectives	2
2.3	Scope	3
2.4	Ownership	3
2.5	Compliance	3
3	MSMED Act, 2006	4
3.1.2	MSME Definition	4
4	MSE - Priority Sector Lending	7
5	Indirect Finance to MSE	8
6	RBI Guidelines vis-à-vis Bank's instructions for lending to MSEs	10
7	Banking Code and Standard Board of India (BCSBI) - MSE Code	15
7.1	Objectives of BCSBI Code	15
8	Bank's initiatives for extending credit to MSEs	16
9	Assessment of credit limits	18
9.4	Loans under TUF scheme	19
10.1	Risk Rating	19
10.2	Pricing	20
11	Portfolio Monitoring	20
12	MSME Vertical - Role and objective	20
13	MSME Products	22
14	Cluster development	22
15	MoU with SIDBI	23
16	MoU with External Credit Rating Agencies	24
17	Channel Financing	24
18	Collateral Free Loan and CGTMSE	24
19	Management Information System	27
20	Modification and Review/Revision	28
21	Annexures II to IX	29-54

all-



**1. Introduction**

1.1 Worldwide, the Micro, Small and Medium Enterprises (MSMEs) have been accepted as the engine of economic growth and for promoting equitable development. The MSMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. The Micro & Small sectors usually employ traditional technology and cater to the niche markets. The successful MSMEs grow into large corporates with passage of time and there is every possibility that they could be MNCs of tomorrow.

1.2 India has emerged as one of the fastest growing economies of the world in the post liberalization period. It brought a structural change in the Indian economy. The majority of enterprises in India are covered under MSME category. India is the largest conglomerate of MSMEs in the world producing a large range of products starting from basic things to highly sophisticated ones. Major areas of operation for MSMEs are food processing, chemicals and chemical products, basic metal and metal products, electrical and machinery parts, rubber & plastic articles etc. In recent years the MSME sector has consistently registered higher growth rate compared to the overall growth of industrial sector. With its agility and dynamism, the sector has shown admirable innovativeness and adaptability to survive in the recent economic downturn and recession.

As per available statistics (4th Census of MSME Sector), this sector employs an estimated 59.7 million persons spread over 26.1 million enterprises. It is estimated that in terms of value, MSME sector accounts for about 45% of the manufacturing output and around 40% of the total export of the country.

1.3 The Micro & Small Enterprise (MSE) is a major component of MSMEs in India. It comprises of the erstwhile Small Scale Industries and other small enterprises from service sector. Hence, this policy aims at improving the credit flow particularly to MSE segment. The small Scale Industries (SSI) produces about 8000 products and offers the largest employment after agriculture. The sector therefore offers an opportunity to the country to harness local competitive advantages for achieving global dominance. In order to facilitate this aspect, the National Common Minimum Programme made the following declarations for accelerating the development of small scale sector. "Small scale industry will be freed from inspector Raj and given full credit, technological and marketing support. Infrastructure upgradation in major industrial clusters will receive urgent attention." The eleventh five year plan has placed great emphasis on MSEs for attaining a target of 9% growth p.a. in GDP and to bring down the poverty ratio to 11%.

1.4 Though the MSE sector's performance is commendable, it faces a number of constraints. The major constraints faced by the MSE sector can be summarized as under:

- MSEs in general and Micro Enterprises in particular have inadequate access to finance (as per a recent survey only 6% of the MSEs access bank credit) due to lack of financial information and non formal business practices.
- MSEs face fragmented markets in respect of their inputs as well as products and are vulnerable to market fluctuations.
- MSEs lack easy access to interstate and international markets.
- The access of MSEs to technology and product innovations is also limited. There is lack of awareness of global best practices.
- MSEs face considerable delays in the settlement of dues/payment of bills by the Large Corporates/Large Scale buyers.

## 2. MSE Policy: -

Bank has now designed a separate document - MSE Policy - to have a standardized approach towards the MSEs and have a reference material to one and all dealing with MSE matters.

2.1 The MSE Policy is a formal policy document mentioning therein the bank's role & approach for meeting the need of the MSE clients. For operating guidelines, the bank has already come out with various instruction circulars indicating there in the policy guidelines, instructions etc. The policy document is only a broad framework and does not envisage to replace/substitute the Instruction Circulars issued from time to time.

## 2.2 Objectives:-

2.2.1 The MSE Policy is based on the following principles:

- The Policy aims at enlarging the MSE client base through aggressive credit marketing.
- The document addresses the credit needs of the existing MSE clients for speedier and prompt credit decision.
- The Policy describes the bank's approach towards credit appraisal skills and strategies on the one hand and flexibility and innovation on the other hand.
- The Policy document attempts to ensure that the socio-economic obligations cast on the bank are fully met.

- The Policy endeavors to ensure continuous growth of loan assets while keeping those assets performing and standard.
- The Policy aims at a comprehensive management information system based on a reliable data base and endeavors to mitigate and reduce risk associated with the lending by fine tuning systems and controls.
- The Policy document ensures compliance of all the directives, guidelines issued by government/Reserve Bank of India and other regulatory authorities on MSE credit matters. The bank would follow the guidelines in all aspects issued from time to time by the authorities. In case of varying interpretations of these guidelines, the bank will adopt reasonable interpretation as determined by MSE Dept. without deviating from the spirit behind the guidelines.

## **2.3 Scope**

- 2.3.1 The Policy would deal all MSE credit related matters such as fund based, non fund based and other forms of credit dispensation of MSE credit.
- 2.3.2 Since other credit related areas have been dealt in detail by the Loan Policy, these aspects are not covered in the MSE Policy to avoid duplication. Hence, the MSE Policy should be read along with the Loan Policy.
- 2.3.3 The Policy will cover all types of MSE customers such as individuals, proprietorship firms, partnerships, association of persons, companies registered under Indian Companies Act, etc.
- 2.3.4 Any exception or deviation from the policies shall be referred to MSME Dept., C.O. who shall in turn put up such matters to Executive Director/Chairman & Managing Director for approval.

## **2.4 Ownership**

- 2.4.1 MSE Dept. shall frame, design/review/fine tune/modify all policies/procedures in relation to MSE credit in the Bank, with the approval of Board of Directors.

## **2.5 Compliance**

- 2.5.1 The Policy takes into account the fact that Bank has adopted the MSE Code designed by BCSBI in toto. As such, all the functional divisions are expected to comply with the MSE Code commitments adopted by our Bank.

2.5.2 Similarly, all the functional divisions are also expected to comply with the policy guidelines laid down in this Policy document. In case of any doubt about the applicability of any aspect of the policy contents, clarification/approval shall be sought from MSME Dept., C.O.

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

3.1 Govt. 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, Services Sector is included in the definition of MSME apart from extending the scope to Medium Enterprises. Reserve Bank of India has notified the changes to all Scheduled Commercial Banks and the definition of MSME, as per the Act has been adopted vide RBI circular reference RPCD.PLNES.BC. No.63/06.02.31/2006-07 dated April 4, 2007.

3.1.1 Following significant changes have been introduced through MSMED Act, 2006.

- The word "Industry" has been replaced by "Enterprises".
- The word "tiny" has been replaced by "Micro".
- The services sector has been brought under the purview of MSMED Act, 2006.

#### 3.1.2 Definition of Micro, Small & Medium Enterprises

Segment	Enterprises engaged in the manufacture or production, processing or preservation of goods	Enterprises engaged in providing or rendering of services
Micro Enterprise	Is an enterprise where investment in plant & machinery does not exceed Rs.25 lacs.	Is an enterprise where investment in equipment does not exceed Rs.10 lacs.
Small Enterprise	Is an enterprise where investment in plant & machinery is more than Rs.25 lacs but does not exceed Rs.5 crores.	Is an enterprise where investment in equipment is more than Rs.10 lacs but does not exceed Rs.2 crores.
Medium Enterprise	Is an enterprise where investment in plant & machinery is more than Rs.5 crores but does not exceed Rs.10 crores.	Is an enterprise where investment in equipment is more than Rs.2 crores but does not exceed Rs.5 crores.



3.1.2.1 In case of manufacturing enterprises, investment in plant & machinery is the original cost excluding land & building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722 (E) dated October 5, 2006. The cost of the following shall be excluded while calculating the investment in plant & machinery:

- (i) equipment such as tools, jigs, dyes, moulds and spare parts for maintenance and the cost of consumables stores;
- (ii) installation of plant and machinery;
- (iii) research and development equipment and pollution controlled equipment
- (iv) power generation set and extra transformer installed by the enterprise as per regulations of the State Electricity Board;
- (v) bank charges and service charges paid to the National Small Industries Corporation or the State Small Industries Corporation;
- (vi) procurement or installation of cables, wiring, bus bars, electrical control panels (not mounded 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;
- (vii) gas producers plants;
- (viii) transportation charges ( excluding sales-tax or value added tax and excise duty) for indigenous machinery from the place of the manufacture to the site of the enterprise;
- (ix) charges paid for technical know-how for erection of plant and machinery;
- (x) such storage tanks which store raw material and finished produces and are not linked with the manufacturing process; and (xi) firefighting equipment.

2. While calculating the investment in plant and machinery refer to paragraph 1, the original price thereof, irrespective of whether the plant and machinery are new or second handed, shall be taken into account provided that in the case of imported machinery, the following shall be included in calculating the value, namely;

- (i) Import duty (excluding miscellaneous expenses such as transportation from the port to the site of the factory, demurrage paid at the port);
- (ii) Shipping charges;
- (iii) Customs clearance charges; and
- (iv) Sales tax or value added tax.

The notification issued by MSSSI is enclosed as Annexure V.

3.1.2.2 In case of service enterprises, investment in equipment is the original cost excluding land & building and furniture, fittings & other items not directly related to the service rendered or as may be notified under MSMED Act, 2006.

Earlier "Retail Trade" was forming a separate category under Priority Sector. With effect from September, 2009, the loans granted to Retail Traders form

the part of the MSE (Service) sector. (RBI Circular No. RBI/2009-10/164, RPCD.CO.Plan.BC.24/04.09.01/2009-10 dt.19<sup>th</sup> Sep, 2009.). Retail Traders include (a) traders dealing in essential commodities (Fair Price Shops) and consumer co-operative stores irrespective of their credit limits, provided investment in equipment (Original cost excluding land & building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006). does not exceed Rs.10 lacs for Micro (Service) Enterprises and Rs.2 crores for Small (Service) Enterprises, (b) Private Retail Traders upto credit limit not exceeding Rs.20 lacs provided they satisfy the definition of Micro and Small (Service) enterprises in respect of investment in equipment.

Certain activities have also been included under Micro & Small (Service) Enterprises, provided such enterprises satisfy the definition of MSEs (Service) in respect of investment in equipment (i.e., not exceeding Rs.10 lacs for Micro Enterprises and Rs.2 crores for Small Enterprises). Updated list of activities included in the Micro & Small Service enterprises is given below:

- i. Small Road & Water Transport Operators;
- ii. Small Business
- iii. Professional & self-employed persons
- iv. All other Service Enterprises.
- v. Publishing
- vi. Sanitation service (hiring of septic tank cleaner)
- vii. Clinical/pathological laboratory and scanning, MRI test.
- viii. Hospitals
- ix. Agri-clinic and agri-business
- x. Restaurant with bar
- xi. Hotels
- xii. Motel industry
- xiii. Consultancy services including management services
- xiv. Renting of agricultural machinery (harvesting)
- xv. Composite broker services in risk and insurance management
- xvi. Third Party Administration (TPA) services for Medical Insurance Claims of Policy Holders.
- xvii. Seed Grading Services
- xviii. Training-cum-Incubator Centres
- xix. Educational Institutions
- xx. Training Institutes
- xxi. Practice of Law i.e. legal services
- xxii. Trading in Medical Instruments (brand new)
- xxiii. Placement and Management Consultancy Services
- xxiv. Advertising Agency and Training Centres
- xxv. Development of software and providing software services

cut/

Specific activities which can be considered as manufacturing:

- i. Printing
- ii. "Printing & Publishing" as integrated unit.
- iii. Medical Equipment and Ayurvedic Products
- iv. Composite unit of Bacon Processing and Piggery Farm (Piggery Farm without Bacon Processing shall not be classified either as manufacturing or service enterprise because this is a farming activity)
- v. Tobacco Processing
- vi. Beedi/Cigarette manufacturing and other tobacco products
- vii. Extraction of Agave Spirit from Agave Juice (imported medicinal plant) extraction of Agave
- viii. Manufacture of Bio-fertiliser
- ix. Separation of iron scrap from slag pots.
- x. Generation of electricity through windmill.

**3.2 Clubbing of investments of two or more enterprises under the same ownership for the purpose of classification of industrial undertakings as SSI as per the Gazette Notification No. S.O.2 (E) dated January 1, 1993 has now been rescinded vide GOI Notification No. S.O. 563 (E) dated February 27, 2009.**

#### **4. MSE- Priority Sector Lending**

- 4.1 As indicated in the Bank's Loan Policy, Priority Sector Lending shall continue to be a chosen area and Bank will endeavor to continue to exceed the overall share of 40% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off Balance Sheet Exposure whichever is higher as at the end of the previous year.
- 4.2 Micro & Small Enterprises (MSEs) will continue to be a part of Priority Sector Lending.
- 4.3 All advances granted to units in the KVI sector, irrespective of their size of operations, location and amount of original investment in plant & machinery will be covered under Micro & Small Enterprises segment and will be covered under Priority Sector Advances.

- 4.4 RBI has advised the allocation of the share of Micro Enterprises in MSE lending which is as under:

Category	Investment in Plant & Machinery/ Equipment	% in Total MSE Advances
Micro (Mfg) Enterprises	Upto Rs.5.00 lacs	40%
Micro (Services) Enterprises	Upto Rs.2.00 lacs	
Micro (Mfg) Enterprises	Above Rs.5.00 lacs Upto Rs.25.00 lacs	20%
Micro (Services) Enterprises	Above Rs.2.00 lacs Upto Rs.10.00 lacs	
Small (Mfg) Enterprises	Above Rs.25.00 lacs Upto Rs.500.00 lacs	40%
Small (Services) Enterprises	Above Rs.10.00 lacs Upto Rs.200.00 lacs	

Thus, 60% of Advances to MSEs should go to Micro Enterprises

- 4.4.1 However, as per the recommendations of the Prime Minister's High Level Task Force on MSMEs, RBI has directed to increase the share of Micro Enterprises in MSE Lending to 60% in phases, viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13.

- 4.5 Bank's lending to Medium Enterprises will not be included for the purpose of reckoning under Priority Sector.

## 5. Indirect Finance to MSE

- 5.1 The indirect finance to Micro & Small (manufacturing as well as service) Enterprises sector is also reckoned as Priority Sector advance and will include credit to:
- 5.2 Persons involved in assisting the decentralized sector in the supply of inputs to and marketing of outputs of artisans, village and cottage industries.
- 5.3 Advances to cooperatives of producers in the decentralized sector viz. artisans village and cottage industries.
- 5.4 Bank credit to Micro Finance Institutions (NBFCs - MFIs) extended on, or after, April 1, 2011 for on-lending to individuals and also to members of

SHGs / JLGs will be eligible for categorisation as priority sector advance under respective categories viz., agriculture, micro and small enterprise, and micro credit (for other purposes), as indirect finance, provided not less than 85% of total assets of MFI (other than cash, balances with banks and financial institutions, government securities and money market instruments) are in the nature of "qualifying assets". In addition, aggregate amount of loan, extended for income generating activity, is not less than 75% of the total loans given by MFIs.

A "qualifying asset" shall mean a loan disbursed by MFI, which satisfies the following criteria:

- (i) The loan is to be extended to a borrower whose household annual income in rural areas does not exceed Rs.60,000/- while for non-rural areas it should not exceed Rs.1,20,000/-.
- (ii) Loan does not exceed Rs.35,000/- in the first cycle and Rs.50,000/- in the subsequent cycles
- (iii) Total indebtedness of the borrower does not exceed Rs.50,000/-.
- (iv) Tenure of loan is not less than 24 months when loan amount exceeds Rs.15,000/- with right to borrower of prepayment without penalty.
- (v) The loan is without collateral.
- (vi) Loan is repayable by weekly, fortnightly or monthly installments at the choice of the borrower.

Further, the bank have to ensure that MFIs comply with the following caps on margin and interest rate as also other 'pricing guidelines', to be eligible to classify these loans as priority sector loans:

- (i) Margin cap at 12% for all MFIs. The interest cost is to be calculated on average fortnightly balances of outstanding borrowings and interest income is to be calculated on average fortnightly balances of outstanding loan portfolio of qualifying assets.
- (ii) Interest cap on individual loans at 26% per annum for all MFIs to be calculated on a reducing balance basis.
- (iii) Only three components are to be included in pricing of loans viz., (a) a processing fee not exceeding 1% of the gross loan amount, (b) the interest charge and (c) the insurance premium.
- (iv) The processing fee is not to be included in the margin cap or the interest cap of 26%.
- (v) Only the actual cost of insurance i.e. actual cost of group insurance for life, health and livestock for borrower and spouse can be recovered; administrative charges maybe recovered as per IRDA guidelines.
- (vi) There should not be any penalty for delayed payment.
- (vii) No Security Deposit/ Margin are to be taken.

The banks should obtain from MFI, at the end of each quarter, a Chartered Accountant's Certificate stating, inter-alia, that (i) 85% of

total assets of the MFI are in the nature of “qualifying assets”, (ii) the aggregate amount of loan, extended for income generation activity, is not less than 75% of the total loans given by the MFIs, and (iii) pricing guidelines are followed.

- 5.5 Loans for construction and running of storage facilities (ware house, market yards, godown and silos) including cold storage units designed to store agricultural produce/ products irrespective of their location, should be classified under indirect finance to agriculture. However, if the storage unit is registered as SSI unit / Micro & Small Enterprises, the loan granted to such units may be classified under advances to Small Enterprise sector.
- 5.6 Investments in Securitised Assets, outright purchases of any loan assets eligible to be categorized under priority sector and investments in Inter Bank Participation Certificates (IPCs) on risk sharing basis shall be eligible for classification under respective categories of priority sector provided the underlying assets are eligible to be categorized under the respective categories of priority sector.
- 5.7 **Scheme of Small Enterprises Financial Centres (SEFCs)**  
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 banks and circulated to all scheduled commercial banks on May 20, 2005 for implementation. Our bank has executed MOU with SIDBI.
6. Common guidelines/instructions issued by the Reserve Bank of India (RBI) for lending to MSME Sector and Bank’s instructions for implementation of the guidelines

	RBI Guidelines	Bank’s Instructions
6.1	Disposal of applications - All loan applications for SSI (SSE) upto a credit limit of Rs.25,000/- should be disposed of within two weeks and those upto Rs.5 lacs within four weeks provided the loan applications are complete in all respects and accompanied by check list.	There should not be any delay in sanctioning and disbursal of credit. The time schedule for disposal of application should be adhered to. The proposals falling within the Branch Head delegation should be disposed of within 7 days. The proposals within the delegated authority of RO should be disposed of within 5 days on receipt of the same at RO (total 12 days) as per

awr



	<p>Banks have been advised to open atleast one specialised branch in each district for providing better service to the MSME Sector. These MSME branches will ensure that the entrepreneurs have easy access to the bank credit and will have the bank personnel with requisite expertise. The existing specialised SSI branches may also be redesignated as MSME branches.</p>	<p>Banking Branches (BBBs). Presently, there are 350 BBBs with a special focus on extending finance and other services to MSME Sector and also have the operational flexibility to extend finance/render other services to other sectors/ borrowers. These BBBs have been provided with SME officers (specially recruited for improving MSME finance) / or specially trained credit officers in order to provide prompt service to the MSME clients.</p>
--	--	--

	RBI Guidelines	Bank's Instructions
6.5	<p><b>Rehabilitation of Sick SSI Units</b></p> <p>Following are the broad parameters for grant of relief/concessions for revival of potentially viable sick SSI units.</p> <p>(i) Interest on working capital - - Interest 1.5% below BPLR.</p> <p>(ii) Funded Interest Term Loan - Interest free.</p> <p>(iii) Working capital term loan - Interest - 1.5% below BPLR.</p> <p>(iv) Term Loan - 2/3% below the document rate.</p> <p>(v) Contingency loan assistance - The concessional rate allowed for working capital assistance.</p>	<p><b>Guidelines for Rehabilitation of Sick SSI Units already in place as per IC no.6426 dated 14<sup>th</sup> May 2002. However, updated guidelines are as under.</b></p> <p><b>Definition of the Sick Unit -</b></p> <p>1.A unit is considered as sick when any of the borrowal account of the unit remains substandard for more than 6 months or there is erosion in the net worth due to accumulated cash losses to the extent of 50% of its net worth during the previous accounting year and the unit has been in commercial production for at least two years.</p> <p>2.Branches should detect sickness at an early stage to facilitate corrective action for revival of the unit. The rehabilitation package should be fully implemented within six months from the date the unit is declared as potentially viable/viable. During this six months period of identifying and implementing rehabilitation package, "holding operation"</p>

aw /



		will be allowed to the sick unit to draw funds from the cash credit account at least to the extent of deposit of sale proceeds. Relief and concessions which can be extended to potentially viable sick SSI units are given in Annexure IX.
6.6	<b>Delayed Payment</b>  A sub-limit within the overall working capital limits to the large borrowers should be fixed specially for meeting the payment obligation in respect of purchases from MSMEs.	Guidelines are in place to ensure that our corporate borrowers procure their domestic credit purchases from SSI units (now MSE) at least to the extent of 25% by way of bills drawn on and accepted by them. (Circular letter no.2435 dated 3 August 1998)
6.7	<b>Debt Restructuring Mechanism for MSMEs</b> RBI has issued the guidelines vide its circular DBOD.BP.BC. No.34/21.04.132/2005-06 dated September 8, 2005 to ensure restructuring of debt of all eligible Small & Medium Enterprises. Further, prudential guidelines on MSME Debt Restructuring were formulated and advised by RBI vide circular DBOD No.BP.BC. No.37/21.04.132/2008-09 dated August 27, 2008.	Policy for Debt Restructuring Mechanism for MSME is in place (IC No.9093 dated 07.10.2011)

	<b>RBI Guidelines</b>	<b>Bank's Instructions</b>
6.8	<b>Credit Linked Capital Subsidy Scheme (CLCSS)</b> for technological upgradation of Micro & Small Enterprises -  The scheme is available for the eligible borrowers subject to the following major terms & conditions:  (i) Ceiling on the loan under the scheme is Rs.1 crore.	Bank has been implementing the scheme with its Lucknow Main branch as a nodal branch. The details of the scheme are circulated vide various Instruction & Information circulars. The latest in the series is Instruction Circular No.8744 dated 21.08.2010.

*all*

	<p>(ii) The rate of subsidy is 15% for all units of Micro &amp; Small Enterprises upto loan ceiling of Rs.1 crore etc.</p> <p>(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.</p>	
6.9	<p><b>Prime Minister's Task Force on Micro &amp; Small Enterprises -</b></p> <p>A High Level Task Force was constituted by the Government of India (Chairman Shri T.K.A. Nair) to consider various issues raised by MSMEs.</p> <p>Banks are advised to implement the recommendations of the Task Force vide RBI circular RPCD.SME&amp;NFS.BC. No.90/06.02.31/ 2009-10 dated June 29, 2010.</p> <p>The major recommendations are as under:</p> <p>i) To achieve a YoY growth of 20% under Micro and Small Enterprises to enhanced credit flow.</p> <p>ii) To increase the share of Micro Enterprises in MSE Lending to 60% in phases, viz. 50% in the year 2010-11, 55% in the year 2011-12 and 60% in the year 2012-13.</p> <p>iii) The annual growth in the number of Micro Enterprise accounts at 10%.</p>	<p>Bank has issued the instructions vide circular No.8662 dated 10.06.2010, for implementation of recommendations.</p> <p>MSE focused branches (Business Banking Branches) increased from 250 to 350. Identification of MSe Branches are reviewed from time to time for adding to/ deletion from.</p> <p>All Regional Offices are designated as MSE Care Centres.</p> <p>New Cluster specific Schemes are</p>

ul/

	iv) To open more MSE focused branch offices at different MSE Cluster, which can act as counseling centres for MSEs. Each lead bank of a district may adopt at least one MSE cluster.	designed in the lead districts of Varanasi & Bhadohi, and also in different regions on pan India basis. At present 16 clusters are approved which are mentioned in para 14 (Cluster Development)
--	--	--

## 7. Banking Codes and Standards Board of India (BCSBI)

BCSBI has formulated a code of Bank's Commitment to Micro and Small Enterprises. This code sets minimum standards of Banking Practices for Banks to follow when they are dealing with MSEs. It provides protection to MSEs and explains how banks are expected to deal with MSEs for their day to day operations and in times of financial difficulty.

This code has been adopted by the Bank in its Board Meeting dated 30<sup>th</sup> August 2008 and has been hosted on the Bank's website and circulated among all branches for the knowledge of customers and the staff. The contents of the MSE code are obligatory on the Bank's part. Hence, all the field functionaries and concerned are required to implement/follow the same in letter and spirit.

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

### 7.1 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 be expected of the services.
- d) Improve understanding of business to effective communication.
- e) Encourage market forces, through competition, to achieve higher operating standards.
- f) Promote a fair and cordial relationship between MSE & Banks and also ensure timely and quick response to banking needs.
- g) Foster confidence in the banking system.

7.2 The complete text of the Code is available at the Bank's website ([www.unionbankofindia.com](http://www.unionbankofindia.com)).

7.3 Bank has issued operational guidelines for the field functionaries for compliance of the MSE code. The said guidelines have been circulated vide Instruction Circular No.8190 dated 18.12.2008.

#### **8. Bank's initiatives for stepping up credit to MSMEs**

8.1 Bank has taken various initiatives for the credit growth to MSEs which are as under:

8.2 **Separate Organizational set up at Central Office:**

Central Credit & MSME vertical has been established headed by General Manager at Corporate Office to have focused attention on growth of MSE sector through selected Business Banking Branches.

8.3 **Business Banking Branches:-**

350 Business Banking Branches (credit thrust branches) have been identified for focused growth in MSE credit as per Annexure VII. These branches are directly monitored by the Corporate Office apart from their controlling Offices for the growth of business.

8.4 **Establishment of Centralized Processing Centers- SARALs-**

These are the Centralized Processing Centres, Sarals attached to Regional Offices, for meeting the following objectives:

- To accelerate the credit flow to MSMEs through focused sales and marketing.
- To enhance customer service through quick Turn Around Time.
- To reduce NPAs through efficient monitoring system.
- To lower cost and build expertise.

In order to achieve the above mentioned goals, the roles and responsibilities of the Sarals will be reviewed & redefined by Credit Department from time to time, as and when required.

Sarals functioning at different potential centers throughout the Country may be increased depending upon potential of centers. The endeavor will be to have Sarals at all ROs over a period of time.

At present SARALs are established at seventeen major centers attached to Regional Offices and are headed by experienced executives with adequate delegated authority for sanction of MSE advances as under:

Name of the Centres	No. of SARALs	Name of the Centres	No. of SARALs
Mumbai	3 (1 each at ROs)	Pune	1
Delhi	1	Hyderabad	1
Kolkata	1	Kanpur	1
Chennai	1	Jaipur	1
Bangalore	1	Meerut	1
Ahmedabad	1	Indore	1
Nagpur	1	Raipur	1
Chandigarh	1		

Detailed guidelines on SARALs have been issued vide IC no.8922 dated 28.03.2011.

For the benefit of field functionaries for immediate reference, the modifications in the existing work flow/structure of SARALs are provided as Annexure III.

#### 8.5 Developing Credit Officers Cadre:-

Learning and developing the appraisal skill has always remained the area of paramount importance in the SME field. SMEs are generally first generation entrepreneurs with high knowledge base. It is, therefore, necessary to have the necessary interactive skill while dealing with them. Bank has decided to develop cadre of credit officers in order to meet the challenges at the branch level and accordingly, decided to build a strong cadre of credit officers. Staff College, Bangalore has designed the following training programmes for imparting the credit skills, and updating the skills of the existing credit officers.

Bank has taken a conscious decision to form a cadre of skilled credit officers for better credit marketing and appraisal of the proposals. Credit Officers are identified and are given intensive in-house, on the job and external training, etc. These credit officers are deployed at the Business Banking branches/ SARALs involving the job of credit marketing and processing of the proposals. Nineteen phases of training have been completed covering 552 officers and two phases are under progress. Moreover, the bank has also recruited 250 experienced MSME credit officers in Senior Manager scale to further strengthen the cadre of credit officers.

In addition to this, Bank is also nominating the credit officers to the external credit programmes/workshops such as workshop on Credit Guarantee Scheme of CGTMSE, credit appraisal courses conducted by NIBM etc. The skill development of the credit officers has been advantageous for quick disposal of loan proposals and prompt credit delivery.

*cert*

Bank has come out with an incentive scheme for the officers who are successfully completing the certificate examination on SME financing conducted by Indian Institute of Banking & Finance.

- 8.6 **Cluster specific Schemes** are designed offering concessions in interest rates, Collateral securities etc. The details of the schemes/products are available on the Bank's Web-site.
- 8.7 Bank has designated all its regional offices as **MSE care centers**. Their details such as name & address of the office, contact person, phone numbers etc. have been made available on the Bank's Web-site.
- 8.8 Bank has adopted **MSE code**, formulated by BCSBI, formally for implementation. MSE code copies are circulated amongst all the branches for distribution to the MSE customers free of charge. The code is also available on the UBI website under MSME portal as MSE Code.
- 8.9 Bank, in partnership with SIDBI, has set up a **Management & Skill Development Institute at Jangipur**, Dist. Murshidabad, West Bengal on 31-01-2010. This institute is aimed at providing training to the rural unemployed youth, so as to enable them to take up suitable economic activities. The successful participants of the training course are also being provided with financial assistance through the Bank's branches.
- 8.10 **Simplified Common Loan Application Form for MSEs**

Indian Banks' Association (IBA) with the assistance of Bankers' Working Group on MSME has designed a Simplified Common Loan Application Form for MSEs to be used by the Bank. Bank has adopted the same and circulated among all the branches for use. A copy of the same is also on Bank's website.

All branches have been advised to use invariably simplified common loan application forms as per Annexure VIII. (Information Circular No.11101 dated 20.05.2009)

## 9. **Assessment of Credit Limits:-**

The applicable lending methods and other related matters for assessment of credit limits have been discussed in detail in the Bank's Loan Policy. Hence they are not repeated and can be referred to Policy in case of need. The RBI guidelines about assessment of credit limits through turnover method are as under:

### 9.1 **Assessment of Working Capital Requirements:-**

The Working Capital Requirements of the MSEs in manufacturing sector would be computed on the basis of minimum 20% of their projected annual turnover whose credit limit in individual cases is upto Rs. Rs.500 lacs.

As regards to the MSEs in Service sector, the working capital requirement would be computed on the basis of minimum 20% of their projected annual turnover whose credit limit in individual cases is upto Rs. Rs.100 lacs.

For higher limits, the applicable lending methods such as Flexible Bank Finance, Cash Budget Method, Net Owned Funds Method etc. are to be followed.

## **9.2 Assessment of Term Loan Requirements:-**

Term Loan assessment should be done as per the regular norms/guidelines prescribed by the bank depending upon the project cost, projected cash flow etc.

## **9.3 Off Balance Sheet Exposures:-**

The facilities like Letters of Credit, Bank Guarantee etc. can also be considered to the MSE borrowers as per the existing guidelines of the bank.

## **9.4 Loans under TUF Scheme:-**

The scheme for the textiles and jute industries under TUFs (Restructured Technology Upgradation Fund Scheme of Ministry of Textiles, Govt. of India) is in operation with effect from 28.04.2011 to 31.03.2012. The salient features of the scheme are circulated vide our IC No. 8947 dated 30.04.2011.

# **10. Risk Rating & Pricing**

## **10.1 Risk Rating**

Comprehensive Risk rating models are developed by the Bank, based on which the following risk ratings are assigned to the borrowers:

Rating	Risk Nomenclature
CR1	Lowest Risk
CR2	Minimal Risk
CR3	Moderate Risk
CR4	Satisfactory Risk
CR5	Acceptable Risk
CR6	Watch List
CR7	Risk Prone
CR8	High Risk
CR9	Substandard
CR10	Doubtful
CR11	Loss

Rating will be primarily used for the purpose of individual credit decision, pricing & deciding the sanction terms that can be offered on a credit facility, surveillance, monitoring & internal MIS, portfolio analysis, assessing the aggregate risk profile of the bank etc.

The investment grade for all the new proposals are from CR-1 to CR-5. Rating CR-6, CR-7 and CR-8 will be treated as Non Investment grade and the Bank shall not take a new exposure in this category. However, the hurdle rate for take over accounts shall be CR-4.

## **10.2 Pricing:**

In respect of credit facilities where the rates of interest are governed by RBI, the Bank shall stipulate appropriate rate of interest in line with the instructions received from the Central Bank. But in respect of credit facilities where Bank has freedom to fix lending rates, the Bank shall generally adopt risk based pricing.

Presently all advances except certain specified categories, are linked to BPLR & Base Rate. The pricing of advances, other than fixed interest bearing loans, is done on the basis of credit rating of the borrower. As per the RBI guideline, the Bank has switched over to the Base Rate System replacing the existing Bench Mark Prime Lending Rate with effect from 1st July, 2010.

## **11. Portfolio Monitoring:**

A separate Credit Monitoring Department covering all verticals has been set up at Central office. The details of roles & responsibilities and functioning of the department are brought out in the Credit Monitoring Policy.

## **12 MSME Vertical -Role and Objectives**

- 12.1 Bank has adopted a policy package for stepping up credit to MSEs which was approved by the Board in its meeting held on 30<sup>th</sup> September 2005 and MSE Cell was established at Credit Department Central Office. Subsequently it was decided to establish an exclusive MSME department to have a focused attention to the MSME business. Accordingly, at the beginning of the Financial Year 2008-09 MSME vertical has been established at Central Office headed by General Manager which has been renamed as Central Credit & MSME with focused attention on MSME. Following are the Roles and Objectives of the vertical:

my



- 12.1.1 To keep a track of Govt. Guidelines/RBI Guidelines, market requirements and accordingly to formulate Bank's policy on MSE in line with laid down guidelines and to modify the policy from time to time.
- 12.1.2 To design lending schemes for segment specific/cluster-specific MSEs from time to time to drive business growth.
- 12.1.3 To put in place marketing strategies and marketing teams at Regional Offices/ Branches for aggressive marketing to tap the market potentials for lending to MSEs.
- 12.1.4 To identify broad inputs for the training courses to be conducted for skill development of the field functionaries for quality appraisal and marketing of credit proposals.
- 12.1.5 Identification of MSE clusters with a view to market our products/schemes, in consultation with SIDBI / Govt. of India.
- 12.1.6 To fix business growth targets for MSE lending for respective Regional Offices in consultation with ROs/FGMOs and periodical review of actual achievement vis-à-vis targets.
- 12.1.7 Identification of credit thrust branches having the maximum MSE finance/ potential for MSE business and monitor these branches directly to have a focused and maximum MSE business growth.
- 12.1.8 To extend support to the field functionaries for achieving business targets under MSE by giving marketing strategies and visit of executives from Central Office to the controlling offices for liaisoning with other Financial Institutions, Industry and Traders Associations.
- 12.1.9 MSME Vertical is also overseeing the growth of MSE business of the Bank as a whole apart from the credit thrust branches.
- 12.1.10 Apart from this, CC&MSME Vertical will be responsible for the following financial and non-financial KRAs:
- i) **Financial KRAs**
- Growth in MSME Credit
  - Yield on MSME Credit Portfolio
  - Incremental Business/revenue from special cluster schemes.
  - Delinquency Rates.

ii) **Non Financial KRAs**

- Establishment of SARALs where business opportunities exist - A complete Business Model having adequate Manpower with assured Turn Around Time for quick disposal of MSME proposals.
- Ongoing identification and review of "Business Banking Branches"
- Holding of monthly MSME camps at various potential Centers/Clusters.
- Launch of Cluster Specific Schemes.
- Aggressive MSME Publicity Campaign and Brand Building Initiatives.
- Building of MSME cadre, a silo of specialized officers who will have expertise in Credit Appraisal/Processing of MSE proposals, Marketing and Monitoring.
- Comprehensiveness, accuracy and timeliness of policy documents/ database.
- Returns to RBI and Ministries.
- Business planning & periodic reviews.

**13. MSME Products**

The credit requirements of MSMEs vary according to place, cluster, activity etc. In this age of fast changing technology and competition, MSMEs require hassle free credit facilities for updation of technologies, acquisition of machineries, tide over the liquidity crunch etc. Bank has, therefore, designed various MSME products looking into the requirements of the borrowers.

The brief particulars of the some major products are reproduced in the Annexure VI.

**14. Cluster Development:**

As per Ganguly Committee recommendations, banks have been advised that a full service approach to cater to the diversified needs of the MSE Sector may be achieved through extending banking services to recognize MSE clusters by adopting a 4-C approach viz. Customer Focus, Cost Control, Cross Sales and Contain Risk. A cluster based approach to lending may be more beneficial:

- In dealing with well defined and recognized groups.
- Availability of appropriate information for risk assessment and
- Monitoring by the Lending Institutions.

Bank has taken various initiatives for financing the units in clusters across the country through its branches. Bank has designed different cluster specific schemes taking into account the market environment, customers' requirements etc.

These existing cluster specific products are suitably modified from time to time to make them more attractive and competitive taking into account, customers' requirement and feedback from the field functionaries.

The Bank has put in place cluster specific schemes which are as under -

- i) Financing purchase of LPG driven Auto Rickshaw in Chennai.
- ii) Financing Small Hosiery Units in Kolkata.
- iii) Financing Replacement of Old Taxis in Kolkata.
- iv) Financing Textile Units in Panipat.
- v) Financing Textile Units in Bhilwara.
- vi) Financing Auto Ancillary Units in Jamshedpur.
- vii) Financing Agricultural Processing Units/Rice Mills in Chattisgarh/Orissa.
- viii) Financing Manufacturers and Traders in Iron & Steel Sector in Faridabad, Karnal Region.
- ix) Financing Footwear Units in Bahadurgarh (Haryana).
- x) Financing Carpet Artisans in Bhadohi.
- xi) Financing Handloom Weavers in Varanasi.
- xii) Financing Steel Rolling & Rerolling Mills / Manufacturing of SS sheets, utensils at Jodhpur.
- xiii) Financing Stevedoring & logistics industry in Visakhapatnam.
- xiv) Financing plywood cluster specific scheme at Perumbavoor.
- xv) Financing to wholesale steel traders in Visakhapatnam.
- xvi) Financing Hosiery Units in Ludhiana.
- xvii) Financing Rice Mill Units in Bangaluru.
- xviii) Financing Drug & Pharmaceutical Units in Buddi, Chandigarh and Hyderabad.
- xix) Financing Rice Mill Units in Kalady, Ernakulam Region.
- xx) Financing Rice Mill Units in Durgapur Region.
- xxi) Financing Namkeen & Snacks manufacturing Units in Indore Region.
- xxii) Financing Auto Ancillary & Fasteners Units in Rohtak.
- xxiii) Financing Plywood manufacturing Units in Yamunanagar, Karnal Region.
- xxiv) Financing Rice Mill Units in Nellore & Ludhiana Region.
- xxv) Financing Road Transport Operators in Salem.
- xxvi) Financing Wholesale Steel Traders in Vijaywada.
- xxvii) Financing Rice Mill Units in Balaghat Distt. In Jabalpur Region.

#### 15. MOU with SIDBI:

SIDBI is the premier term lending institution established for extending the financial assistance to MSEs. It has developed expertise and gained vast experience in project financing. The Bank has entered into an MOU with SIDBI for aggressive marketing and co-financing of MSEs. The salient features of the MOU are as under:

- Joint identification of viable projects
- Co-financing of the projects
- In cases where term loan is considered by SIDBI, working capital facilities would be sanctioned by the Bank and vice versa.

## 16. MOU with External Credit Rating Agencies -

- 16.1 The external crediting rating enables the MSMEs to compete with the market players on global level. Similarly, it also helps banks to evaluate MSME's credit proposals in a better way. However, MSMEs in general are not very keen to get their units/accounts rated from the external credit rating agencies. In order to motivate the MSMEs, National Small Industries Corporation (NSIC) is providing subsidy towards the payment of fees of the external credit rating agencies. With a view to motivate MSE customers, bank provides incentive by way of concession in interest rate in case the unit is rated by an approved rating agency.

Rating	Concession
Highest Rating	0.50% pa
2 <sup>nd</sup> Highest Rating	0.25% pa

Bank has approved and executed MOUs with SME rating Agency SMERA, CRISIL, ONICRA and Brickwork Ratings India Pvt. Ltd. for external credit rating of the SMEs.

## 17. Channel Financing initiatives

- 17.1 Bank has entered into an MOU with Ashok Ley Land limited and Tata Motors Ltd for (a) their dealer financing and (b) financing individuals for purchasing vehicles from these companies. The details of these schemes have been provided to the field functionaries vide Instruction Circular No. 8371- dt.14-07-2009 (Ashok Leyland Ltd) and 8451 dt.29.09.2009 (TML Distribution Co)

## 18. Collateral Free Loan and Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE):

Credit Guarantee Scheme of Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) was established in August, 2000 and promoted by Government of India and SIDBI with an objective of providing the guarantee cover to the collateral free loans extended to Micro & Small Enterprises under its scheme known as Credit Guarantee Scheme.

- 18.1 The main features of the Credit Guarantee Scheme are as under:

- Loans extended to MSEs (as per MSMED Act, 2006) which are collateral free and without any third party personal guarantees are eligible (Loans to Retail Traders are not eligible). Branches not to accept any collateral in case of loans upto Rs.10 lacs extended to MSE.
- Branches can also provide collateral free credit limits upto Rs.100 lacs under Credit Guarantee Scheme for MSEs subject to the satisfaction of

borrower's track record and good & sound financial position.  
(Instruction Circular No. 8220 dt.20.01.2009)

- Credit facility of above Rs.100 lacs can also be covered, but guarantee coverage will be for Rs.100 lacs (maximum claim will be limited to Rs.62.50 lacs). In such case, no collateral security/third party guarantee shall be obtained by the bank for credit facility above Rs.100 lacs.
- All fund/non-fund based facilities are covered.

Certain activities under Agri-Clinics and Agri-Business Centres like Tissue Culture, Feed Processing & Testing units, Honey & Bee Product processing units, setting up of Information Kiosks/ Cool Chain etc. are also eligible for guarantee cover under the scheme.

- Borrower may be sanctioned distinct/ separate credit facilities, but only credit facility not backed by collateral security/ third party guarantee can be covered under the scheme.
- Maximum cover of up to 85% of credit facility, *depending upon category of borrower and guarantee coverage.*
- Credit for retail trade, educational/ training institutions and SHGs are not eligible.
- Both fund based and non-fund based credit facilities, viz. term loan, Working Capital, Composite Loan, LCs, Guarantees etc. can be covered.
- Credit proposals above Rs.50 lacs will have to be rated internally and should be of investment grade.

## 18.2 CGS-Extent of Guarantee Cover

Borrower Category	Maximum Guarantee Cover, Where credit facility is		
	Upto Rs.5 lacs	Above Rs.5 lacs upto Rs.50 lacs	Above Rs.50 lacs upto Rs.100 Lacs
Micro Enterprises	85% of Amount in default subject to a max. of Rs.4.25 lacs	75% of Amount in default subject to a max. of Rs.37.50 lacs	Rs.37.50 lacs plus 50% of amount in default above Rs.50 lacs subject to overall ceiling of Rs.62.50 lacs
Women Entrepreneurs/ Units located in	80% of Amount in default subject to a max. of Rs.40 lacs		Rs.40 lacs plus 50% of amount in default above Rs.50 lacs subject to

North East Region (incl. Sikkim) - Other than credit facility upto Rs.5 lacs to Micro Ent.		overall ceiling of Rs.65 lacs
All other category of borrowers	75% of Amount in default subject to a max. of Rs.37.50 lacs	Rs.37.50 lacs plus 50% of amount in default above Rs.50 lacs subject to overall ceiling of Rs.62.50 lacs

### 18.3 CGS- Details of Fees payable for the Guarantee Cover

- **Guarantee Fee (GF):** GF is to be paid upfront for commencement of Guarantee cover.
- **Annual Service Fee (ASF):** ASF is to be paid for all accounts for which Guarantee Cover has been availed/ is in force in a financial year, at the beginning of the next financial year within 60 days. i.e., by 31<sup>st</sup> May.

#### Details of GF and ASF

Credit Facility	Upfront Guarantee Fee		Annual Service Fee
	North East Region (incl. Sikkim)	Others	
Upto Rs.5 Lacs	0.75%	1.00%	0.50%
>Rs.5 Lacs to Rs.50 Lacs	0.75%	1.50%	0.75%
>Rs.50 Lacs to Rs.100 Lacs	1.50%	1.50%	0.75%

50% of Guarantee fee as well as annual service fee payable under the scheme will be borne by Bank and balance 50% will have to be borne by the respective borrower(s) (IC 6645 dated 28.03.03).

### 18.4 CGS- Time limits

Lodgment of Application (linked to sanction date)	End of next quarter (For credit facility sanctioned during the quarter, July-Sep,2009, application for Guarantee Cover can be lodged upto December 31,2009)
Payment of Guarantee Fee (linked to Disbursement/ Demand date)	30 days from date of demand/ first disbursement, whichever is later (eg. If demand advice date is June 10, 2009 and first disbursement is on June 28, 2009, guarantee fee should be paid within 30 days from June 28, 2009)
Payment of Annual Service Fee (linked to close of financial year)	May 31 of next Financial Year (For guarantee cover availed during FY 2009, ASF was to be paid by May 31, 2009). Annual Service Fee is to be paid till disbursement of first installment of claim.

cel/

### 18.5 CGS- Lodging of claims

- Claim is to be lodged within a maximum period of one year from date of NPA, if NPA is after lock-in period or within one year of expiry of lock-in period, if NPA is within lock-in period.
- Lock in Period for lodgment of claims under credit guarantee scheme is 18 months from either the date of last disbursement of loan or the date of payment of guarantee fee in respect of credit facility to the borrower, whichever is later, has elapsed (IC 8226 dated 29.01.2009).
- Pre-requisites for lodging claims are:
  - Guarantee Cover is in force
  - Amount classified as NPA
  - Recall Notice issued
  - Lock-in period expired
  - Recovery proceedings initiated.

### 18.6 CGS-Benefits

Credit Guarantee Scheme is a tool for:

- Widening of credit portfolio
- Better management of risk
- Faster recovery of dues
- Enhancement of profitability

18.7 In order to extend the collateral free loans to number of MSE accounts and cover the same under the Credit Guarantee Scheme, Bank has assigned the targets to the Regions for covering accounts under the CGS. The Regions are supposed to distribute these targets among the branches in their jurisdiction. Similarly, as per the directives of RBI, the performance of the field functionaries regarding coverage of accounts under CGTMSE scheme has been considered as one of the parameters for evaluating the performance of the field functionaries (HRD Circular HRD:MG:397:11 dated 28.03.2011).

### 19. Management Information System: Submission of Weekly Flash data and Monthly MSME Statement.

To reduce the burden of submission of the statements at Branch/ RO level, suitable MIS package has been installed. Proper feeding of data/ particulars relating to the accounts in the Finacle is the prerequisite for the generation of correct report/ return through MIS. Hence branches/RO should ensure that the data/ particulars relating to the accounts are properly fed/ updated in the Finacle for stabilization of the MIS.

**20. Modification and Review/Revision**

- 20.1 The Policy shall be modified to give effect to the changes in the existing guidelines/directives/instructions based on the directives/advice of Reserve Bank of India/Govt. of India/other regulatory authorities, issued from time to time, subject to reporting and approval of the Board of Directors.
- 20.2 The Policy will be reviewed / revised from time to time, atleast once in a year to adapt to the changing economy/environmental demands and to incorporate/ implement any changes in the credit strategy of the Bank related to the MSE customers.

\*\*\*\*\*

*cut*



List of SARALs

1. Mumbai RO South
2. Mumbai RO North
3. Mumbai RO West
4. Delhi RO North
5. Kolkata
6. Chennai
7. Bangalore
8. Ahmedabad
9. Nagpur
10. Chandigarh
11. Jaipur
12. Hyderabad
13. Kanpur
14. Jaipur
15. Meerut
16. Indore
17. Raipur

\*\*\*\*\*

## Annexure-III

S.No.	Existing SARAL Model	Modifications suggested
I	The Turn Around Time (TAT) is being measured from the date on which SARAL has received the proposal from the BBB/Branch with all necessary documents.	<ul style="list-style-type: none"> <li>SARAL will ensure ownership of TAT (end to end i.e. from receipt of the proposal from the borrower/applicant till its sanction) viz. customer TAT, for new proposals and renewals with enhancements.</li> <li>The prescribed customer TAT is decided as 20 working days.</li> </ul>
II	Branches will be collecting and submitting all the documents required for processing of proposals to SARAL. (These papers were being submitted along with recommendations by the branch)	<ul style="list-style-type: none"> <li>A comprehensive document check-list is designed which is containing list of minimum mandatory and non-mandatory documents.</li> <li>Branches are required to submit only the mandatory documents to SARAL as per the check-list (Annexure I).</li> <li>A format of the letter to be sent by the SARAL to the customers/ borrower asking for the documents is designed, which is enclosed as Annexure II</li> </ul>
III	SARAL team will interact with the borrower/ applicant for obtaining remaining papers/ clarification for the queries raised in the proposal. These directives are not being implemented uniformly at the SARAL level.	<ul style="list-style-type: none"> <li>It is mandatory on the part of SARAL to deal with the customers directly, keeping branch informed about the developments.</li> </ul>
IV	Branches should examine the credit worthiness of borrower/applicant and recommend suitable credit limits for sanction.	Since the branches are not required to process the proposals beyond their delegated authority, they will not recommend the loan limits. Instead, they will recommend only the credit worthiness of the borrower/applicant based on the due diligence done by the branch (A specimen recommendation letter format to be submitted by Branch is enclosed as Annexure III).

S.No.	Existing SARAL Model	Modifications suggested
V	The processing of the renewals at the existing level, beyond the delegated authority of the branch has to be done by the SARALs.	<ul style="list-style-type: none"> <li>Processing of the renewals at the existing levels/limits has to be done at the branch level. The proposal thereafter will go through respective Credit Approval Grid.</li> <li>Then the proposals will be sent for vetting, Credit Approval Grid and sanction of the limits to the appropriate sanctioning authority.</li> <li>SARALs will not handle these proposals.</li> <li>As regards new sanctions and renewals with enhancement in the limits, there is no change and the existing process will continue.</li> </ul>
VI	There is presently no mechanism for monitoring of TAT on regular basis.	<ul style="list-style-type: none"> <li>TAT at all SARALs to be measured through MIS and the SARAL Incharge will be responsible for the customer TAT.</li> </ul>
VII	All proposals emanating from SARALs should be sent in LAS.	<ul style="list-style-type: none"> <li>In earlier model also, branches were asked to submit the proposals in LAS but there was no follow-up and compulsion. However, now it is made mandatory to submit the proposal to the sanctioning authority through LAS without exception.</li> <li>A LAS Desk is set up at MSME Department. On receiving the feedback from the field, the existing LAS will be suitably amended on an on-going basis.</li> <li>There should be a LAS Desk developed at SARAL for smooth adoption of LAS. The officers at LAS Desk as well as the users will also be guided by Central LAS Desk constituted at MSME and DIT.</li> </ul>

cut

S.No.	Existing SARAL Model	Modifications suggested
		<ul style="list-style-type: none"> <li>SARAL heads have to track the proposal through MIS and ensure compliance of TAT standards.</li> </ul>
VIII	Sales/Marketing support is not provided to the SARALs. The main function of the SARAL is processing of the credit proposals.	<ul style="list-style-type: none"> <li>Marketing Teams will be attached to SARALs consisting of senior and experienced credit officers. These teams will be canvassing new proposals on their own and assisting the BBBs in providing the leads.</li> <li>For the credit proposals canvassed by the sales officers, due diligence, pre sanction inspection and documents collection will be done by the sales officers only. Branches will not be required to do this job.</li> <li>The exact modalities of the marketing force will be decided afterwards.</li> <li>SARAL head will function as a screening authority for the proposals canvassed by the marketing team. The screened proposals will be processed on top priority at SARAL.(Fast Track Desk).</li> <li>Each credit proposal processed / submitted by SARAL should mandatorily be in LAS only.</li> <li>The proposal marketed by the sales force and sanctioned by SARAL will be parked at the nearest branch or as opted by the borrower.</li> <li>The performance of the Marketing Team will be evaluated on the basis of the proposals canvassed by each Marketing Officer.</li> </ul>

cut

S.No.	Existing SARAL Model	Modifications suggested
		<ul style="list-style-type: none"> <li>Each Marketing Officer will be assigned target by SARAL head for canvassing credit proposals</li> </ul>
IX	SARAL Heads are not assigned any targets.	<ul style="list-style-type: none"> <li>The performance of the SARAL Head will be assessed on three parameters viz. TAT for processing of proposals, MSME advances, Quick Mortality.</li> <li>SARAL heads will be assigned Monthly/Quarterly/Yearly targets on these parameters.</li> </ul>
X	SARAL is a part of Regional Office and SARAL Head is reporting to Regional Head as his superior.	<ul style="list-style-type: none"> <li>SARAL will be attached to Regional Office but it will be an independent unit and will not be a part of R.O. SARAL Head will manage only SARAL Credit Processing team and Marketing team. He will not be assigned any other work other than that for which he is responsible and has been assigned the targets.</li> </ul>
XI	BBBs/Branches are so far not assigned any target for forwarding any proposal to SARAL	<ul style="list-style-type: none"> <li>All BBBs of the Region are mandated to provide at least one quality proposal to SARAL every month</li> </ul>

*all*

# Annexure IV

## Mandatory documents required for processing

Status  
(Received /  
Required / Not  
required)

1. Loan application form completely filled up
2. PAN card of the proprietor
3. CMA data along-with projections for next year
4. Audited financials of last three years :

1. Audited balance sheet, Profit and Loss statement with notes on accounts, annexure and schedules	1. Company / Firm
	2. Proprietors / Partners / Directors
	3. Sister concerns
2. Provisional balance sheet or sales-purchase figures for the period between audited balance sheet and loan application	Company / Firm
3. IT returns with acknowledgements	Company / Firm / Proprietors / Partners / Directors

5. Order book position / contracts / proof of demand till the date of application (for exporters PC / FDBP)
6. VAT returns / last sales tax assessment order
7. Status of statutory clearance certificates at the date of application (Certificates themselves can be submitted pre-disbursal)
8. Lead bank assessment note (in case of consortium)
9. Partnership declaration / article of association, memorandum of association and resolution (In case of company)
10. Break-up of debtors (more than 6 months, less than 6 months);
11. Break-up of cash and kind, loans and advances

### Additional documents required in case of takeover account

1. NOC / status of the account
2. Statement of account for last one year
3. Copy of sanction letter

### Additional documents required for term loan/ LC for capital good application, if they are not included in project report

1. Cash flow and fund flow statement
2. Profitability projects and assumptions (provide softcopy of the same)
3. Breakeven analysis
4. IRR working, DSCR working
5. DSRA working (for infrastructure & real estate projects)
6. Analysis of previous sources & uses of funds, if project already underway
7. CA certificate for promoter's contribution
8. Detail on the project
  - a) Details & cost of machinery, suppliers of machinery
  - b) Quotation / performa invoices from supplier

## Annexure-IV-contd..

- c) Install capacity calculation
- d) Underlying competition
- e) Raw material details & its availability
- f) Market survey: Viability reports from market, reports from association
- g) Implementation schedule of the project
- 9. Sensitivity analysis


### Additional document required in case of factory building

- 1. Building approval plan
- 2. Estimate from architecture
- 3. Statuary clearances: Environment & pollution clearance
- 4. Electricity & water sanction proof
- 5. Technical evaluation report required from outside agency (infra projects)


### Additional documents required for raw material LC

- 1. Pattern of purchase, % of import vs local (with import license)
- 2. % of purchase under LC
- 3. Lead time required
- 4. DA period in case of DA LC


### Additional details required in case of bank Guarantee

- 1. Details of existing guarantees & facilities
- 2. Bid bound / security deposit
- 3. Contract details: Size of contract, period of execution, phases in which it will get implemented, success probability, upfront payment & other bidding details
- 4. Sales projection for contract income projection


### Additional documents required for sensitive sectors

- 1. List of projects executed & under process (in case of real estate)
- 2. Cash budget projection (in case of real estate)
- 3. RBI registration, declaration on attracting public funds (in case of NBFC)


cut

**MINISTRY OF SMALL SCALE INDUSTRIES  
NOTIFICATION**

**New Delhi, the 5th October, 2006**

S.O. 1722(E) - In exercise of the powers conferred by sub-section (1) of 2006) herein referred to as the said Act, the Central Government specifies the following items, the cost of which shall be excluded while calculating the investment in plant and machinery in the case of the enterprises mentioned in Section 7(1)(a) of the said Act, namely:

- (i) equipment such as tools, jigs, dyes, moulds and spare parts for maintenance and the cost of consumables stores;
- (ii) installation of plant and machinery;
- (iii) research and development equipment and pollution controlled equipment
- (iv) power generation set and extra transformer installed by the enterprise as per regulations of the State Electricity Board;
- (v) bank charges and service charges paid to the National Small Industries Corporation or the State Small Industries Corporation;
- (vi) procurement or installation of cables, wiring, bus bars, electrical control panels (not mounded 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;
- (vii) gas producers plants;
- (viii) transportation charges ( excluding sales-tax or value added tax and excise duty) for indigenous machinery from the place of the manufacture to the site of the enterprise;
- (ix) charges paid for technical know-how for erection of plant and machinery;
- (x) such storage tanks which store raw material and finished produces and are not linked with the manufacturing process; and (xi) firefighting equipment.

2. While calculating the investment in plant and machinery refer to paragraph 1, the original price thereof, irrespective of whether the plant and machinery are new or second handed, shall be taken into account provided that in the case of imported machinery, the following shall be included in calculating the value, namely;

- (i) Import duty (excluding miscellaneous expenses such as transportation from the port to the site of the factory, demurrage paid at the port);
- (ii) Shipping charges;
- (iii) Customs clearance charges; and
- (iv) Sales tax or value added tax.

----- sd -----

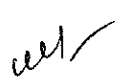
(F.No.4(1)/2006-MSME- Policy)  
JAWHAR SIRCAR, Addl. Secy.

*any*



**ANNEXURE VI****MSME Products**

1	<b>Union High Pride: -</b>	
	Eligibility	<ul style="list-style-type: none"><li>• Companies/ Trading firms/ Business Enterprises/ Service units requiring credit facilities above Rs.5 crores up to Rs.25 Crores.</li><li>• Mid Corporate Enterprises with Investment in Plant &amp; Machinery from Rs.1 Crore to Rs.10 Crores.</li><li>• Credit Rating of CR4 and above.</li></ul>
	Purpose	<ul style="list-style-type: none"><li>• Term Loans for purchase of Machineries/ Equipments, Construction of Industrial Shed/ Gala for Industrial Units.</li><li>• Working Capital needs of mid segment industrial firms.</li><li>• Working Capital/ Term Loans in case of Trading units/ Business Enterprises/ Service units.</li></ul>
	Quantum	<ul style="list-style-type: none"><li>• Above Rs.5.00 crs, upto Rs.25.00 crs</li></ul>
	Appraisal Standards	<ul style="list-style-type: none"><li>• The acceptable financial ratios are: Current Ratio minimum 1:10, Debt Equity Ratio not more than 3:1, TOL/TNW not more than 4:1.</li></ul>
	Security	<ul style="list-style-type: none"><li>• Prime - Hyp. of current assets in case of WC facilities &amp; first charge on P&amp;M/ equipments in case of Term Loans.</li><li>• Collateral - EM of factory land and building, wherever available. Advance to be covered by collaterals covering atleast 20% of the exposure (FB+NFB).</li><li>• Personal guarantee of promoters.</li></ul>
	Margin	<ul style="list-style-type: none"><li>• 20%</li></ul>
	Interest	<ul style="list-style-type: none"><li>• As applicable with reference to the latest Circular</li></ul>



<b>2</b>	<b>Union Procure:-</b>	
	Eligibility	<ul style="list-style-type: none"> <li>Selected Vendors supplying to identified large Corporate borrowers of the Bank.</li> </ul>
	Purpose	<ul style="list-style-type: none"> <li>Receivable Financing.</li> </ul>
	Quantum	<ul style="list-style-type: none"> <li>Rs.25 lacs to Rs.5 Crs.</li> </ul>
	Appraisal Standards	<ul style="list-style-type: none"> <li>Turnover Method for SSI units upto limit of Rs.5 Crs.&amp; Others upto Rs.1 Crs. Flexible Bank Finance for above Rs.1Crore.</li> <li>Current Ratio should not be less than 1.10:1, TOL/TNW should not exceed 4:1 and LTL/TNW should not exceed 2:1.</li> </ul>
	Security	<ul style="list-style-type: none"> <li><u>Primary</u>-DA Bills drawn b vendors and duly accepted by Corporates.</li> <li><u>Collateral</u> -To cover at least 10% of advance.</li> </ul>
	Margin	<ul style="list-style-type: none"> <li>NIL</li> </ul>
	Interest	<ul style="list-style-type: none"> <li>As applicable with reference to the latest Circular</li> </ul>
<b>3</b>	<b>Union Supply: -</b>	
	Eligibility	<ul style="list-style-type: none"> <li>Selected authorized dealers of identified large corporate borrowers of the bank.</li> </ul>
	Quantum	<ul style="list-style-type: none"> <li>Rs.25 Lacs to Rs.5 Crs. by way of Buyers' Bill Discounting.</li> </ul>
	Appraisal Standards	<ul style="list-style-type: none"> <li>Turnover Method for SSI units upto limit of Rs.5 Crores &amp; Others upto Rs.1 Crore, FBF for above Rs.1 Crore.</li> </ul>
	Security	<ul style="list-style-type: none"> <li><u>Prime</u>-DA Bills drawn by the Corporates duly accepted by the Dealer or accepted Challans/ Invoices.</li> <li><u>Collateral</u>- To cover at least 30% of the Advance.</li> </ul>
	Margin	<ul style="list-style-type: none"> <li>NIL</li> </ul>
	Interest	<ul style="list-style-type: none"> <li>As applicable with reference to the latest Circular</li> </ul>

*cur*

4	<b>Term Loan for PCOs and Cyber Cafes (Union Cyber):-</b>	
	Eligibility	<ul style="list-style-type: none"> <li>• An educated youth with basic computer knowledge particularly in rural and semi urban centers. Women entrepreneurs are given preference.</li> <li>• Minimum Qualification-S.S.C., Age-between 18 to 30 years, should possess a certificate having completed a basic computer knowledge course.</li> </ul>
	Purpose	<ul style="list-style-type: none"> <li>• A Term Loan can be considered for setting up internet/cyber café for purchase of Computers/PCO Equipments, furniture etc. at rural, semi urban and urban centers.</li> </ul>
	Quantum	<ul style="list-style-type: none"> <li>• Maximum Rs.3.00 Lacs.</li> </ul>
	Appraisal Standards	<ul style="list-style-type: none"> <li>• Regular Appraisal for sanctioning of Term Loan.</li> </ul>
	Security	<ul style="list-style-type: none"> <li>• Hyp. of Assets to be acquired out of Bank Finance.</li> <li>• Collateral Nil. Loan is under Credit Guarantee Scheme of CGTMSE</li> </ul>
	Margin	<ul style="list-style-type: none"> <li>• 20%</li> </ul>
	Interest	<ul style="list-style-type: none"> <li>• As per the latest circular on interest rate.</li> </ul>
	Repayment	<ul style="list-style-type: none"> <li>• 3 to 5 years depending upon the cash flow.</li> </ul>

all ✓

5	<b>"SME PLUS"-For Temporary Short Term Working Capital Requirements of MSE:-</b>	
	Purpose	<ul style="list-style-type: none"> <li>• All kind of genuine credit needs of temporary nature to tide over liquidity crunch.</li> <li>• Repayment of high cost short term borrowings</li> <li>• Meeting W.C. needs arising out of bunching of orders.</li> <li>• Delay in shipment/realization of receivables.</li> <li>• Sudden increase in cost of raw materials etc.</li> <li>• Mismatch in cash Flows</li> </ul>
	Quantum	<ul style="list-style-type: none"> <li>• Adhoc Working Capital limit up to 20% of the existing overall Fund based credit facilities in respect of units having over all fund based credit facilities up to Rs.10 Crores.</li> </ul>
	Security	<ul style="list-style-type: none"> <li>• Primary:-Extension of Bank's charge over current and fixed assets.</li> <li>• Collateral:-               <ol style="list-style-type: none"> <li>1) Extension of charge over existing collateral.</li> <li>2) Personal guarantee of proprietor/ partners/ directors.</li> </ol> </li> </ul>
	Margin	<ul style="list-style-type: none"> <li>• Minimum-25%</li> </ul>
	Interest	<ul style="list-style-type: none"> <li>• 2% above the applicable rate of interest.</li> </ul>
	Repayment	<ul style="list-style-type: none"> <li>• Repayable within one year with a moratorium of six months.</li> <li>• During the moratorium period, the borrower has to pay the interest charged from time to time.</li> </ul>

cut

<b>6</b>	<b>FINANCING the purchase of GENERATOR SETS in power deficit states</b>	
	Purpose	<ul style="list-style-type: none"> <li>To purchase a new diesel generator set of a standard company of appropriate capacity depending upon the size of the unit</li> </ul>
	Quantum	<ul style="list-style-type: none"> <li>For Micro Enterprises -</li> <li>Manufacturing (up to 50KVA) - up to Rs. 5 lac</li> <li>Services (up to 25KVA) - up to Rs. 4 lac</li> <li>For Small Enterprises -</li> <li>Manufacturing (up to 125KVA) - up to Rs. 8 lac</li> <li>Services (up to 100 KVA) - up to Rs. 7.50 lac</li> <li>For Medium Enterprises -</li> <li>Manufacturing (up to 250 KVA) - up to Rs. 15 lac</li> <li>Services (up to 160 KVA) - up to Rs. 10.50 lac</li> </ul>
	Nature of facility	<ul style="list-style-type: none"> <li>Term Loan</li> </ul>
	Eligibility	<ul style="list-style-type: none"> <li>All registered MSME units that are financially viable and located in Bihar, Haryana, Andhra Pradesh, Jharkand, Madhya Pradesh, Maharashtra, Tamil Nadu, Nagaland, Tirupura and Uttar Pradesh</li> <li>Enjoying credit limits with Union Bank or having account with the Bank and do not enjoy credit facilities with any other bank</li> <li>Credit Rating Minimum CR-5</li> </ul>
	Appraisal	<ul style="list-style-type: none"> <li>Average DSCR should be minimum 1.25:1 and above</li> </ul>
	Security	<ul style="list-style-type: none"> <li>Mortgage of asset created out of Bank Finance</li> <li>Extension of charge on Fixed Assets</li> </ul>
	Interest	<ul style="list-style-type: none"> <li>As per latest circular</li> </ul>
	Margin	<ul style="list-style-type: none"> <li>15%</li> </ul>
	Repayment	<ul style="list-style-type: none"> <li>Maximum period of 60 months with moratorium period of 6 months</li> </ul>
	Processing charges	<ul style="list-style-type: none"> <li>50% of applicable charges.</li> </ul>

<b>7</b>	<b>UNION TRANSPORT</b>	
	Purpose	<ul style="list-style-type: none"> <li>To finance transport operators upto 10 vehicles of all make, Utility Vehicles, Light Commercial, Medium Commercial, Luxury, and Heavy Commercial Vehicles</li> </ul>
	Quantum	<ul style="list-style-type: none"> <li>Up to Rs.15.00 lac for 1 to 2 vehicles</li> <li>Up to Rs. 350 lac per fleet operator for owning not more than 10 vehicles</li> </ul>
	Nature of facility	<ul style="list-style-type: none"> <li>Term Loan</li> </ul>
	Eligibility	<ul style="list-style-type: none"> <li>Individual or association of not more than 6 persons</li> <li>Corporates/firms engaged as fleet operators owning not more than 10 vehicles including the one proposed to be financed</li> </ul>
	Security	<ul style="list-style-type: none"> <li>Prime - Assets created out of Bank Finance (Vehicles)</li> <li>Collateral - Equitable Mortgage of property or hypothecation of existing vehicles (not older than 2 years) or any other tangible security value of which should not be less than 25% of loan amount.</li> <li>Third party guarantee with acceptable means.</li> <li>If the finance is eligible under Credit Guarantee Scheme of CGTMSE, collateral security will be Nil</li> </ul>
	Interest	<ul style="list-style-type: none"> <li>As per the latest circular</li> </ul>
	Margin	<ul style="list-style-type: none"> <li>20%</li> </ul>
	Repayment	<ul style="list-style-type: none"> <li>Up to 5 years with a moratorium of 6 months</li> </ul>

*all*

8	Union Support: Scheme for Professionals/ Enterprises under Service Sector.	
	Purpose	Composite term loan for purchase of shops, office equipments including vehicles etc. and meeting working capital requirements. The loan can also be extended for purchase / renovation, repairs of the business premises, equipments also. Working Capital portion will be maximum upto 50% of the total loan sanctioned.
	Quantum	Maximum Rs.20 lacs.
	Eligibility	Qualified individuals with reasonable experience, proprietary firms/partnership firms.
	Security	Primary: Mortgage of shop premises purchased out of Bank's finance, if any. Hypothecation of machinery /equipment / stock / goods / vehicles.  Collateral :- Nil.
	Personal Guarantee	Third party personal guarantee - Nil In case of partnership firms, all partners in their individual capacity should extend guarantee.
	Interest	BPLR - 0.75%, at present 11.00%
	Margin	20%
	Repayment	3 to 5 years in line with the projected cash flow.
	Processing fee	50% of applicable charges.

am /

**ANNEXURE VII****List of 350 Business Banking Branches**

SL NO	BRANCHES	SL NO	BRANCHES
	<b>RO DELHI SOUTH</b>		<b>RO JALLANDHAR</b>
1	NEHRU PLACE	44	JALANDHAR MAIN
2	SSI - OKHLA	45	JALANDHAR - SSI
3	GURGAON - SSI	46	JALANDHAR - OVERSEAS
4	NOIDA - SSI	47	MAJITH MANDI - AMRITSAR
5	GURGAON	48	BATALA
6	CONNAUGHT PLACE	49	AMRITSAR MAIN
7	MOTI BAGH	50	PATHANKOT
8	NOIDA MAIN	51	JAMMU MAIN
9	SAFDARJUNG DEV.AREA		<b>RO LUDHIANA</b>
10	SOUTH EXTENSION	52	GOBINDGARH MANDI
11	SADAR BAZAR	53	LUDHIANA MAIN
12	ASHOK VIHAR	54	LUDHIANA - SSI
13	AZADPUR	55	G.T. ROAD BRANCH
14	PITAMPURA		<b>RO JAIPUR</b>
15	SAKET	56	M.I. ROAD - JAIPUR
16	SAMALKHA	57	JODHPUR MAIN
17	VASANT VIHAR	58	UDAIPUR MAIN
18	S.B. SARAFI MARKET	59	JAIPUR - SSI
19	SUBJIMANDI	60	KOTAH
20	YUSUF SARAI	61	BHILWARA
	<b>RO DELHI NORTH</b>	62	OVERSEAS JAIPUR
21	ASAF ALI ROAD		<b>RO AHMEDABAD</b>
22	PUNJABI BAGH	63	ELLIS BRIDGE
23	KHARI BAOLI	64	AHMEDABAD - SSI
24	PASCHIM VIHAR	65	ASHRAM ROAD
25	WAZIRPUR SSI	66	VADEJ - AHMEDABAD-SSI
26	PATEL NAGAR	67	C.G. ROAD - AHMEDABAD
27	PAHAR GANJ	68	BHAIRAVNATH ROAD
28	SHALIMAR BAGH	69	JODHPUR TEKRA
29	KAROL BAGH	70	PREMCHANDNAGAR
30	CHANDNI CHOWK	71	VASTRAPUR
	<b>RO CHANDIGARH</b>	72	RAIPUR GATE
31	SECTOR 21 C - CHANDIGARH	73	DRIVE-IN-ROAD
32	SECTOR 35 C - CHANDIGARH	74	DR. S.R. MARG
33	CHANDIGARH MAIN		<b>RO RAJKOT</b>
34	BADDI	75	RAJKOT - SSI
35	AMBALA CANTT.	76	RACE COURSE CIRCLE - RAJKOT
	<b>RO KARNAL</b>	77	RAJKOT MAIN
36	PANIPAT - SSI	78	MORVI
37	FARIDABAD (MAIN)	79	BHUJ
38	KARNAL (MAIN)	80	JUNAGADH
39	KURUKSHETRA (MAIN)		<b>RO SURAT</b>
40	SEC-7, FARIDABAD	81	TEXTILE MARKET - SURAT

aw/



41	PANIPAT MAIN	82	SALABATPURA, SURAT
42	ROHTAK MAIN		RO BARODA
43	REWARI	83	IFB BARODA
		84	RAOPURA
		85	SAYAJIGANG
		86	MANJUSAR
		87	NIZAMPURA
		88	PRATAPNAGAR
<b>SL NO</b>	<b>BRANCHES</b>	<b>SL NO</b>	<b>BRANCHES</b>
	<b>RO PUNE</b>		<b>RO MADURAI</b>
89	KASARWADI - PUNE	136	MADURAI MAIN
90	PUNE - SSI	137	TIRUNELVELI
91	KARVE ROAD	138	VADASSERY
92	TILAK ROAD PUNE		<b>RO COIMBATORE</b>
93	PUNE CAMP	139	COIMBATORE MAIN
94	KIRKEE	140	TIRUPUR SSI
95	FERGUSON ROAD	141	COIMBATORE - SSI
	<b>RO NAGPUR</b>	142	SOMANUR
96	DHANTOLI - NAGPUR	143	COONOR
97	GANDHIBAGH NAGPUR MAIN	144	THIRUCHIRAPALLY
98	AKOLA	145	R.S. PURAM
99	AMRAVATI		<b>RO SALEM</b>
100	CIVIL LINES, NAGPUR	146	ERODE - SSI
101	TELECOM NAGAR	147	SALEM
102	GOKULPETH	148	FIVE ROADS, SALEM
103	GHAT ROAD	149	ERODE MAIN
104	WARDHMAN NAGAR		<b>RO ERNAKULAM</b>
	<b>RO NASIK</b>	150	ERNAKULAM MAIN
105	AURANGABAD MAIN	151	PANAMPALLY NAGAR - COCHIN
106	NASIK - SSI	152	OVERSEAS ERNAKULAM
107	JALGAON	153	PERUMBAVOOR
108	NASIK CITY		<b>RO TRIVENDRUM</b>
109	JALNA	154	THIRUVANANTHAPURAM MAIN
110	NANDED	155	KOTTAYAM
111	NEW USMANPURA, AURANGABAD	156	PATHANAMTHITTA
112	DHULE	157	NAGAMPADAM
113	PARBHANI	158	KAZHAKUTTAM
114	BHUSAWAL	159	KOLLAM (QUILON)
115	NANDURBAR	160	ALAPPUZHA
	<b>RO KOLHAPUR</b>		<b>RO KOZHIKODE</b>
116	STATION ROAD - KOLHAPUR	161	THRISSUR
117	ICHALKARANJI MAIN	162	KOZHIKODE
118	LATUR	163	KANNUR
119	SANGLI MAIN		<b>RO BANGALORE</b>
120	SOLAPUR MAIN	164	BANGALORE CANTONMENT
	<b>RO GOA</b>	165	GANDHI NAGAR BANGALORE
121	PANAJI	166	BANGALORE - SSI
122	MARGAO	167	MYSORE
123	RATNAGIRI	168	AVENUE ROAD BANGALORE CITY
	<b>RO CHENNAI</b>	169	JAYANAGAR BANGALORE

124	CHENNAI - MAIN	170	VIJAYANAGAR BANGALORE
125	T NAGAR - CHENNAI	171	BELLARY
126	ASHOKNAGAR - CHENNAI	172	RICHMOND TOWN
127	GUINDY - SSI	173	DOMLUR, BANGALORE
128	CHENNAI - SSI	174	C.T. STREET, BANGALORE
129	WASHERMANPET	175	HAMPANKATTA, MANGALORE
130	OVERSEAS CHENNAI	176	RAICHUR
131	MOUNT ROAD	177	RAJAJINAGAR, BANGALORE
132	CHAMBERS ROAD		
133	EGMORE		
134	TRIPPLICANE		
135	SOWCARPET		
SL NO	BRANCHES	SL NO	BRANCHES
	<b>RO HYDERABAD</b>		<b>RO RANCHI</b>
178	HYDERABAD MAIN	224	JAMSHEDPUR
179	RAMKOTE HYDERABAD	225	JAMSHEDPUR - SSI
180	R.P.ROAD, SECUNDERABAD	226	DORANDA - RANCHI
181	HYDERABAD - SSI	227	MURI - SSI
182	BEGUMPET HYDERABAD	228	RANCHI MAIN
183	SAIFABAD HYDERABAD		<b>RO BHUBANESHWAR</b>
184	JUBILEE HILLS	229	BHUBANESHWAR MAIN
185	SOMAJIGUDA	230	ROURKELA MAIN
186	BANJARA HILLS *	231	CHANDRASHEKHARPUR
187	KAMALAPURI COLONY	232	ANGUL BRANCH
	RAILWAY STN. ROAD, SECUNDERABAD	233	BALASORE BRANCH
189	DILSUKHNAGAR	234	SAMBALPUR BRANCH
	<b>RO VIZAG</b>		<b>RO DURGAPUR</b>
190	M.V.P. COLONY - VIZAG	235	DURGAPUR
191	VISAKHAPATNAM - SSI	236	BURDWAN
192	RAJAHMUNDRY		<b>RO GAUWHATI</b>
193	SRIKAKULAM	237	MAIDAMGAON - GAUWHATI
194	SRINAGAR, KAKINADA	238	AGARTALA (TRIPURA)
195	VISAKAPATNAM (M)	239	TINSUKHIYA (ASSAM)
196	VIZIANAGARAM	240	SHILLONG (MEGHALYA)
	<b>RO VIJAYWADA</b>		<b>RO PATNA</b>
197	LAKSHMIPURAM - GUNTUR	241	PATNA MAIN
198	TANUKU		<b>RO SILLIGURI</b>
199	AUTONAGAR - SSI	242	SILIGURI
200	BHIMAVARAM	243	SEVOKE ROAD SILIGURI
201	VIJAYAWADA MAIN		<b>RO LUCKNOW</b>
202	GUNTUR MAIN	244	LUCKNOW MAIN
203	LABBIPET	245	AMINABAD - LUCKNOW
204	PATTABHIPURAM	246	LATOUCHE ROAD
205	TADEPALLIGUDEM		<b>RO KANPUR</b>
206	ENIKEPADU	247	KANPUR MAIN
	<b>RO BELGAUM</b>	248	GENERALGANJ
207	BELGAUM (MAIN)	249	SARVODAYA NAGAR
208	HUBLI MAIN		<b>RO ALLAHABAD</b>
209	BIJAPUR MAIN	250	BHADOHI - SSI

210	MUDHOL	251	ALLAHABAD MAIN
211	NEHRU NAGAR	252	AURAI - SSI
212	RANEBENNUR		<b>RO AGRA</b>
	<b>RO NELLORE</b>	253	MORADABAD - OVERSEAS
213	ONGOLE	254	AGRA MAIN
214	NELLORE		<b>RO VARANASI</b>
215	TIRUPATHI MAIN	255	VARANASI - SSI
	<b>RO KOLKATA</b>	256	VARANASI - CANTONMENT
216	CHOWRINGHEE ROAD(CAMAC STREET)	257	VARANASI MAIN
217	CANNING STREET	258	CHETGANJ BRANCH
218	EZRA STREET - KOLKATA	259	BISHESHWARGANJ BRANCH
219	INDIA EXCHANGE PLACE	260	MUGHALSARAI BRANCH
220	DHARAMTOLLA		<b>RO MEERUT</b>
221	OVERSEAS KOLKATA	261	MEERUT MAIN
222	NEW ALIPORE	262	MUZAFFARNAGAR - SSI
223	STRAND ROAD	263	GHAZIABAD - SSI
		264	DELHI ROAD-MEERUT
		265	MUZAFFARNAGAR MAIN
		266	SHASTRI NAGAR
<b>SL NO</b>	<b>BRANCHES</b>	<b>SL NO</b>	<b>BRANCHES</b>
	<b>RO DEHRADUN</b>		<b>RO MUMBAI NORTH</b>
267	ROORKEE	317	VIKROLI (WEST)
268	RUDRAPUR	318	KAPUR BAVDI
269	DEHRADUN MAIN	319	VASHI TURBHE (NAVI MUMBAI)
270	HALDWANI MAIN	320	GHATKOPAR (EAST)
271	RISHIKESH	321	MAHAPE - NAVI MUMBAI
	<b>RO GHAZIPUR</b>	322	MULUND - MUMBAI
272	GHAZIPUR MAIN	323	SION (EAST) - MUMBAI
273	MOHAMMADABAD	324	POWAI
274	NANDGANJ	325	BHIWANDI
	<b>RO INDORE</b>	326	BHANDUP - MUMBAI
275	INDORE CITY (MAIN)	327	CHEMBUR (WEST)
276	INDORE - SSI	328	PANVEL
277	SINDHI COLONY	329	THANE EAST
278	SIYAGANJ	330	THANE WEST
279	MALHARGANJ, INDORE	331	GHODBUNDER ROAD
280	M.G. ROAD, INDORE	332	HIRANANDANI GARDENS
281	VISHNUPURI, INDORE	333	KHARGAR
	<b>RO RAIPUR</b>		<b>RO MUMBAI WEST</b>
282	RAIPUR MAIN	334	ANDHERI(EAST) - MUMBAI
283	BHILAI	335	SANTACRUZ (WEST)
284	BILASPUR	336	BANDRA HILL ROAD
285	IFB RAIPUR	337	GOREGAON (EAST) SSI
286	RAIGARH	338	DAHISAR (EAST) - MUMBAI
287	CHANDNIDIH BRANCH	339	BOISAR
288	KORBA BRANCH	340	MALAD (WEST) - MUMBAI
289	PANDRI BRANCH	341	VILE PARLE (EAST)
290	SAMTA COLONY BRANCH	342	SAKI NAKA - ANDHERI
	<b>RO JABALPUR</b>	343	OVERSEAS SEEPZ

291	JABALPUR CITY	344	BORRIVALI (W)
292	KATNI	345	TURNER ROAD
293	NAPIER TOWN	346	VILLE PARLE (W)
	<b>RO MUMBAI SOUTH</b>	347	M.S. MARG
294	PRINCESS STREET	348	JUHU TARA
295	VEER NARIMAN ROAD	349	KANDIVLI (W)
296	ABDUL REHMAN STREET	350	DR. AMBEDKAR ROAD
297	SANT TUKARAM ROAD		
298	ZAVERI BAZAR - MUMBAI		
299	LOWER PAREL - MUMBAI		
300	MAHALAXMI - MUMBAI		
301	BYCULLA - MUMBAI		
302	KHAND BAZAR - MUMBAI		
303	BHULESHWAR - MUMBAI		
304	MOHAMEDALI ROAD		
305	KALBADEVI - MUMBAI		
306	OPERA HOUSE - MUMBAI		
307	BAZARGATE STREET		
308	BHAT BAZAR - MUMBAI		
309	DARUKHANA (REAY ROAD)		
310	MMO		
311	HOME STREET		
312	MATUNGA EAST		
313	TARDEO		
314	DADAR		
315	MAZGAON		
316	CLARE ROAD, NULL BAZAR		

all /

NAME OF THE BANK

## APPLICATION FORM FOR MSEs

To be submitted along with documents as per the checklist

(For Office Use)

1	NAME OF THE ENTERPRISE					
2	REGD. OFFICE ADDRESS:					
3	ADDRESS OF FACTORY/ SHOP:					
4	WHETHER BELONGS TO SC/ST/OBC/MINORITY COMMUNITY					
	TELEPHONE NOs. (Office)		EMAIL ADDRESS:			
	Mobile No.		PAN CARD NO.			
5	CONSTITUTION	Proprietary/Partnership firm/Pvt. Ltd./Ltd. Company/Co-op. Society				
6	DATE OF ESTABLISHMENT:					
7	NAME OF PROPRIETOR/PARTNERS/DIRECTORS OF COMPANY AND THEIR ADDRESSES:					
	NAME	AGE	ACADEMIC QUALIFICATIONS	RESIDENTIAL ADDRESS	TELEPHONE NO. (Residence)	EXPERIENCE IN THE LINE OF ACTIVITY

1

8 ACTIVITY: Existing : 



  
Proposed (If): 



  
# If a different activity other than existing activity is proposed.

9 NAMES OF ASSOCIATE CONCERNS AND NATURE OF ASSOCIATION:

NAME OF ASSOCIATE CONCERN	ADDRESSES OF ASSOCIATE CONCERNS	PRESENTLY BANKING WITH	NATURE OF ASSOCIATION	EXTENT OF INTEREST AS A PROP. / PARTNER / DIRECTOR OR JUST INVESTOR IN ASSOCIATE CONCERN

10 Relationship of Proprietor/Partner/Director with the officials of the Bank/Director of the Bank

10(a) CREDIT FACILITIES (EXISTING):

(Rs. in lacs)

Type of facilities	Limit (In lacs)	Outstandings as on.....	Presently banking with	Security Lodged	Rate of Interest	Repayment terms
Current account						
Cash Credit						
Term Loan						
LC/BG						
If Banking with this Bank, customer No. be given here.						

10(b) It is certified that our unit has not availed any loan from any other Bank/ Financial Institution in the past and I am not indebted to any other Bank/ Financial Institution other than those mentioned in 10(a) above.

11 CREDIT FACILITIES(PROPOSED):

Type of facilities	Amount (In lacs)	Purpose for which required	Security offered	
			PRIMARY SECURITY (Details with approx. value to be mentioned)	Whether Collateral Security offered (Please mention yes or no) (If yes, then provide details in column 12)
Cash Credit				YES / NO
Term Loan				YES / NO
LC/BG				YES / NO

In case of term loan requirements, the details of machinery may be given as under:

Type of Machine	Purpose for which required	Whether imported or indigenous	Name of supplier	Total cost of machine (in case of imported machines, the breakup of basic cost, freight, insurance and customs duty may be given)	Contribution being made by the promoters	Loan required

12 Details of Collateral Security offered, if any, including 3rd party guarantee \*

(\* As per RBI guidelines banks are not to take collateral security for loans upto Rs. 5 lakhs to MSME Units)

13 PAST PERFORMANCE/FUTURE ESTIMATES (Actual performance for two previous years, estimates for current year and projections for next year to be provided for working capital facilities. However for term loan facilities projections to be provided till the proposed year of repayment of loan):

(Rs. in lacs)	PAST YEAR - II (Actual)	PAST YEAR - I (Actual)	PRESENT YEAR (Estimates)	NEXT YEAR (Projections)
Net Sales				
Net Profit				
Capital/Net worth in case of companies				

14 Status regarding Statutory Obligations:

Statutory Obligation	Whether Complied with (Write Yes/No). If Not applicable then write N.A.	Remarks (Any details in connection with the relevant obligation to be given)
1. Registration under Shops and Establishment Act		
2. Registration under SST (Provisional/ Final)		
3. Drug Licence		
4. Latest Sales tax return filed		
5. Latest Income tax returns filed		
6. Any other statutory dues remaining outstanding		

SPACE FOR PHOTO	SPACE FOR PHOTO	SPACE FOR PHOTO
SIGNATURES OF PROPRIETOR / PARTNER / DIRECTOR WHOSE PHOTO IS AFFIXED ABOVE		
Only one photo of proprietor / each Partner / Each working Director is required to be affixed. Each photo will be certified/attested by the Branch Team with name and signatures on the photograph with Branch stamp. The concerned staff will put his name below the signatures.		

16 Date : \_\_\_\_\_ Place: \_\_\_\_\_

I/We certify that all information furnished by me/us is true; that I/We have no borrowing arrangements for the unit except as indicated in the application; that there is no overdrafts/statutory dues against me/us/promoters except as indicated in the application; that no legal action has been/is being taken against me/us/promoters; that I/We shall furnish all other information that may be required by you in connection with my/our application that this may also be exchanged by you with any agency you may deemed fit and you, your representatives, representatives of the Reserve Bank of India or any other agency as authorised by you, may, at any time, inspect/verify my/our assets, books of account etc. in our factory/business premises as given above.

all /

**CHECK LIST (TO BE GIVEN TO THE NEW CUSTOMERS BY BRANCH) OF DATA TO BE KEPT READY BY THE CUSTOMER**

- 1 Proof of identity – Voter's ID Card / Passport / driving licence / PAN Card / signature identification from present bankers of proprietor, partner or Director (if a company).
- 2 Proof of residence – Recent telephone bills, electricity bill, property tax receipt / passport / voter's ID Card of proprietor, partner or Director (if a company).
- 3 Proof of business address
- 4 Proof of Minority
- 5 \* Last three years balance sheets of the units alongwith income tax / sales tax returns etc. (Applicable for all cases from Rs.2 lacs and above). However, for cases below fund based limits of Rs.25 lacs if audited balance sheets are not available, then unaudited balance sheets are also acceptable as per extant instructions of the bank. For cases of Rs.25 lacs and above, the audited balance sheets are necessary.
- 6 \* Memorandum and articles of association of the Company/Partnership Deed of partners etc.
- 7 \* Assets and liabilities statement of promoters and guaranters alongwith latest income tax returns.
- 8 \* Rent Agreement (if business premises on rent) and clearance from pollution control board if applicable.
- 9 \* SSI registration if applicable.
- 10 \* Projected balance sheets for the next two years in case of working capital limits and for the period of the loan in case of term loan. (For all cases of Rs.2 lacs and above)
- 11 \* In case of takeover of advances, sanction letters of facilities being availed from existing bankers/Financial Institutions alongwith detailed terms and conditions.
- 12 \* Profile of the unit (includes names of promoters, other directors in the company, the activity being undertaken, addresses of all offices and plants, shareholding pattern etc. (APPLICABLE FOR CASES WITH EXPOSURE ABOVE Rs.25 LACS).
- 13 \* Last three years balance sheets of the Associate/Group Companies (if any). (APPLICABLE FOR CASES WITH EXPOSURE ABOVE Rs.25 LACS).
- 14 \* Project report (for the proposed project if term funding is required) containing details of the machinery to be acquired, from whom to be acquired, price, names of suppliers, financial details like capacity of machines, capacity utilisation assumed, production, sales, projected profit and loss and balance sheets for the next 7 to 8 years till the proposed loan is to be paid, the details of labour, staff to be hired, basis of assumption of such financial details etc. (APPLICABLE FOR CASES WITH EXPOSURE ABOVE Rs.25 LACS).
- 15 \* Review of account containing monthwise sales (quantity and value both), production (quantity and value), imported raw material (quantity and value), indigenous raw material (quantity and value), value of stocks in process, finished goods (quantity and value), debtors, creditors, bank's outstandings for working capital limits, term loan limits, bills discounted. (APPLICABLE FOR CASES WITH EXPOSURE ABOVE Rs.25 LACS).
- 16 \* Photocopies of lease deeds/title deeds of all the properties being offered as primary and collateral securities.
- 17 \* Position of accounts from the existing bankers and confirmation about the asset being Standard with them (In case of takeover).



**Documents attached:**

**I/We have attached the copies of the following supporting documents (put a ✓ wherever applicable)**

- ☐ Proof of identity – Voter's ID card/passport copy/driving license/PAN card/signature identification from present bankers of proprietor, partner or director (if a company).
- ☐ Proof of residence – Recent telephone bill, electricity bill, property tax receipt/passport/voter's ID Card of proprietor, partner or director (if a company).
- ☐ Proof of business address
- ☐ Proof of Minority
- ☐ SSI registration, if applicable.
- ☐ Last three years' Balance Sheets of the units along with income tax/sales tax Returns etc. (applicable for all cases from Rs.2.00 lacs and above). However, for cases below fund-based limits of Rs.25.00 lacs if audited Balance Sheets are not available, then unaudited Balance Sheets are also acceptable as per extant instructions of the bank. For cases of Rs.25.00 lacs and above, the audited Balance Sheets are necessary.
- ☐ Projected Balance Sheets for the next two years in case of working capital limits and for the period of the loan in case of term loan. (For all cases of Rs.2.00 lacs and above).
- ☐ Passport size photograph/s of the applicant/s.
- ☐ Application form
- ☐ Credit information
- ☐ Any other document (please specify)

**Date:**

**Place:**

**Applicant's signature**

**UNION BANK OF INDIA**

Application Inward No. \_\_\_\_\_

\_\_\_\_\_ Branch

**ACKNOWLEDGEMENT**

Received from Mr./Ms. \_\_\_\_\_ application dated \_\_\_\_\_ for  
Rs. \_\_\_\_\_ under Financing to Micro & Small Enterprises (MSEs).

Additional details/requirements to be submitted:

- 1)
- 2)
- 3)

**Date:**

**Signature of  
Branch Manager with seal**

**Place:**

MSE Loan Application/vpp

u4 /

**Relief and Concessions Which Can Be Extended To Potentially Viable Sick SSI Units under Rehabilitation**

The viability and the rehabilitation of a sick unit would depend primarily on the unit's ability to continue to service its repayment obligations including the past-restructured debts. It is therefore; essential to ensure that ordinarily there is no write-off or scaling down of debt such as by reduction in rate of interest with retrospective effect except to the extent indicated in the guidelines. The guidelines on various parameters on reliefs and concessions are given below:

**i) Interest Dues on Cash Credit and Term Loan**

If penal rates of interest of damages have been charged, such charges should be waived from the accounting year of the unit in which it is started incurring cash losses continuously. After this is done, the unpaid interest on term loans and cash credit during this period should be segregated from the total liability and funded. No interest may be charged on funded interest and repayment of such funded interest should be made within a period not exceeding three years from the date of commencement of implementation of the rehabilitation programme.

**ii) Unadjusted Interest Dues**

Unadjusted interest dues such as interest charged between the date up to which rehabilitation package was prepared and the date from" which actually implemented, may also be funded on the same terms as at (i) above.

**iii) Term Loans**

The rate of interest on term loans may be reduced, where considered necessary, by not more than three percent in the case of tiny/ decentralized sector units and by not more than two percent for other SSI units, below the document rate.

**iv) Working Capital Term Loan (WCTL)**

After the unadjusted interest portion of the cash credit account is segregated as indicated at (i) and (ii) above, the balance representing principal dues- may be treated as irregular to the extent it exceeds drawing power. This amount may be funded as Working Capital Term Loan (WCTL) with a repayment schedule not exceeding 5 years. The rate of interest applicable may be 1.5% to 3% points below the prevailing fixed rate/ prime lending rate, wherever applicable, to all sick SSI units including tiny and decentralized units.

v) **Cash Losses**

- a) Cash losses are likely to be incurred in the initial stages of the rehabilitation programme till the unit reaches the break-even Level. Such cash losses excluding interest as may be incurred during the nursing programme may also be financed by the bank or the financial institution, if only one of them is the financier.
- b) If both Bank and FI are involved in the rehabilitation package, the financial institution concerned should finance such cash losses.
- c) Interest may be charged on the funded amount at the rates prescribed by SIDBI under its scheme for rehabilitation assistance
- d) Future cash Losses in this context will refer to losses from the time of implementation of the package up to the point of cash breakeven as projected. Future cash losses as above should be worked out before interest (i.e. after excluding interest) on working capital etc. due to the banks and should be financed by the financial institutions if it is one of the financiers of the unit. In other words, the financial institutions should not be asked to provide for interest due to the banks in the computation of future cash losses and this should be taken care of by future cash accruals.
- e) The interest due should be funded by it separately. Where, however, bank alone is the financier, the future cash losses including interest will be financed.
- f) The interest on the funded amounts of cash losses/ interest will be at the rates prescribed by Small Industries Development Bank of India under its scheme for rehabilitation assistance.

vi) **Working Capital**

Interest on working capital may be charged at 1.5% below the prevailing fixed/ prime lending rate wherever applicable. Additional working capital limits may be extended at a rate not exceeding the PLR.

vii) **Contingency Loan Assistance**

For meeting escalations in capital expenditure to be incurred under the rehabilitation programme, where considered necessary, appropriate additional financial assistance up to 15 percent of the estimated cost of rehabilitation byway of contingency loan assistance may be provided. Interest on this contingency assistance may be charged at the concessional rate allowed for working capital assistance.

**viii) Funds for Start-up Expenses and margin for Working Capital**

There will be need to provide the unit under rehabilitation with funds for start-up expenses (including payment of pressing creditors) or margin money for working capital in the form of long-term loans. Where a financial institution is not involved, bank may provide the loan for start-up expenses, while margin money assistance may either come from SIDBI under its Refinance Scheme for Rehabilitation or should be provided by State Government where it is operating a Margin Money Scheme. Interest on fresh rehabilitation term loan may be charged at a rate 1.5% below the prevailing fixed / prime lending rate wherever applicable or as prescribed by SIDBI/ NABARD where refinance is obtained from it for the purpose.

All interest rate concessions would be subject to annual review depending on the performance of the units.

**ix) Promoters' contribution**

As per the extant RBI guidelines promoters' contribution towards the rehabilitation package is fixed at:

- A minimum of 10 percent of the additional long-term requirements under the rehabilitation package in the case of tiny sector units.
- 15 percent of such requirements for other units
- In case of units in the decentralized sector, promoter's contribution may not be insisted upon.
- It is open to Banks/ FIs to stipulate higher promoter's/ contribution where warranted.
- At least 50% of the promoters' contribution should be brought in immediately and the balance within six months
- For arriving at promoters' contribution, the monetary value of the sacrifices forms banks; financial institutions and Government may be taken into account in addition to the long-term requirement of funds under the rehabilitation package.
- While evolving packages, it should be made a precondition that the promoters should bring in their contribution within the stipulated time frame
- Further, in regard to concessions and relief made available to sick units, banks should incorporate a "Right of Recompense" clause in the sanction letter and other documents to the effect that when such units turn the corner and rehabilitation is successfully completed, the sacrifices undertaken should be recouped from the units out of their future profits/ cash accruals.

\*\*\*\*\*