

**Khadi and Village Industries Commission  
3, Irla Road, Vile Parle (West), Mumbai-56**

No:PMEGP/MM subsidy/Adjustment/2012-13/23 May 7, 2012

**C I R C U L A R**

Sub:- Adjustment of Margin Money subsidy under PMEGP

Ref: 1. Office order No. 2027 dt 1.10.2008

2. Circular No.PMEGP/Phy.Ver./2010-11 dt. 9.9.2010

3. Corrigendum to circular dt.9.9.2010 vide

No.PMEGP/Phy.Ver./2010-11 Dt. 16.9.2010

4. PMEGP/RBI M-954/2011-12/826 dt.04/6-01-2012

5. Ministry of MSME Ref. No.PMEGP/PVR/1/2011

dt.25.4.2012

The PMEGP scheme has been launched in 2008-09 and Guidelines for implementation of the scheme were circulated vide Office Order No. 2027 dt.1.10.2008. Subsequently, modified guidelines were also issued from time to time. Now it has been completed 3 years of its implementation of the Scheme.

2. The Office Order clearly indicates for conducting 100% physical verification of PMEGP units for adjustment of margin money subsidy ( Para 7-8 of PMEGP guidelines. O.O. No. 2027 dated 1.10.2008)

3. The Ministry of MSME vide letter dated 25.4.2012 has communicated certain issues in connection with adjustment

of margin money subsidy which are re-produced below for kind information and compliance:-

**(i) Computation of admissible margin money subsidy on working capital/sanctioned cash credit limit (para 8.4 of the guidelines of PMEGP refers)**

If the working capital availment touches 100% of the sanctioned cash credit limit at least once, and the average working capital available is at least 75%, then the margin money subsidy would be calculated on 100% of the sanctioned cash credit limit. The obvious rationale is that the average availment should fall within a band between 75% and 100% for the subsidy to be calculated on 100% of the cash credit limit.

**(ii) Computation of average working capital availment:**

The average working capital availment should be calculated on the basis of daily average of the actually availed cash credit limit.

**(iii) Period for calculating average working capital availment (para 1.(ii) (m) of the guidelines refers):**

The average working capital availment should be calculated over a period beginning with the first drawal of cash credit and ending on the completion of the three year period from the date of the first disbursement of the loan (that is, term loan) or date of ending of lock-in period, whichever is earlier.



**(iv) Adjustment of margin money subsidy on working capital:**

Adjustment of margin money subsidy on working capital, that is, refund of the margin money subsidy on the difference between subsidy on the sanctioned cash credit limit and the subsidy on the admissible limit, should be undertaken at the end of the three year period from the date of first disbursement of the loan or date of ending of lock-in period, whichever is earlier.

4. The units sanctioned in 2008-09 are already physically verified by the field offices through outsourcing agency. The process of adjustment of margin money must have already been initiated by the field Directors of KVIC as well as by State/UT KVIBs and DICs. The directives of the MSME also needs to be kept in view while adjustment of the margin money subsidy of the PMEGP units.
5. If the units verified are not as per norms, the Margin Money need to be called back in respect of ineligible PMEGP units from banks by the implementing agencies without fail and the same should be refunded to KVIC. In case of units not traceable FIR should be lodged in such cases in consultation with the local empanelled advocate.
6. State /Divisional Directors should ensure compliance of the above guidelines and complete the process of issuing adjustment letter for eligible cases under PMEGP. For any lapses or delay in completing the process and the

consequence arising from the same will be viewed seriously and concerned officials shall be held responsible for the same which may kindly be noted.

7. Zonal Dy. CEOs should monitor for compliance of the above guidelines through fortnightly review, video conferences etc.

8. The State/Divisional Directors should bring the above directions to the notice of all concerned including DICs, KVIBs and banks.

*D. C. Pattanayak*  
3/5/12  
(D.C. Pattanayak)  
Chief Executive Officer


To

1. All State/Divisional Directors of the Commission
2. All State/UT KVI Boards
3. All Directors of Industries of State Govt.

Copy for information to:-

1. Joint Secretary, Ministry of MSME, Udyog Bhavan, New Delhi
2. All Commission Members
3. All CMDs of Public Sector Banks
4. Financial Advisor, KVIC, Mumbai
5. CVO, KVIC, Mumbai
6. Jt. CEO, KVIC, Mumbai
7. All Principal Secreary/Dev. Commissioner Industries
8. All Zonal Dy. CEOs
9. All Programme Directors of KVIC

10. Director, IT for KVIC website
11. Director, Publicity for publishing in Jagriti
12. Director, Hindi for translate in Hindi.

  
(K.S. Rao)  
Director(PMEGP)