

**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.

