



Directorate of Prime Minister's Employment Generation Programme
KHADI AND VILLAGE INDUSTRIES COMMISSION
Ministry of Micro, Small, & Medium Enterprises
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No. PMEGP/Policy/2018-19

Date: 07.06.2018.

CIRCULAR

It is to inform that Cabinet Committee on Economic Affairs (CCEA) had approved the continuation of the on-going Plan Scheme PMEGP, for three years from 2017-18 to 2019-20 with an outlay of Rs.5500.00 Crores with modifications in the existing Scheme. The revised PMEGP Scheme guidelines in line with the modifications approved in the CCEA Note and as approved by the Hon'ble Minister (I/C) (MSME) had already been circulated. These guidelines broadly provided for 2nd financial assistance to existing PMEGP/MUDRA units. Detailed guidelines for the second dose of Finance are prepared separately.

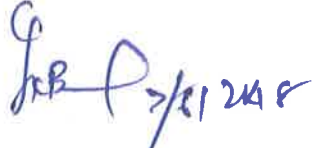
2. The approved guidelines for additional component namely, Upgrading the Existing Unit, wherein the units already set up under PMEGP/MUDRA and performing very well would be selected for up-gradation through 2nd loan. A copy of detailed guidelines for up-grading existing units is enclosed herewith.

3. It is therefore requested to implement the same for the year 2018-19 and the said modifications in existing scheme/guidelines may be communicated to all implementing agencies of your State and during SLMC, DLTC and Banker's Review Meeting etc. Online application format for up-gradation of 2nd loan will be uploaded/made available to the beneficiaries within few days on PMEGP portal.

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This is issued with the approval of CEO, KVIC.

Encl: As above.


(Y.K. BARAMATIKAR)
DY.CEO (PMEGP)

To :

1. All State/Divisional Offices, KVIC
2. All State/UT KVI Boards
3. All Zonal Dy. CEOs
4. All Director, Industries, State Govt.
5. All CMDs. Of Banks.

Copy for kind information to-

1. Jt. Secretary, Ministry of MSME, New Delhi
2. OSD to Chairman, KVIC
3. OSD to CEO, KVIC
4. Jt. CEO, KVIC, New Delhi
5. Dy. Director, CVO Cell, KVIC, Mumbai.
6. Dy. Director (FA Cell), KVIC, Mumbai
7. Dy. CEOs in Central Office, Mumbai
8. All Zonal Dy. CEOs , KVIC.
9. All Industry/Programme Directors, KVIC, Mumbai
10. Director (IT) with a request to place the Circular on KVIC/PMEGP website.
11. Director (Publicity) with a request to publish the same in the ensuing "JAGRITI".
12. Director (Hindi Cell) for translation in Hindi
13. Master file for record.


DY.CEO (PMEGP)

**Guidelines for Second Financial Assistance under PMEGP for
Expansion of the existing successful PMEGP/MUDRA Units.**

1. The Scheme:

Khadi & Village Industries Commission (KVIC) under the Ministry of MSME, Government Of India, New Delhi, is presently implementing the Prime Minister's Employment Generation Programme (PMEGP) as the National Level Nodal Agency. At the State Level, the scheme is implemented through the State KVIC Directors, State Khadi & Village Industries Boards (KVIBs), District Industries Centre (DICs) and Banks. Up to 31.3.2018, a total of 4, 66,471 units have been set up in the country. Considering the success of the scheme, and as requested by the entrepreneurs/unit holders and also as recommended by Management Development Institute (MDI), Gurgaon, in its Evaluation Study Report, the Government approved continuation of PMEGP beyond 12th five-year Plan for a period of 3 years from 2017-18 to 2019-20 with a financial outlay of Rs.5,500 Crores. While giving such approval, a provision has also been made for sanctioning a 2nd loan with Subsidy for upgrading the existing units, which are performing well in terms of turnover, profit making and loan repayment. Accordingly, for manufacturing units, financial assistance upto an amount of Rs.1 Crore would be provided, and for Service/Trading Units, financial assistance upto an amount of Rs.25.00 lakhs would be provided with a subsidy of 15%(20%) for NER and Hilly States).

2. Objectives :

- I.** To fulfill the need of additional financial assistance for upgrading and expansion to the successful / well performing units.
- II.** To cater to the need of the entrepreneurs for bringing new technology/automation so as to modernize the existing unit.
- III.** To enhance the productivity of the existing units with the inclusion of additional dose of funding.
- IV.** To enhance the capacity of the existing unit with the additional financial assistance assuring additional wage employment.

3. Quantum and Nature of financial assistance:

2nd Loan for up-gradation of existing PMEGP/MUDRA units:

Categories of beneficiaries	Beneficiary's contribution	Rate of Subsidy (of project cost)
All Categories	10% (of proposed expansion/ up-gradation cost)	15% (20% in NER and Hill States).

- a) The maximum cost of the project/unit admissible under manufacturing sector for up-gradation is Rs.1.00 Crore, and the maximum subsidy would be Rs.15 lakhs (Rs.20 Lakhs for NER and hill states).
- b) The maximum cost of the project/unit admissible under Service/ Trading sector for up-gradation is Rs.25 lakhs, and the maximum subsidy would be Rs.3.75 lakhs (Rs.5 lakhs for NER and Hill States).
- c) For all categories), rate of subsidy (of project cost) is 15% (20% in NER and Hill States. Beneficiary's contribution will be 10% for all categories.
- d) The balance amount of the total project cost will be provided by bank as term loan. The applicant can utilize the loan amount for investment on fixed assets i.e for construction of building/purchase of required new machineries/Installation of Machinery etc.
- e) Under the term loan component (construction of building/industrial shed, machinery & equipment etc.), the construction of own building may be included and ceiling of construction should not usually exceed 25% of the total sanctioned project cost.
- f) The Capital expenditure component including cost of construction should be upto 60% of the total project cost.The working capital cost would be upto 40%.However, the financing bank can decide the criteria at the time of sanction of loan based on the nature of the project.

4. Eligibility conditions for the beneficiaries:

- i. All existing units financed under PMEGP/MUDRA Scheme whose margin money claim has been adjusted and the First loan availed should have been repaid in stipulated time are eligible to avail the benefits.
- ii. The units should have been making profit for the last three years.
- iii. Beneficiary may apply to the same financing banks, which provided first loan or to any other bank, which is willing to extend credit facility for second loan.

- iv. Registration of Udyog Adhar Memorandum (UAM) is mandatory.
- v. The 2nd loan should lead to additional employment generation.

5. Implementing Agencies:

- a) The scheme will be implemented by KVIC, a statutory Body created by Khadi and Village Industries Commission Act, 1956, which will be a single National-level Nodal Agency.
- b) At the state level, the scheme will be implemented through State Directors of KVIC, State KVIBs and District Industries Centers in rural areas. In urban areas, the scheme will be implemented by the State District Industries Centre (SDIC) only. KVIC will coordinate with State KVIBs, State DICs and monitor the performance of the units both in rural and urban areas. KVIC and DIC will also involve NSIC, MSME-DIs, RSETIs, RUDSETIs, ITIs & other similar Institutions, Panchayati Raj Institutions and other NGOs of repute in identification of beneficiaries under the scheme. Coir Board will be involved in identifying the coir units for their up-gradation, handholding and mentoring.

6 . Financial Institutions:

- a. All Public Sector Banks.
- b. All Regional Rural Banks.
- c. Cooperative Banks approved by State Level Task Force Committee headed by Principal Secretary (Industries/MSME)/Commissioner (Industries).
- d. Private Scheduled Commercial Banks approved by State Level Task Force Committee headed by Principal Secretary (Industries/MSME)/Commissioner (Industries).
- e. Small Industries Development Bank of India (SIDBI).

7. Identification of the beneficiaries and other procedural formalities:

- I. Units would be selected from all over the country.
- II. On PMEGP e-portal, a separate application link will be given for submitting application by the existing units for up-gradation.
- III. The State/District-Level Agencies (KVIC/KVIB/DIC), after Preliminary scrutiny, will forward the application to the Bank opted by the beneficiary in the application. Before recommending the application to the Banks, the State/District-level agencies will ensure that the application

is complete in all respects and the applicant has fulfilled all the criteria mentioned in the guidelines. The agencies shall complete the scrutiny of the application within 15 days, and forward the application to the Bank, if the application is found to be order. In case, the application is not in order, they may return the application along with reasons, within 15 days.

- IV. The concerned bank will appraise and sanction the project proposal within 60 days. After release of loan, the Bank will claim Margin Money Subsidy (MMS) as per the procedure prevalent for PMEGP units. The MMS will be kept as Term Deposit Receipt (TDR) for 18 months. No interest will be paid on TDR and no interest will be charged on the corresponding amount of the loan disbursed. The TDR amount will be adjusted in the loan account after installation of the machinery and on the basis of positive report of a joint physical verification of the implementing agency and bank.
A separate MIS for the 2nd dose of financial assistance shall be provided in the PMEGP e-portal for the purpose of monitoring by all the stakeholders.
- VI. Joint physical verification of the unit by the implementing agencies and the Banks shall be undertaken at least twice in a year, Details of the joint physical verification will be uploaded on the Portal. Geo-tagging of all the units will be done by KVIC.
- VII. Third party physical verification shall be conducted by KVIC through outsourcing an independent agency, on completion of two years of up-gradation.
- VIII. CGTMSE Coverage: The beneficiary may opt for covering the project under CGTMSE Scheme by paying requisite CGTMSE fees.

8. Documents to be uploaded:

- I. Previous 'loan sanction letter' issued by the Bank, proof of 'MM claims adjusted against previous loan' and 'Bank Certificate for full loan repayment'.
- II. Project report for expansion and upgrading the unit.
- III. Passport size photograph.
- IV. IT returns for the last 3 years.
- V. Annual accounts certified by Chartered Accountant for the last 3 years.

9. Miscellaneous :

The main objective of the scheme is to assist the well performing units for upgrading the units. The other points, which are already covered in the ongoing existing PMEGP scheme related to eligibility of the beneficiary units, negative list, procedure for claiming the margin money by the banks and release of the margin money subsidy through existing e-portal and retaining the subsidy in TDR shall also be applicable for 2nd financial assistance. It should be ensured that the second financial assistance would be applicable only for expansion/up-gradation in the existing/related activities of well-performing PMEGP/MUDRA units.

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