



Directorate of Prime Ministers Employment Generation Programme
KHADI & VILLAGE INDUSTRIES COMMISSION
Ministry of Micro, Small & Medium Enterprises
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CIRCULAR

Sub : Guidelines for disbursing and validating margin money
Claims of 2nd loan of PMEGP/MUDRA units.

Guidelines for 2nd financial assistance under PMEGP for expansion of the existing successful PMEGP/MUDRA units has been issued by Ministry of MSME and the said guidelines has already been circulated vide Circular dated 07.06.2018.

2. As per the guidelines, the financing bank will claim the margin money subsidy through PMEGP online e-portal after sanction and disbursement of first installment of the loan as per the existing guidelines of PMEGP.

3. The target for 2nd loan for up-gradation of PMEGP/MUDRA units for the year 2018-19 already been communicated to State/Divisional Directors and other implementing agencies. Separate online module for submission of applications for 2nd dose of loan by the successful PMEGP/MUDRA Entrepreneurs has been made available on the existing PMEGP e-portal. In order to process the applications for 2nd loan for up-gradation of PMEGP/ MUDRA units, the following guidelines are issued for compliance.

1. **Role of Implementing Agencies :**

The following parameters are to be verified at the level of the Implementing Agencies before the claims are recommended.

- a. All existing units financed under PMEGP/MUDRA Scheme running successfully whose margin money claim has been adjusted and the first loan availed should have been repaid in stipulated time.
- b. The unit should have been making profit for the last three years.
- c. Beneficiary may apply to the same financing bank, which sanctioned the loan for their unit, or to any other financing bank, which is willing to extend credit facility for second loan.
- d. Registration of Udyog Aadhar Memorandum (UAM) is mandatory.

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- e. Negative list of activity.
- f. The 2nd loan should lead to additional employment generation.

The Implementing Agencies (KVIC/KVIB/DIC), after preliminary scrutiny, will forward the application to the Bank opted by the beneficiary in the online application. Before recommending the application to the Banks, the Implementing Agencies will ensure that the application is complete in all respect and the applicant has fulfilled all the criteria mentioned in the guidelines. The agencies shall complete the scrutiny of the application and forward it within 15 days to the Banks, if the application is found to be in order. In case, the application is not in order and the same should be returned to the applicant within 15 days alongwith the reasons.

2. Role of Financing Banks :

- a. The financing bank shall consider for sanction of loan for upgradation of manufacturing units upto Rs.1.00 Cr. with the margin money eligibility of 15% of the project cost (20% for NER and Hill States).
- b. The financing bank shall consider for sanction of loan for upgradation of Service/Trading units upto Rs.25.00 lakhs with the margin money eligibility of 15% of the project cost (20% for NER and Hill States).
- c. For all categories (General, SC/ST, Women, OBC, Minority, Ex-servicemen, Physically Handicapped), rate of subsidy (of project cost) is 15% (20% in NER and Hill States).
- d. Beneficiary's contribution will be 10% for all categories. The balance amount of the total project cost will be provided by bank as term loan initially. 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 machineries 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 go beyond 25% of the total sanctioned project cost.
- f. The Capital expenditure component should be above 60% of the total project cost. However, the financing bank can decide the criteria at the time of sanction of loan based on the nature of the project.

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3. Documents required to be uploaded :

- a. Previous "loan sanction letter" issued by the Bank, Proof of "MM Claims adjusted against previous loan" and "Bank Certificate for full loan repayment".
- b. Project Report for expansion/upgrading the unit.
- c. Passport Size photograph.
- d. IT returns for the last 3 years.
- e. Annual accounts certified by Chartered Accountant for the last 3 years.

After release of loan, the Bank will claim Margin Money Subsidy (MMS) as per the procedure prevalent for PMEGP units i.e. on PMEGP online portal.

4. Claim Validation :

The modalities for validation of claim for 2nd loan shall be followed as per the existing procedure of the 1st loan as per the scheme guidelines.

The following parameters/documents shall be verified during the claim validation process by the Directorate of PMEGP.

- I. On receipt of online claims to the Directorate of PMEGP the claim will be checked by Checker (Officials identified for this purposes by the Directorate of PMEGP) and will be authorized / validated by concerned authorized officials of the Directorate of PMEGP.
- II. The validation will be on the following parameters with the help of the online inbuilt systems checks :
 - Own Contribution
 - Negative list
 - Ensuring the project is within the project ceiling stipulated in the scheme for manufacturing and service.
 - Margin Money Subsidy in proportion to loan installment released as well as project cost.
 - Previous "loan sanction letter" issued by the Bank, Proof of "MM Claims adjusted against previous loan" and "Bank Certificate" for full loan repayment".
 - Project report for expansion/upgrading the unit.
 - Passport size photograph.

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- IT returns for the last 3 years.
 - Annual account certified by Chartered Accountant for the last 3 years.
5. The validation by Directorate of PMEGP, KVIC, Mumbai will be on the above core areas only and all other parameters/areas need to be checked and monitored at different levels of operations at the level of the Implementing Agencies, DLTF and Banks based on the laid down norms of the scheme guidelines.
6. The validation should be completed within 3 working days from the receipt of the margin money claim and validated claims should be forwarded to the Nodal Bank by Directorate of PMEGP. The claims which have some deficiency/shortcomings will be returned back to the concerned financing bank and a copy sent to the concerned State/Divisional Directors for rectification.

The above guidelines will be strictly complied by all concerned.


(M. RAJAM BABU)
DIRECTOR (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 Bank.

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, Mumbai
5. OSD to CVO Cell, KVIC, Mumbai
6. OSD to FA Cell, KVIC, Mumbai
7. Dy.CEOs in Central Office, KVIC, Mumbai
8. Director (IT) with a request to place the Circular on KVIC/PMEGP website.
9. Director (Publicity) with a request to publish the same in the ensuing "JAGRITI"
10. Director (Hindi Cell) for translation in Hindi
11. Master file for record.

DIRECTOR (PMEGP)