No. PMEGP/Policy/5/2017
Ministry of Micro, Small and Medium Enterprises
PMEGP SECTION

Udyog Bhavan, New Delhi
New Delhi, 31.05.2018

To,

The Chief Executive Officer,
Khadi and Village Industries Commission,
Gramodaya, 3 Irla Road,
Vile Parle (West), Mumbai.

Sub: Continuation of Prime Minister's Employment Generation Programme (PMEGP) beyond XIIth Plan for FY 2017-18 to 2019-20 – 2nd loan with Subsidy for Upgrading of Existing Units - Guidelines - regarding

Madam,

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 aproved 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 competent authority, has now approved the guidelines for the additional component namely, Upgrading the Existing Unit, wherein the units already set up under PMEGP/MUDRA and performing very well would be selected for upgradation through 2nd loan. A copy of the detailed guidelines for upgrading the existing units, as approved by the competent authority, are enclosed. The Scheme, particularly the new component may be given wide publicity, so that the targets set for the FY 2018-19 may be achieved in time.

Yours faithfully,

(ANIL KUMAR)
Under Secretary to the Government of India
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Ministry of Micro, Small and Medium Enterprises (MSME)

PMEGP Section

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 Centres (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 unit should have been making profit for the last three years.

iii. Beneficiary may apply to the same financing bank, which provided first loan, or to any other bank, which is willing to extend credit facility for second loan.

iv. Registration of Udyog Aadhaar 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 Centres (SDIC) only. KVIC will coordinate with State KVIBs, State DICs and monitor the performance of the Units in 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 upgradation, 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 Banks, 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 the 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 the Bank.

V. 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, and 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 upgradation.

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/upgrading the unit.

III. Passport size photograph.

IV. IT returns for the last 3 years.

V. Annual accounts certified by Charted Accountant for the last 3 years.

9. **Miscellaneous:**

The main objective of the scheme is to a ssist 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/upgradation in the existing/related activities of well-performing PMEGP/MUDRA units.