

**Credit Delivery arrangement for MSMEs between
SIDBI & MCCIA**

Terms of the arrangement

FINANCIAL TERMS OF ARRANGEMENT	
Eligible borrowers	<p>Micro, Small & Medium Enterprise, its group / associate concern who under the arrangement is / are</p> <ol style="list-style-type: none"> i. members of MCCIA as on date of application ii. in existence for a minimum period of 3 years iii. having Net Profit for last 2 years iv. having Minimum Credit Rating of S6 or equivalent as per SIDBI's norms v. having maximum limit not more than 15% of the turnover in case of manufacturing / service sector units and 35% of turnover in case of units engaged only in job work subject to a maximum of Rs.50 lakh. vi. having No default / over dues and have good credit track record vii. not in RBI/CIBIL defaulter/caution list viii. KYC norms compliant ix. having No statutory dues. Cases under protest/litigation shall be considered on merit. x. asset coverage of 1.25 and Promotor's Contribution of 20% xi. having maximum overall DER (including proposed loan) of 2.5 : 1 for the concern xii. having factory in its name or the promoter should have residence in his Own or Spouse's name in Pune.
Eligible assets for financing	<ul style="list-style-type: none"> • Capital assets mainly plant, machinery and other equipments bought by the MSMEs. The cost inclusive of all taxes. It may include – • Delivery vehicles etc., required for business • Other Fixed Assets required for business
Commitment period (period for deployment)	12 months from the date of sanction, after which it will expire (in case disbursement is not drawn in 6 months, the sanctioned limit would be reviewed).
Individual limit	<ul style="list-style-type: none"> • Up to Rs.50 lakh (Rupees fifty lakh only)
Interest Rate	<ul style="list-style-type: none"> • Generally at PLR payable monthly. SIDBI reserves the right to review the rate of interest from time to time. • However, where the assets/company is eligible for lower interest rate than PLR, the same may be given.
Penal Interest	<ul style="list-style-type: none"> • 2% p.a. over and above the stipulated rate payable to SIDBI
Upfront fee	<ul style="list-style-type: none"> • SIDBI shall charge in each case from MSME Borrower (who are sanctioned financial assistance under the arrangement) an upfront fee of 1% of the amount of financial assistance sanctioned. (i) 50% after the upfront fee is received from the borrower, and (ii) the balance 50% on closure of the account in normal course by

	<p>way of normal repayment (i.e. without OTS/ sacrifice of income / through legal action)</p> <p>The payment shall be subject to applicable Service Tax/ TDS and other taxes, as may be applicable from time to time</p>
Tenure of loans	<ul style="list-style-type: none"> • Up to 60 (sixty) months from disbursement based on revenue projections of the MSME. The repayment schedule could be on EMI basis and staggered/balloon to match the projected cash flow of the MSME with six months moratorium for loan. • Overall tenure for the EMIs of future tranches, shall remain within the sanctioned tenure.
Security from borrowers	<ul style="list-style-type: none"> • 1st charge on assets financed • Personal guarantee of all the promoters • Personal Guarantee(s) of the spouse(s) [if factory / residence is not in the name of the borrower / promoter(s), but is in the name of spouse(s)]PDCs from borrowers • CGTMSE cover (or) Any other security acceptable to SIDBI. <i>(CGTMSE costs viz. Guarantee Commission, Annual Service Fee, etc. to be borne by the borrower, in respect of cases covered under CGTMSE)</i>
Sanction process	<ul style="list-style-type: none"> • MSMEs would submit application forms through MCCIA with all documents as per SIDBI check list (In respect of applications received online, a copy of the application to be forwarded to MCCIA by the borrower under intimation to SIDBI). • MCCIA shall forward the same to SIDBI along with the forwarding letter document checklist and eligibility compliance. • SIDBI may seek additional information as may be required from the units either directly or through the MCCIA • SIDBI official may visit the units premises before sanction of assistance and MCCIA would facilitate such visits and coordinate them. • A limit based on internal criteria of SIDBI would be set on each member applicant MSME • The sanction would be communicated to the borrower through Letter of Intent (LOI), a copy of which shall be shared with MCCIA.
Existing bankers of the borrowers	<ul style="list-style-type: none"> • Opinion of the existing banker(s) of the borrower would be sought as per SIDBI's guidelines. • Existing bankers of the borrower units would be kept informed about the sanction of facility by SIDBI as also creation of charge on assets financed by SIDBI. There would be sharing of information with the other bankers as per RBI guidelines / banking practice.
Loan Documentation	<ul style="list-style-type: none"> • After sanction, legal documentation would be carried out in the formats approved by SIDBI.
Disbursement Mechanism	<ul style="list-style-type: none"> • When member MSME who is having sanctioned limit requires disbursement, it would approach SIDBI (under information to MCCIA) for disbursement along with proforma invoice of the asset proposed to be acquired. Capital expenditure incurred during the current financial year prior to the date of application could also be

	<p>covered under the limit.</p> <ul style="list-style-type: none"> • A disbursement request in the standard format would be forwarded to SIDBI (under information to MCCIA) at its earliest. CA certificate giving details of the promoter's contribution raised, if any, would also accompany the disbursement request. • Disbursement would normally be drawn in maximum 3 tranches
Disbursement amount	<ul style="list-style-type: none"> • SIDBI's disbursement will be released in the name of the asset supplier, wherever possible. Otherwise it would be disbursed in their WC/Current A/c of the units under advice to their bankers.
Coverage under SMILE	<ul style="list-style-type: none"> • In case of coverage under SMILE, the applicable terms of SMILE including charging of upfront fee, interest rate, commitment period, tenure, security etc will be governed under the scheme guidelines applicable under SMILE and the sharing of upfront fee would also be restricted to the amount paid by the borrower proportionately.