

## **CHAPTER- I**

### **SPECIAL CREDIT LINKED CAPITAL SUBSIDY FOR TECHNOLOGY ENABLEMENT OF SC/ST MSES**

#### **1. Objective**

Ministry of Micro, Small and Medium Enterprises (MSME), Govt. of India has been operating a scheme for technology upgradation of Micro & Small Enterprises called the Credit Linked Capital Subsidy Scheme (CLCSS) with effect from 01.04.2017 till 31.03.2021 to facilitate purchasing of plant & machinery by providing upfront capital subsidy to the existing as well as new MSEs.

A special provision of 25% subsidy to SC/ST MSEs under National SC/ST Hub (NSSH) on institutional finance up to Rs.1 Cr. for procurement of Plant & Machinery (i.e. a subsidy cap of Rs.25 Lakhs) without any sector specific restrictions on technology upgradation has been incorporated in the revised guideline of CLCSS and which stands effective from 17.05.2017 to ease the access to latest technology. The objective of this scheme is to promote new enterprises and support the existing enterprises in their expansion for enhanced participation in public procurement. The scheme is being implemented by O/o DC - MSME.

#### **2. Scope of the scheme**

- a) The scheme would cover SC/ST MSEs of manufacturing and service sectors.
- b) The scheme would cover the purchase of new plant & machinery and equipment through term loan from Prime Lending Institutions (PLIs) for all manufacturing sectors and service sectors as brought out in the National Industrial Classification (NIC) code respectively on which banks/financial institutions are offering business loans, subject to consent/NOC from Pollution Control Board (wherever applicable)
- c) Industries covered under the RED category as per the Classification of industries for consent management (Schedule- VIII, rules 3(2) and 12 of Ministry of Environment & Forests, Govt. of India) shall not be eligible for subsidy under the above scheme.
- d) Subsidy for the SC-ST MSEs of service sector shall be applicable from the date of issuance of the guidelines.

#### **3. Eligibility Conditions**

- (i) Sole Proprietorships, Partnerships, Co-operative societies, Private and Public limited companies owned by SC/ST Entrepreneurs of MSE sector engaged in the manufacturing and service activities are eligible for seeking assistance.
- (ii) It is mandatory to have a valid Udyam Registration for availing the subsidy under SCLCSS.
- (iii) Eligibility for capital subsidy under the Scheme is not linked to any re-finance Scheme of the Nodal Agency (ies). Hence, it is not necessary that the PLI will have to seek refinance in respect of the term loans sanctioned by them from any of the refinancing Nodal

Agencies.

- (iv) SC/ST Units graduated from small scale to medium scale are eligible for subsidy under SCLCSS for three years from the date of graduation.
- (v) Industry graduating from small scale to medium scale on account of sanction of additional loan under this scheme shall be eligible for assistance.
- (vi) Fabricated and second-hand plant and machinery shall not be eligible for consideration for subsidy under this component.
- (vii) SC/ST owned MSEs who have already availed subsidy under the existing CLCSS/**SCLCSS**, before the date of notification of this scheme, may claim additional subsidy on account of difference in the rate of subsidy for procurement of plant and machinery after issuance of notification in this regard, which is now permissible under this scheme. The overall limit on the subsidy shall be Rs. 25 lakh. Further, an Undertaking shall be obtained from the applicant SC-ST MSEs, duly signed by its Proprietor / Partner / Director regarding availment of subsidy under CLCSS/SCLCSS earlier.
- (viii) MSEs availing subsidy under this scheme shall be eligible for all other types of subsidy except any other Central Government subsidy for technology up-gradation.
- (ix) In calculating the value of plant & machinery (manufacturing sector) and equipment (service sector), the following shall be excluded, namely:
  - a) The cost of equipment such as tools, jigs, dies, moulds, and spare parts for maintenance and the cost of consumable stores
  - b) The cost of installation of plant & machinery and equipment
  - c) The cost of purchase/ subscription/ installation of licensed software and other related digital services
  - d) The cost of research & development equipment and pollution control equipment (except, where they are approved for specific products /subsector by the Committee of Experts, and firefighting equipment).
  - e) The cost of generator sets, and extra transformer installed as per the regulations of the State Electricity Board (except where gas-based generator sets have been approved for specific products /sub-sector by the Committee of Experts.
  - f) The bank charges /service charges paid to the State Small Industries Corporation, Gap Funding
  - g) The cost involved in procurement or installation of cables, wiring, bus bars, electrical control panels (not those mounted on individual machines), oil circuit breakers or miniature circuit breakers which are necessarily to be used for providing electrical power to the plant & machinery or for safety measures.
  - h) Transportation charges (excluding of sales-tax and excise) for indigenous machinery from the place of manufacturing to the site of the factory.
  - i) Charges paid for technical know-how for the assembly of plant & machinery and equipment
  - j) Cost of such storage tanks which store raw materials, finished products only and are not linked with the manufacturing process
- (x) In the case of imported machinery, the following shall be included while calculating the value of plant & Machinery and equipment:

- Import duty (excluding miscellaneous expenses as transportation from the port to the site of the factory, demurrage paid at the port).
- The shipping charges
  - Custom clearance charges; and
  - GST

#### **4. Application Procedure**

The Nodal banks/ agencies notified from time to time by Ministry of MSME will submit the application of SC-ST MSEs on the dedicated online software. The nodal banks/ agencies would consider proposals only in respect of credit approved by their respective branches, whereas, for other Primary Lending Institutions (PLI), SIDBI and NABARD would be the nodal agencies for release of subsidy under this scheme.

#### **5. Time Limit for applying for Subsidy**

Eligible claim with reference date (date of release of last instalment of term loan) of each quarter should reach up to the end of next quarter. For example, if the reference dates falling between 1st January 2022 to 31st March 2022 the claim should be forwarded latest by 30th June 2022.

#### **6. Disbursement of Subsidy**

Banks will follow the principle of First -In -First -Out (FIFO) while submitting the claims online under SCLCSS Scheme. The principle of First -In -First -Out (FIFO) will also be followed by the NSSH Cell for disbursement of subsidy to the eligible beneficiary unit.

The beneficiary unit will have to remain in commercial production/service for three years after installation & commissioning of the plant & machinery and equipment, on which subsidy under the SCLCSS has been availed. To ensure this, the subsidy released by the Government under SCLCSS will be kept in the form of a Term Deposit of equivalent amount for three years with effect from the "reference date". The Term Deposit Receipt (TDR) as indicated before will not be eligible for earning any interest, neither it can be hypothecated/ pledged by the beneficiary unit/ Banks as security against any other liabilities/ loans. On the expiry of the prescribed retention period of three years, Banks will liquidate the TDR and credit the proceeds into the loan account of the beneficiary after being satisfied that the requisite terms and conditions of SCLCSS including continuity of commercial production/service of the beneficiary unit are duly adhered to.

In the event of foreign currency Term Loans sanctioned by Banks/ PLIs, the relevant subsidies are to be retained by Banks in the shape of TDR in domestic currency.