

A-Wing, Nirman Bhawan,  
New Delhi

13<sup>th</sup> December, 2019

OFFICE MEMORANDUM

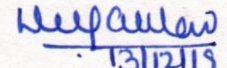
**Subject: Revised guidelines in regard to Credit Linked Capital Subsidy component under CLCS-TU Scheme - regd.**

The Undersigned is directed to refer to this Office O.M. No. 22/CLCSS/Scheme-EFC/2016-17 Pt. I dated 13.08.2019 circulating therewith the Guidelines for Credit Linked Capital Subsidy (CLCS) component of Credit Linked Capital Subsidy and Technology Upgradation Scheme (CLCS-TUS) and to state that in order to address certain operational difficulties encountered by Banks, it has been decided to modify/revise some of the Guidelines issued vide aforesaid OM. The revised Guidelines are enclosed herewith and also available on the website of this office i.e. [www.dcmsme.gov.in](http://www.dcmsme.gov.in). These Guidelines will supersede all the earlier versions of CLCSS Guidelines issued earlier.

2. All the Nodal Agencies/Banks are requested to acknowledge the receipt of the revised Guidelines and also **note** that the words **"at least 70%"** mentioned in para-1 of the Memorandum of Understanding (MoU) already signed on 05-09-2019 may be treated as deleted.

This issue with the approval of Competent Authority.

**Encl: As above;**

  
13/12/19  
(Deepak Rao)

Joint Development Commissioner

1. Secretary, Department of Expenditure, North Block, New Delhi
2. AS&FA, M/o MSME, Udyog Bhawan, New Delhi
3. Advisor (PAMD), Room No.244, NITI Aayog, Sansad Marg, New Delhi-01
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5. CMDs/MDs of 11 Nodal Banks/Agencies under CLCS
6. All Nodal Officers of CLCSS, 11 Nodal Banks/Agencies under CLCS
7. Chief Secretary (States/UTs)
8. All Commissioner/Director of Industries (States/UTs)
9. Chief Controller of Accounts, DIPP, Udyog Bhawan, New Delhi
10. Budget and Account Section, O/o DC (MSME)
11. All Directors, MMSE-DIs/Director, MSME-Testing Centres/All Branch DIs
12. Internal Circulation in the O/O DC (MSME) as per standard list.



**Copy for information to:**

1. PS to Hon'ble Minister, MSME, Udyog Bhawan, New Delhi.
2. PS to Hon'ble Minister (Minister of State), MSME, Udyog Bhawan, New Delhi.
3. PPS to Secretary (MSME), Ministry of MSME, Udyog Bhawan, New Delhi.
4. PPS to AS & DC (MSME), O/o DC MSME, Nirman, Bhawan, New Delhi.
5. PS to ADC (PS), O/o DC MSME, Nirman, Bhawan, New Delhi.

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सत्यमेव जयते

**GOVERNMENT OF INDIA**



**Revised  
Guidelines of  
Credit Linked Capital Subsidy Component  
of  
Credit Linked Capital Subsidy Technology Up-gradation Scheme  
(CLCS-TUS)  
(December, 2019)**

**Office of the Development Commissioner (MSME),  
Ministry of Micro, Small & Medium Government of India  
Nirman Bhawan, New Delhi-110011**

The Scheme guidelines are also available on the websites:  
[www.msme.gov.in](http://www.msme.gov.in), [www.dcmsme.gov.in](http://www.dcmsme.gov.in)



**Revised Guidelines of Credit Linked Capital Subsidy Component under Credit Linked Capital Subsidy and Technology Up-gradation Scheme (CLCS-TUS):**

**1. Introduction**

1.1 A large percentage of Micro and Small Enterprises (MSEs) units continue with outdated technology and plant & machinery, due to requirement of investment and lack of awareness in respect of both the quality standards and access to modern technologies. With rising competition due to liberalization of the economy, the survival and growth of the MSE units are critically dependent on their modernization and technological up-gradation as they will lead to improvement in quality and productivity. The technology up-gradation of both the process of manufacturing and corresponding plant and machinery is necessary for the micro and small enterprises to reduce the cost of production and remain price competitive at a time when cheaper products are easily available in the global market.

1.2 The Ministry of Micro, Small and Medium Enterprise has been operating three schemes for technology up-gradation of Micro, Small and Medium Enterprise (MSME) i.e. the Credit Linked Capital Subsidy Scheme (CLCSS), Technology & Quality Up-gradation Support to MSMEs (TEQUP) and Technology Acquisition and Development Fund (TADF) Scheme. These schemes had similar objectives and therefore for widening the scope of the technology up-gradation component TEQUP & TADF are being subsumed within the Credit Linked Capital Subsidy (CLCS).

1.3 The CLCS Component of CLCS-TU Scheme aims at facilitating technology up-gradation by providing capital subsidy to MSE units, on institutional finance (credit) availed by them for modernization of their plant and machinery involved in manufacturing process and equipment for rendering services, as the case may be. The Credit Linked Capital Subsidy also covers MSEs of Khadi & Village industries and Coir sectors. The CLCS component of the scheme will continue to provide capital subsidy to MSE units @ 15 % (i.e. Pre-Revised), for induction of well established and improved technology in select sub-sectors/products. The calculation of subsidy amount will be based on the actual cost of purchase plant and machinery inducted by the unit for technology up-gradation. The ceiling limit of amount of loan/institutional finance eligible for subsidy is Rs.1.00 crore.

1.4 As appraised by the Expenditure Finance Committee and subsequently approved by the Cabinet Committee on Economic Affairs, the CLCS component of CLCS-TU Scheme the main provisions are as follows:

1.4.1 The intervention is only to facilitate Technology up-gradation to MSEs through institutional finance for induction of well established and proven technologies in specified sub-sectors / products. However, In order to ensure fair inclusion of SC/ST, women entrepreneurs and entrepreneurs from NER, Hill states (Jammu & Kashmir,



Himachal Pradesh & Uttarakhand) island territories (Andaman & Nicobar and Lakshadweep) and Aspirational Districts/ Left-wing Extremism (LWE) Districts (**As per list at Annexure-A-1, A-2**), the subsidy shall also be admissible for investment in acquisition / replacement of plant & machinery / equipments & technology up-gradation for any Kind (Core Plant & Machinery). But fabricated / second hand machinery / equipment will not be eligible for subsidy under the CLCS component of the scheme.

**1.5 Special Credit Linked capital Subsidy Scheme (SCLCSS):** The SC /ST MSEs will be provided entire subsidy of 25% under Special Credit Linked capital Subsidy Scheme (SCLCSS) scheme as the guidelines and it would be released from NSSH under NSIC.

**1.6** The scheme is continued w.e.f.01.04.2017 and implemented as per pre-revised guidelines, the revised guidelines will be effective from 13.08.2019 and its amendments from time to time, the present validity of the CLCS Component of CLCS-TU scheme is extended up to 31<sup>st</sup> March 2020.

In case of Special Credit Linked Capital Subsidy Scheme (SCLCSS), the effective date of implementation will be the date of notification of SCLCS Scheme guidelines i.e. 17.05.2017.

**2. Objective :-** The CLCS Component of CLCS-TU Scheme aims at facilitating technology up-gradation by providing 15 per cent capital subsidy to MSEs, on institutional finance availed of by them for induction of well established and improved technologies as per specified sub-sectors / products approved under the scheme.

**3. Scope of the Scheme:**

**3.1 Definition under the Scheme:**

**3.1.1 Technology Up-gradation-** Technology up-gradation would ordinarily mean induction of state-of-the-art or near state-of-the-art technology with or without expansion capacities for existing enterprises and new enterprises. Given the availability of wide ranges of technologies, the technology up-gradation would mean a significant step up from the existing level of technology being used by the beneficiary enterprises leading to marked improvement in the productivity/ quality of products and/or improved environmental impacts inclusive of work environment for the unit. It may also include installation of improved packaging techniques as well as anti-pollution measures and energy conservation measures. In addition, cost of acquisition facilities for in-house testing and on-line quality control to meet the requirement of beneficiary unit(s) would qualify for assistance. Replacement of existing equipment / technology with the same equipment/ technology will neither qualify for subsidy under this CLCS component of CLCS-TU Scheme nor would the scheme be applicable to units upgrading with second hand machinery. However, some relaxation have been considered in case of entrepreneurs' from SC/ST categories, women entrepreneurs & enterprises located in NER, Hilly States (J&K, Himachal Pradesh, Uttarakhand ) / Island territories and Aspirational / LWE districts (as stated in para- 3.2.3 below);



**3.1.2 Eligible Beneficiaries-** The subsidy will be given to the existing & new enterprise having MSE status. Their Constitution may be sole proprietorships, partnerships, Co-operative and societies, private limited / LLP companies in the sector. The MSEs shall have the valid UAN at the time application implying:

They are duly registered as Micro and Small Enterprises (MSEs) under MSMED Act, 2006 and as amended from time to time . As for MSEs in the categories of Limited Liability Partnership firms or private Ltd. Companies are also required to be registered under LLP Act 2008 or the Companies Act, 2013 or as amended from time to time.

**3.1.3 Enterprises owned by SC/ST categories, women entrepreneurs:** Enterprises with clear ownership of 51% & above hold by SC/ST or women will be considered and eligible.

**3.1.4** Priority shall be given to SC/ST category, women entrepreneurs and entrepreneurs from NER, Hill states (Jammu & Kashmir, Himachal Pradesh & Uttarakhand) island territories (Andaman & Nicobar and Lakshadweep) and the identified Aspirational Districts/ LWE Districts ( As per list at Annexure-A-1 & A-2).

### **3.2 Eligibility Criteria for Credit Linked Capital Subsidy Component**

**3.2.1** The existing and /or new MSEs availing the institutional finance of total eligible investment towards the cost of plant and machinery for induction of well established and improved technologies approved under the component of the Scheme (**Appendix- 1**) or otherwise specified for various categories / regions under the CLCS.

**3.2.2** Industry graduating from small scale to medium scale on account of sanction of additional loan under CLCS shall be eligible for assistance.

**3.2.3** To encourage entrepreneurs' from SC/ST category, women entrepreneurs and entrepreneurs with units located in NER, Hilly states (Jammu & Kashmir, Himachal Pradesh & Uttarakhand) island territories (Andaman & Nicobar and Lakshadweep) and the Aspirational Districts/ LWE Districts as identified on 01.04.2017 (**details lists at in Annexure-A-1 & A-2**), the subsidy shall be admissible also for investment in **acquisition /replacement** of plant & machinery /equipments & technology up-gradation of any kind (core Plant & Machinery ) . However, second and in house fabricated hand plant & machinery /equipment will not be eligible for subsidy.

**3.2.4** A valid Udyog Aadhar Number (UAN) and entry of the MSE into the MSME Data Bank is mandatory for availing the subsidy under CLCS component.

**3.2.5** Eligibility for capital subsidy under the scheme is not linked to any refinance scheme of the Nodal Agency (ies). Hence, it is not necessary that the Prime Landing Institutions (PLIs) will have to seek refinance in respect of the term loans sanctioned by them from any of the refinancing Nodal Agencies.



3.2.6 Fabricated and second hand plant and machinery shall not be eligible for consideration for subsidy under this component.

3.2.7 A particular machinery eligible under one sector, may be considered eligible for other sectors as well if its requirement is justified from technical angle and unless it's eligibility is not restricted for that particular sector.

3.2.8 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.

3.2.9 Benefits under the scheme shall be available only if the eligible benchmarked machinery is purchased by availing term loan from a notified lending agency. Investment made by availing buyers credit, usance credit, leasing / hire purchase and sellers credit will not be eligible for availing benefits under the component.

### **3.3 Nodal Banks / Agencies**

3.3.1 In line of the existing practice, the scheme will include the following 11 Banks /Agencies shall be continued to act as nodal for implementation of the Credit linked Capital subsidy (CLCS):

1. Small Industries Development Bank of India (SIDBI)
2. National Bank for Agriculture and Rural Development (NABARD)
3. State Bank of India (SBI)
4. Canara Bank
5. Bank of Baroda (BOB)
6. Punjab National Bank (PNB)
7. Bank of India (BOI)
8. Andhra Bank (AB)
9. Tamil Nadu Industrial Investment Corporation (TIICL)
10. Corporation Bank
11. Indian Bank

3.3.2 In addition to the above Nodal Banks, other Nationalized Banks will also be eligible to implement the CLCS component of CLCS-TU scheme after execution of the MOU with the O/o DC-MSME, Ministry of MSME, New Delhi.

3.3.3 Notwithstanding the above, the nationalized banks those are acting as nodal banks at present (other than SIDBI and NABARD) would consider proposals only in respect of credit approved by their respective branches. The same will also be applicable for other Nodal agencies.

3.3.4 Whereas, for the other Primary Lending Institutions (PLI), SIDBI and NABARD to be the nodal agency for release of subsidy under this scheme. Further, the SIDBI and NABARD have the authority to co-opt any PLI. However the SIDBI & NABARD have to ensure that the such PLI is co-opted by only one Nodal agency either SIDBI or NABARD and there is no overlapping / duplication in this regard.



3.3.5 Before accepting the application the existing Nodal Banks / agencies have to execute MoU with the O/o Dc-MSME, Ministry of MSME, New Delhi afresh to act as Nodal bank / agency. The prescribed format of MOU is at **APPENDIX- II**.

**3.3.6 Eligible Primary Lending Institutions (PLI):** All Scheduled Commercial Banks, Scheduled Cooperative Banks [including urban cooperative banks], Regional Rural Banks (RRBs), State Financial Corporation's (SFCs) registered with RBI and North Eastern Development Financial Institution (NEDFI) are eligible as PLI under this scheme provided they execute a General Agreement (GA) with any of Nodal the Bank / Agency, namely the Small Industries Development Bank of India (SIDBI) and National Bank for Agriculture and Rural Development (NABARD) (**As per GA at APPENDIX- III**). The non banking finance corporation (governed under the RBI regulations) may also be considered in the due course, subject to consultation with the Stakeholders and approval by the committee of Experts. However, the said entities will be co-opted through SIDBI or NABARD.

**3.4 Duration :** The CLCS component of CLCS-TU Scheme will be operational / valid with effect from 01.04.2017, till 31<sup>st</sup> March, 2020 .

The computation of aggregate disbursement will also include the amount disbursed to meet pending liabilities under CLCSS, TEQUP & TADF. If the CLCS component of CLCS-TU Scheme terminates, in that case, and the SCLCSS continues, eventually the SCLCSS will be delinked.

### **3.5 Coverage of the Credit Linked Capital Subsidy (CLCS):**

3.5.1 Initially, The CLCS component would cover the approved technology / products / sub-sectors already approved and added through subsequent supplements notifications' (details available at [www.dcmsme.gov.in](http://www.dcmsme.gov.in)). The detailed list of well established and Improved Technologies is enclosed at **Appendix-I**.

3.5.2 Term Loan sanctioned and disbursed by banks / PLIs for acquiring new plant & machinery for technology and process up-graded from approved list shall qualify for subsidy under the scheme. The second-hand / fabricated machines will not be considered to calculate the subsidy under the scheme. The list of technologies/ machines eligible for subsidy shall be updated from time to time depending on requirement. The procedure given in Para 3.6 below will be adopted for such updation. However, a MSE shall continue to get the benefit of the scheme during the currency of the approved loan even if a particular technology stands subsequently removed from the approved list.

3.5.3 Replacement of existing Plant & Machinery / Technology with the same equipment /technology will not qualify for subsidy under the CLCS component under CLCS-TUS, save and except the provisions stipulated under item 3.5.2 above.



**3.6 Addition and deletion of Technology / Process / sector / Sub-sector:** Any modern technology may be added in and outdated technology may be deleted from time to time from the existing list of the sectors/technologies with the approval of the Committee of Experts. The preliminary exercise in this regard may be executed through an external expert agency and / or field offices of this Ministry.

3.6.1 An external expert agency like Global Innovation and Technology Alliance (GITA)\* will be engaged as the Knowledge Partner to identify the new, latest, clean, green and energy efficient technologies under different sectors and also the exclusion of the outdated sector / processes /technologies. The Observations / recommendations on inclusions / exclusions of technologies /processes / sectors/sub-sectors by the knowledge partners will be placed before the Committee of Experts for appraisal & approval in the matter, Views of field offices may also be taken on board, if felt necessary.

3.6.2 The fees / remuneration to be payable to the expert agency engaged as knowledge partner for the aforesaid assignment(s) will be decided as per the provisions in the GFR. The earmarking to the tune of Rs.82.50 Lakh for promotional activities, professional services charges in the scheme approved by the Competent Authority may be utilized for the said purpose.

3.6.3 There is a provision of Management & Implementation fee @0.25% of the subsidy released to Nodal Agencies like SIDBI & NABARD. The management and implementation provisions will include the cost of Information, Education & Communication (IEC) and other thematic interventions (like-identification of technologies, at HQ level for the scheme duration (Break up of @0.25%- Nodal-30%, PLI/co-opted PLI-30% and 40% for HQ and other agencies involved for implementation of above mentioned activities.

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\* As per the Notification S.O. 2580 (E) dated 21-09-2015 for Technology Acquisition & Development Funds Scheme (TADF) as per the National Manufacturing Policy 2011, GITA is an Implementation & Funds Management Agency under TADF Scheme. GITA is an existing Joint Venture between Government of India and Private sector and incorporated under section 8 of the companies Act 2013 and promoted by the Technology Development Board of Department of Science & Technology and Confederation of India Industry (CII). Engagement of Global Innovation and Technology Alliance (GITA) is approved by the EFC.

#### **4.0 Quantum of Subsidy & disbursement:**

**4.1 (i) The scheme is implemented from retrospective date, therefore subsidy should be calculated on the Investment on eligible machineries as per earlier practice. The quantum of capital subsidy would be restricted to 15% (maximum up to Rs.15 lakh) of the eligible investment.**

**(ii) The subsidy claims for which the Term loans are sanctioned after date of notification of these guidelines (i.e. 13.08.2019), the subsidy would be 15% of the loan / credit amount or cost of P/M whichever is lower, maximum up to Rs.15 lakh. The ceiling limit of loan to be considered for granting the subsidy under the Credit Linked Capital Subsidy (CLCS) is Rs. 100.00 Lakh.**



4.2 In calculating the eligible cost of Plant & Machinery for subsidy computation the following shall be excluded:

- The cost of equipments such as tools, jigs, dies, moulds and spare parts for maintenance and the cost of consumables;
- The cost of installation of Plant & Machinery;
- The cost of research & development equipment and pollution control equipment (except for where they are approved for specific products /sub-sector by the Committee of Experts, and fire fighting equipments.
- The cost of generation sets and extra transformer installed as per the regulations of the State Electricity Board (except where gas based generation sets have been approved for specific products /sub-sector by the Committee of Experts.
- The cost involved in procurement or installation of the machinery such as like installation cables, wiring, bus bars, electrical control panels (not those mount 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;
- Transportation charges (excluding of prevailing tax and excise) for indigenous machinery from the place of manufacturing to the site of the factory/ firm;
- Charges paid for technical know-how for erection of Plant & machinery;
- Cost of storage tanks for raw materials and finished products but in to way linked to the manufacturing process; and
- Cost of fire fighting equipments.

4.3 In case of imported machinery, the following shall be included while calculating the value of plant & Machinery, namely:-

- 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.

**4.4 Disbursement of subsidy:** Banks will follow the principle of First -In -First -Out (FIFO) while submitting the claims online under CLCS component of CLCS-TU Scheme to this Ministry. The principle of First -In -First -Out (FIFO) will also be followed by the Ministry for disbursement of subsidy to the eligible beneficiary unit.

#### **5.0 Effective date / Validity of the CLCS:**

5.1 The CLCS will become effective from 01.04.2017. The subsidy is applicable only in cases where the loans have been sanctioned / approved having reference date on or after 01.04.2017. The quantum of subsidy would be based on the actual disbursement made at the time of submission of claims for subsidy. The CLC subsidy cases, where the reference date is prior to 01.04.2017, shall not be entertained in any case.



5.2 The SC/ ST owned enterprises will be eligible for the additional subsidy admissible to SC /ST entrepreneurs under the Special Credit Linked Capital Subsidy Scheme (SCLCSS) only where the date of sanction of term loans and the reference date both are on or after 17.05.2017 i.e. date of notification of Special CLCSS). The subsidy claims of entrepreneurs from SC /ST categories with reference date falling between the period 01.04.2017 and 16.05.2017 will be treated at par with the other cases of CLCS. They shall not be eligible for additional subsidy.

5.3 Units which have already availed subsidy under the earlier CLCSS up to the limit of Rs. 15.00 lakh cannot claim additional subsidy. However, the units which have availed the subsidy less than the limit of Rs. 15.00 lakh will be eligible to claim the balance subsidy up to the limit of Rs. 15.00 lakh, provided their reference date is on 01.04.2017 or after. In order to limiting disbursement of subsidy within the prescribed ceiling limit of Rs. 15.00 lakh, the PLI/Nodal Bank will certify the subsidy amount availed earlier by the unit itself.

5.4 As MSE desirous of subsidy may apply to a bank for a loan to finance eligible investment. Once the loan is approved disbursed and the acquisition of plant & machines completed the disbursement of term Loan, subsidy will be considered. In case if event of disbursement is in more than one instalments, **the date of disbursement of the last instalment will be referred as the reference date.** The loans shall be serviced as per the interest payment and principle re-payment schedule drawn up by the respective bank after actual on-site visit and the bank have to confirm that the machinery have been installed and functional due diligence at unit site before recommendation and forwarding the subsidy proposal to the Ministry through online application and tracking system.

## **6. Other Mandatory Conditions:**

6.1 Promoters' contribution, security, debt-equity ratio, interest , up-front fee etc. will be determined by the PLIs as its existing norms.

6.2 Units availing subsidy under the CLCSS shall not allowed to avail any other subsidy for technology up-gradation from the Central Government. However, cases covered under National Equity Fund (NEF) Scheme, which are otherwise eligible under the CLCS can also be covered under this scheme.

6.3 Units in the North-Eastern Region which are enjoying financial incentives/subsidy under any other scheme from the Government in the Region would, however, be eligible for subsidy under the CLCS.

6.4 One of the main requirements for the assistance under the Technology Up-gradation component is the availability of management competence within the beneficiary unit to ensure up-gradation programme and to manage the operation of the unit efficiently. Towards this end, the lending agencies/PLIs may stipulate appropriate conditions as may be considered necessary.



**6.5 Transferring the loan from one lending agency to another lending agency :**

The outstanding principal amount of the term loan account under this scheme from one lending agency can be transferred to another lending agency only once subject to the condition that the entire portfolio (i.e., balance principal term loan amount and interest due /payable thereon ) remains unchanged and subject to the consent of the existing lending agency / PLI.

The unit is allowed to transfer its loan liabilities/accounts along with TDR to only those banks which are nodal agencies or PLIs under any nodal agency provided functions and conduct of the unit along with other terms and conditions do not change.

6.6 The term loan sanctioned for availing the benefit of the scheme should not be for less than three years including moratorium period for MSEs.

6.7 **The foreign Currency Term Loan:** The conversion of INR term loan into foreign currency term loan and conversion of term loans in to letter of credit (LC), availed from overseas branch of the Indian Bank/ Foreign Bank having Indian branch shall not be eligible for benefits under this scheme.

6.8 The multiple claims of subsidy against the single loan under CLCS will make the claimant enterprise ineligible for benefit under the scheme.

6.9 As delegated on the lines of the scheme guidelines the PLIs / Nodal banks /agencies will have exclusive power to determine eligibility of the unit for the subsidy under CLCS.

6.10 It shall be the responsibility of the owner of the beneficiary units to keep the PLI / Nodal banks / agencies informed of the change in location and/or address of the unit/enterprise during the continuation of the term loan, against which the subsidy has been availed. For this the concerned unit has to submit the revised UAM exhibiting the new address to the bank / nodal.

6.11 In the event of fire /natural disasters/ theft during the monitoring / lock-in period, the amount of subsidy extended to the unit may be utilized to be adjusted against the outstanding term loan. In case, of insurance claim is transferred to the unit, the subsidy shall not be extended to the unit. In regard to sale of the machinery during the monitoring period, the fixed deposit will be forfeited and subsidy will have to be refunded to the Ministry along with interest thereon. The interest portion on the subsidy amount shall be as per the lending interest rate of the term loan and shall be borne by the beneficiary enterprise.

6.12 The issue(s) of change in ownership & legal entity of the unit or in its constitution will be dealt within frame work of a legal angle on case to case basis.

**7. Procedural Aspects:**

7.1 To be the part of implementation of CLCS, all the eligible PLIs (excluding the new nodal banks / agencies) will have to execute a General Agreement (GA) with Nodal Banks /Agency.



7.2 The PLI may have the flexibility to execute the GA with either of any one of the nodal banks / agencies for providing subsidy to the eligible beneficiaries under the scheme. However, in the other cases, while claiming the subsidy from one nodal agency, the PLIs will have to give the undertaking to the nodal agency that they have not claimed subsidy under CLCS in respect of the beneficiary unit from the other nodal agency (as the case may be).

7.3 The eligible PLI will get an agreement executed with the concerned MSE unit on behalf of Government of India (GoI). Format of the agreement to be executed by the eligible PLI with the unit is provided in **Appendix III-A**.

7.4 The eligible PLI would obtain application form the MSEs for subsidy under the CLCS Component of CLCS-TUS in the prescribed form provided in **Appendix - IV**. Banks will follow the principle of First -In -First -Out (FIFO) while submitting the claims online also under CLCSS component of CLCS-TU Scheme to Government of India.

7.5 The eligible PLI shall furnish the online subsidy claims to this Ministry, in regard to the each application of the beneficiary units through nodal banks.

7.6 The eligible PLI will also be responsible for ensuring that the cases of subsidy have been subjected to due scrutiny of documents and verification of eligibility of the beneficiaries in terms of the guidelines of CLCS-TUS. The concerned PLI will also be responsible for ensuring compliance of the prescribed procedure and the terms and conditions associated with disbursement of the subsidy. The sanction letter for term loan to the beneficiary unit should clearly indicate that the above due diligence process have been duly observed. The claim for subsidy will accompany a copy of the particular sanction letter and the sanction letters without the said clause duly mentioned will not be entertained.

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

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



**7.9 Coverage of Investment prior to sanction of the loan:** The beneficiary units are permitted to make the advance/ token payments as margin money prior to the actual approval of their term loans, on which subsidy under CLCS-TUS will be claimed. Notwithstanding the same, the plant & machinery acquired/purchased only on or after the date of approval of the term loan will be eligible for subsidy under the CLCS-TUS subject to fulfillment of the requisite terms & conditions.

## **8. Other Parameters**

**8.1** The GOI assistance under CLCS cannot be utilised for the purposes other than for which it has been sanctioned. The eligible PLI shall have to strictly follow this norm and no deviation would be permitted.

**8.2** In case, it is found that capital subsidy from the Government has been availed of on the basis of any false information, the industrial unit shall be liable to refund the Government the capital subsidy availed, along with interest to be charged from the date of disbursement to the date of refund. The rate of interest shall be the prime lending rate of the PLIs concerned at the time of invoking this penal clause.

**8.3** The eligible PLI shall, therefore, incorporate suitable conditions in respect of point at 8.2 above in their scrutiny documents entered into with the unit, which would give necessary authorisation to proceed legally in such eventualities.

**8.4** The credit risk under the CLCS component will be borne by the eligible PLI and as such, they will have to make their own commercial judgement while appraising the project. The credit decision of the eligible PLI will be final.

**8.5** There shall not be any binding obligation on the part of the nodal banks/ agencies to obtain sanction from GoI for the government assistance in respect of the proposals which are covered under CLCS component of CLCS-TU scheme.

**8.6** All Nodal including SIDBI and NABARD shall have the right to inspect the books of eligible PLI and the loan accounts irrespective of whether refinance is availed or not from the Nodal Agency (ies) under this Scheme and / or call for any other information as may be required by GoI from time to time.

**8.7** The subsidy claims will have to be submitted by the Prime Lending Institutions (PLIs)/Nodal Bank /agency to the Ministry before the end of the quarter immediately following the quarter in which the bank disburses the final instalment (reference date) of the existing term loan to the unit.

**8.8** In the event of the beneficiary unit/s becoming defaulter in repayment of loan/s and the relevant account/s being declared NPA/s, the benefit of the subsidy/subsidies would have to be immediately withdrawn and the related term deposit/s forfeited. The subsidy in such cases shall be returned to the Ministry forthwith. No delay in this regard will be permissible.

**8.9** MSEs are permitted to claim subsidy under CLCS component for more than one sub-



sector as specified in the prescribed list being notified time to time provided Banks/PLIs have sanctioned separate lines of credit (Term Loan) for each of the sub-sectors. However, the activities concerning the said sub-sectors should essentially be registered in the UAMs taken by the concerned MSEs.

8.10 In the context of item 8.9 above, subsidy for each of the sub-sectors shall be considered /examined and calculated separately and the related details will be clearly stated by the Nodal Banks/PLIs in their sanction letters. In case, a subsidy for one sub-sector stands approved/ released to a particular beneficiary prior to a separate proposal of subsidy for another sub-sector is mooted /approved at a later date, the previous subsidy will have to be duly indicated in the online Tracking & Management System at the time of preferring claim of the latest subsidy. The aggregate amount of admissible subsidy for all sub-sectors shall be restricted to the maximum limit of Rs.15 lakh for purchase of plant & machinery pertaining to the relevant sub-sectors. Disbursements of subsidy for each of the case will be subject to fulfilment of all the terms & conditions specific to the particular sub-sector. In case of non-compliance for a particular sector by beneficiary unit, the Nodal Agency will restrict the release of subsidy only up to amount equivalent to the eligibility limit for sub-sectors where compliances have been met.

8.11 Except for the event merger, acquisition, amalgamation or takeover of the beneficiary MSE, the plant and machinery purchased for availing the subsidy under this scheme shall not be disposed off during the monitoring period OR till the TDR is liquidated (refer para-7.7).

8.12 No multiple finance shall be allowed under the Scheme except for cases mentioned under item 8.9 above.

8.13 The minimum repayment period of the term loan sanctioned for availing the benefit of this scheme shall not be less than three years including moratorium period .

8.14 Where subsidy is granted under CLCS-TUS, the beneficiary unit for which loan has been taken shall remain in function at least during the repayment period of term loan specified above.

8.15 Machines purchased on or after the date of sanction of the term loan only shall be eligible for subsidy (to be read along with item 7.9 above). Purchase date shall be the date when full and final payment is made by the unit for machinery as evidenced by the bank transaction statement or the date of commercial invoice whichever is later.

8.16 **Merger/take-over of management of the entity:** The TDR kept with the lending institutions, in case of loans where beneficiary units are merged with or taken over by the Medium and large Units, will not be liquidated in favor of the new entity emerged as the result of merger or the large entity acquiring the beneficiary unit. In all such cases the subsidy would stand withdrawn.

8.17 In the event of detection of gross violation or departure in the compliance to the



terms & conditions prescribed under the CLCS-TUS and/or specified in a particular approval, the Nodal Banks/Agencies including SIDBI and NABARD shall have the right to immediately recall the entire amount of subsidy from the concerned PLIs/Banks irrespective of the fact whether or not the concerned Bank/PLIs have already recovered the subsidy from the beneficiary units.

8.18 The eligible beneficiary units may be permitted to transfer its loan liabilities/account along with TDR to only those Banks which are already listed as designated PLIs/Banks under any Nodal Agencies, so that as per guidelines such transfer will be subject to condition that there will be no change in the other terms & conditions as well as continuity of loan liabilities.

8.19 The beneficiaries under this component are not automatically eligible for other components of the CLCS-TU Scheme. However, they may avail the benefit admissible for the other components subject to approving the competent Authority separately and meeting eligibility requirement prescribed for the particular Component.

**9. Working Capital Requirements:** Since success of the technology up-gradation scheme, to a large extent, depends upon the availability of adequate working capital, lending institutions /PLI would like to be assured that the borrowing units have made adequate arrangements for meeting the working capital requirements. Commercial banks should also accord priority in providing adequate working capital support to the assisted units.

**10. Awareness and Promotional Activities:** Awareness programme by MSME-DIs or other agencies (@ Rs. 70,000/- per programme) of one day duration each, Regional/ State/ National Workshop by MSME-DIs or other agencies (@ Rs. 5 lakh per day, per programme) two days duration each.

**11. Monitoring of the Scheme:** The CLCS component of CLCS-TU Scheme is monitored by the Committee of Experts under the Chairmanship of Secretary (MSME). The Additional Secretary & Development Commissioner (MSME) will be the Member-Secretary. The detail Composition of Committee given below. with a view to include or exclude new sub-sectors/sectors/improved latest technologies under the scheme or exclude vintage/ obsolete sectors/Technologies this Committee of Experts would periodically review CLCS. In order to update the list of sub-sector/ sector / technology (appendix-I) appropriate agency may be hired as knowledge partner to suggest the modification in the list. MSME-DIs may also be involved in the said process. The knowledge partner will suggest addition and deletion of the technology/ sub-sectors/sectors and the relevant recommendations of the knowledge partner will be placed before the Committee of Expert for decision for amendment in the list of Sector/sub-sector / Technology.

The Committee of Experts will comprise the following:

1.	Secretary (MSME)	Chairman
2.	AS & FA (MSME)	Member, ex-officio
3.	Additional Secretary & Development Commissioner (MSME)	Member, ex-officio
4.	Additional Development Commissioner (MSME)	Member, ex-officio



5.	CMD, National Research Development Corporation (NRDC), DSIR, GOI or representative*	Member, ex-officio
6.	CMD, SIDBI or representative*	Member, ex-officio
7.	Managing Director, NABARD or representative*	Member, ex-officio
8.	Joint Secretary to the Government of India or equivalent Technical Officer, Ministry of Environment, Forests and Climate Change	Member, ex-officio
9.	Joint Secretary to the Government of India, Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce & Industry	Member, ex-officio
10.	Joint Secretary to the Government of India or equivalent Technical Officer, Ministry of New & Renewable Energy	Member, ex-officio
11.	Executive Director, RBI or representative*	Member, ex-officio
12.	Representative* of NITI Aayog	Member, ex-officio
13.	Representative* of Banking Division, Department of Financial Services, Ministry of Finance	Member, ex-officio
14.	Director General, Bureau of Energy Efficiency (BEE) or representative*	Member, ex-officio
15.	Executive Director, PCRA or representative*	Member, ex-officio
16.	Representatives* from DRDO, Ministry of Defence	Member, ex-officio
17.	Representative* of Council of Scientific & Industrial Research (CSIR)	Member, ex-officio
18.	Representative* of Indian Council of Agricultural Research (ICAR)	Member, ex-officio
19.	Representatives from any one from other nodal banks.	Member, ex-officio
20.	Representative* of North Eastern Development Finance Corporation Limited (NEDFi), Guwahati	Member, ex-officio
21.	Representatives* from two prominent industries associations / Chambers (by rotation).	Member, ex-officio
22.	Executive Director, Technology Information, Forecasting Assessment Council (TIFAC), DST,GOI or representative*	Members, ex-officio
23.	CEO, Global Innovation Technology Alliance (GITA)	Members, ex-officio
24.	Joint Development Commissioner / Director (CLCS )	Member – Secretary,

**\* Representative of the concerned Govt. organization /Department should be equivalent to the rank of Joint Secretary or above. In case of other organizations the representative should be an official with sufficient seniority.**

- Terms of Reference (ToR) of the Committee:**

1. To prescribe objective criteria for categorising a technology as 'clean and green'. The criteria will be consistent with the objective of the national action plan on climate change and the strategy for inclusive sustainable development.



2. The Committee of Experts will monitor and review the functioning of the scheme.
3. Grant the approval for inclusion and deletion of technologies / machinery under the Scheme.
4. The Committee of Experts will act as an Apex body for approval of the projects under CLCS component of the CLCS-TU Scheme.



**List of approved 51 Sectors / Sub-sectors under Credit Linked Capital Subsidy (CLCS)**

- i) Bio-tech Industry
- ii) Common Effluent Treatment Plant
- iii) Corrugated Boxes
- iv) Drugs and Pharmaceuticals
- v) Dyes and Intermediates
- vi) Industry based on Medicinal and Aromatic plants
- vii) Plastic Moulded/ Extruded Products and Parts/ Components
- viii) Rubber Processing including Cycle/ Rickshaw Tyres
- ix) Food Processing (including Ice Cream manufacturing)
- x) Poultry Hatchery & Cattle Feed Industry
- xi) Dimensional Stone Industry (excluding Quarrying and Mining)
- xii) Glass and Ceramic Items including Tiles
- xiii) Leather and Leather Products including Footwear and Garments
- xiv) Electronic equipment viz test, measuring and assembly/ manufacturing, Industrial process control; Analytical, Medical, Electronic Consumer & Communication equipment etc.
- xv) Fans & Motors Industry
- xvi) General Light Service (GLS) lamps
- xvii) Information Technology (Hardware)
- xviii) Mineral Filled Sheathed Heating Elements
- xix) Transformer/ Electrical Stampings/ Laminations /Coils/Chokes including Solenoid coils
- xx) Wires & Cable Industry
- xxi) Auto Parts and Components
- xxii) Bicycle Parts
- xxiii) Combustion Devices/ Appliances
- xxiv) Forging & Hand Tools
- xxv) Foundries – Steel and Cast Iron
- xxvi) General Engineering Works
- xxvii) Gold Plating and Jewellery
- xxviii) Locks
- xxix) Steel Furniture
- xxx) Toys
- xxxi) Non-Ferrous Foundry
- xxxii) Sport Goods
- xxxiii) Cosmetics
- xxxiv) Readymade Garments
- xxxv) Wooden Furniture
- xxxvi) Mineral Water Bottle
- xxxvii) Paints, Varnishes, Alkyds and Alkyd products
- xxxviii) Agricultural Implements and Post Harvest Equipment
- xxxix) Beneficiation of Graphite and Phosphate
- xl) Khadi and Village Industries
- xli) Coir and Coir Products
- xl ii) Steel Re-rolling and /or Pencil Ingot making Industries
- xl iii) Zinc Sulphate
- xl iv) Welding Electrodes
- xl v) Sewing Machine Industry
- xl vi) Industrial Gases
- xl vii) Printing Industry
- xl viii) Machines Tools
- xl ix) Copper Strip Industry
- l) Ferric and Non-Ferric Alum
- li) Pesticides Formulation

**Note:-** Details of Sectors / Sub-sectors and list of eligible plant & machinery available at the Existing CLCSS guidelines dated 20.06.2006 and subsequent supplements issued on 10.8.2006, 13.07.2009, 01.06.2010, 10.08.2011, 23.01.2012 and 05.02.2014 will remain in vogue until further notification.