

## **SCHEME FOR FINANCING MSME SERVICE UNITS- 'PNB SEVA'**

### **1. ELIGIBILITY**

- i) Individuals / Partnership / Ltd Liability Partnership / Pvt. Ltd. Co. /Public Ltd.Co/Trust and Co-operative Societies registered under any law relating to co-operative societies engaged in rendering of service and are categorized as Micro, Small & Medium Enterprises.
- ii) In Service Sector, the person behind the project/service provider is very important. Their qualification/experience is to be taken into account.
- iii) For the list of activities under service sector, various notifications from Ministry of MSME, GOI may be referred.

### **2. PURPOSE**

#### **WORKING CAPITAL (In the shape of CC/ OD)**

To finance stocks and other current assets, receivables (not older than 3 months), future receivables, business expenses including salary/wages of employees, etc.

#### **TERM LOAN :**

For acquiring fixed assets like land, office/workplace building, equipments & infrastructure (by new enterprises) and in case of existing units for expanding office/workplace accommodation, renovating and modernizing the existing office/workplace with a view to improving the quality or reducing service cost, **creating additional infrastructure facilities, like setting up of Research & Development Centres / Testing Laboratories**, purchase of vehicle (other than the vehicles meant for personal use) which are required exclusively for rendering service and marketing needs of the unit, future receivables (as defined under para 6(iv) etc.

### **3. NATURE OF FACILITY**

- (i) Cash Credit (FB+NFB) or Overdraft as per the nature of business.
- (ii) Term loan
- (iii) Composite loan

### **4. EXTENT OF FINANCE**

- (i) Cash Credit- Need based.
- (ii) Term loan-Need based.
- (iii) Over draft limit-Need based.

## 5. MARGIN/OWNER'S CONTRIBUTION

Nature of Facility	Extent of Margin
<b>WORKING CAPITAL FACILITIES</b> Against stocks of raw material, components, spares, stores, material in rendering of service.	
i. <b>Cash Credit (Hyp.)</b>	
a. Upto Rs. 2.00 lakh	NIL
b. Above Rs.2 lakh & upto Rs 5 lakh	20%
c. Above Rs.5 lakh	25%
ii) <b>Cash Credit (Pledge)</b>	15%
iii) <b>Cash Credit (Book Debts)</b>	
a. Limits upto Rs.5 lakh	25%
b. Above Rs. 5 lakh	30%
iv) <b>Bills for Collection if any</b>	25%
v) <b>Overdraft facility against staff salary/wages &amp; other such expenses</b>	25%
v) <b>TERM LOAN</b>	
a. Purchase of Land for construction of building of workplace thereon	25% for all a. to d.
b. Construction of Building on land purchased through Bank's finance	
c. Construction of Building on land owned by borrower	
d. Constructed Workplace Building	
e. Equipments/machinery used for providing service.	
(i) Upto Rs. 2.00 lakh	NIL
(ii) Above Rs.2 lakh & upto Rs 5 lakh	20%
(iii) Above Rs.5 lakh	25%
f. For purchase of old machinery/equipments (Having Minimum remaining useful life i.e 5 years or loan tenure, whichever is higher. In case of old generators set, it should not be older than three years )	25%
g. Deferred payment guarantees	25%

## 5. INTEREST

Rate of interest as per extant guidelines of bank.

## 6. REPAYMENT

i) **The working capital limits** shall be sanctioned for a period of one year and shall be renewed annually.

ii) **Term Loan**

Except for the items mentioned in the table below, the repayment period would be 5 to 7 years depending upon the project profitability over and above the gestation period of 6 to 12 months. However, in deserving cases, i.e. in the event of delay in the execution

of project and/ or due to circumstances beyond the control of promoter, AGM (Incumbent ELB/CH) & above may extend repayment period upto 10 Years depending upon the merits of each case keeping in view the cash generating capacity of the unit and the life of the machinery.

Old machinery other than generator set	36 months provided the minimum expected life of such machinery is 5 years.
New generator sets	42 months beginning after 6 months from the date of advance.
Old generator sets	30 months beginning after 6 months from the date of advance.
In case of working capital loan against security of existing unencumbered machinery	The loan together with interest to be repaid well within the future expected life of the machinery or 5 years, whichever is less
In case of Term Loan/OD sanctioned against Future Receivables	3 Years or the remaining period of contract whichever is less. (OD is to be sanctioned on reducing DP basis.)

## 9. SECURITY

### i) PRIMARY

Mortgage/Hypothecation/pledge/assignment etc. of assets (land/building/P&M/stocks/book debts (not older than 3 months) created out of the loan.

### ii) COLLATERAL

In respect of MSME advances, where collateral security/3<sup>rd</sup> party guarantee norms have been categorically mentioned the security norms under that specific scheme to be followed. In other cases, the collateral security will be taken as per the following table

S.No.	Situation	Extent of Collateral security
1.	Where land &/or building has been financed and mortgaged as primary security	No additional collateral security is required, in case where land and/or building of factory is financed by us and land and building is mortgaged as primary security having realizable value of atleast equivalent to 133% of total exposure. If there is any shortfall, additional collateral in the shape of Liquid security/IP will be taken.  <b>Power of Relaxations:-</b>

		Circle Heads (AGM & above)/LCBs (headed by DGM) may relax the above requirement upto 125% and FGM may relax upto 100% of total exposure.
<b>2.</b>	Where Bank is not financing Land &/or Building and either only WC is sanctioned and/or TL is sanctioned for Plant & machinery only and land and/or building is not mortgaged with the Bank as in 1 above.	In respect of such advances collateral security by way of mortgage of immovable properties or 3rd party guarantee may be asked for in those cases, where sanctioning authority feels that the primary security would be inadequate to safeguard Bank's interest or for other valid reasons so that Bank's interest is protected and not as a matter of routine.