Annex 1

Proposed Budget (Indicative)* and Means of Finance for Soft Interventions
(per cluster spread over a period of 18 months) (Rs in lakh)

S No.	Description	Max Estimated Expenditure	Means of Finance		
			GoI assistance	State Govt. &/or PSU, Institutions	SPV/ Private Partners
1.	Trust building (organizing meetings, seminars for cluster actors) 4 meetings	0.80	upto 90%		
2.	Building awareness of various schemes of Ministry of MSME, other Ministries and Departments of State & Central Govt, other developmental agencies, Financial institutions etc (2 programmes)	0.80	upto 90%		
3.	Organizing training programmes /seminars /workshops/ study tours to other clusters/ demonstration of technology/ equipment, including expert fees, travel, lodging, boarding, etc. (Total upto 6 programmes @ Rs.1.00 lakh)	6.00	upto 80%		
4.	Capacity building (exposure visits, benchmarking, brochure preparation, web-site launching, initial recruitment cost, etc.)	1.00	upto 60%		
5.	Services of BDS providers, (max 20 person-days @ Rs 7000/- per day + boarding/lodging charges as per Group A officer's entitlement)	3.00	upto 90%		
6.	Participation in one foreign fair (for entrepreneurs in clusters). One fair per cluster.	5.00	50%		
7.	Miscellaneous developmental costs (translation, publications-lump sum)	1.50	upto 80%		
8	In-house institutional Staff:				
	a CDA (if required) -18 month @ Rs. 30000 pm	5.40	upto 50%		
	b Local Organizer/NDA-18 month @ Rs.20000 pm	3.60	upto 50%		
9	Local travel in the cluster of the in-house staff and Telecommunications expenses (Rs 5000 per month)	0.90	100%		
13.	Local purchases (computer, telephone, fax-lump sum, year-wise), if required	0.75	100%		
15	Participation of CDE/CDA/ cluster official along with entrepreneurs of the cluster. economy/ excursion fair + TA	1.25	100%		

NB Maximum limit for project cost would be Rs 25.00 lakh per cluster. Overall funding pattern will be guided by the details given in para 7b.

- After approval of the action plan, changes in the sub-heads up to 25% of the approved amount within the total budget may be allowed with the permission of Director, MSME-DI / DC (MSME).

- * All the activities mentioned above may not be required in all the clusters. Actual action plan and budget must be prepared on the basis of requirements of the cluster and in close liaison and consent of the cluster beneficiaries/ users body.

Annex 2

Format of Detailed Proposal for CFC

1 The basic details/documentation

i. Name and location of the cluster
ii. Nature of activity and products
iii. Number and size (also in terms of installed capacity) of units
iv. Scale of investment (also in terms of net fixed and important current assets)
v. Value of output in the last 5 years (different enterprise segment - wise), including export output, if any
vi. Projected performance of the cluster after proposed intervention (in terms of production, export/domestic sales and direct/indirect employment, etc.)
vii. Diagnostic study/comparative advantage benchmark survey (main findings)
viii. Information on nature of critical gaps identified (such as poor storage facility, poor testing and quality control facilities-item-wise cost estimates)
ix. Implementation schedule; structuring of the SPV, such as copy of certificate of incorporation, articles of association and letter of agreement with stakeholders
x. Revenue generation mechanism for sustainability of assets (service/user charges to be levied, any other-to be specified)
xi. Project highlights--total cost of project, contribution from cluster enterprises/stakeholders, average contribution by individual enterprises, grant in aid under MSE-CDP, term loans, debt-equity ratio, repayment schedule and estimated debt service coverage ratio (DSCR), annual estimated income, expenditure, gross and net profit at expected/optimal levels of operations, break even (BE)/internal rate of return (IRR) calculations, payback period, etc.
xii. In-principle sanction of loan from a bank, if applicable
xiii. Previous track record of co-operative initiatives pursued by SPV members need to be highlighted with support documentation
xiv. CFC may be utilised by SPV members as also others in a cluster. However, evidence should be furnished with regard to SPV member ability to utilise at least 60 per cent of installed capacity.

2. **Elements of DPR**

2.1 Plant and machinery

(a) List of Plant and Machinery

Sr. No.	Particulars of plant and machinery	No.	Power requirement (HP/KW)	F.O.R. Price (Rs)	Name of proposed suppliers	Delivery Schedule (month-wise)

Note: Add central sales tax, packing and forwarding charges (2%), transit insurance (1%), and freight (2%) to costs or actuals.

(b) Capacity of plant and machinery on single shift basis

(c) Production pattern

2.2 Annual requirement of raw materials and consumables at 100% capacity utilization

Sr. No.	Particulars of raw material	Specifications/ indigenous/ imported	Quantity required at full capacity	Unit price (Rs.)	Total value (Rs.)

2.3 Utilities and services at full capacity utilization

(a) Power for industrial purpose

Sr. No.	Particulars of the machinery	KW	No. of working hrs. per month	KW/month	Rs./ KWH	Total

(b) Power requirement for commercial/ domestic purpose
(c) Water
(d) Gas/Oil/ Other utilities

2.4 Site Development and civil construction

	Particulars	Quantity/ nos	Rate	Cost
i	Cost of land			
ii	Development cost of land			
iii	Cost of compound wall			
iv	Cost of fabricated gates & grills			
v	Cost of shed			
vi	Cost of laboratory			
vii	Other RCC construction			
ix	Water tank/ Overhead water tank			
	Total			

2.5 Organizational set up and man power requirement

Sr. No.	Category/ Designation	No. of persons	Salary per month (Rs)	Total salary (PM)

Note: Add 25% towards fringe benefits and 5% annual increment

2.6 Project cost

	Particulars of cost	Amount (Rs.)
(i)	Land & site development	
(ii)	Building	
(iii)	Plant and machinery (cost of plant and machinery, 10% installation, electrification and commissioning)	
(iv)	Misc. fixed assets (fixture, furniture, fire fighting equipment, first aid equipment, back up power supply, etc.)	

(v)	Preliminary expenses (diagnostic study, DPR, legal & administrative expenses, telephone, stationery, etc.)	
(vi)	Pre-operative expenses (establishment, travel, interest on borrowings, committed charges during construction period, start up expenses, etc.)	
(vii)	Provision for contingencies (2% building and 5% on plant and machinery)	
(viii)	Margin money for working capital	
	Total	

2.7 Means of finance

Sr. .No.	Agency	Amount (Rs. lakh)	% of the project cost
1.	SPV		
2.	GoS		
3.	GoI		
4.	Bank Borrowings		
5.	Others		
	Total		

2.8 Working capital and margin money (actual capacity utilisation year wise)

Sr. No.	**Particulars**	**No. of months**	**Margin**	**as per capacity utilisation**		
				1st year	2nd Year	3rd year
1.	Raw material and consumables					
2.	Utilities	1				
3	Working expenses (salary of manpower)	1				
4.	Works in process (cost of raw material, utility and salary on actuals)					
5.	Stock of finished goods (cost of raw material, utility, salary, factory overheads on actuals)					
6.	Bills receivables (Sales value)					
	Total					

2.9 Cost of production (Projection for 10 years of operation in tabular form)

(i) Raw materials and consumables
(ii) Utilities
(iii) Wages and salary
(iv) Repairs and maintenance
(v) Insurance
(vi) Administrative and factory overheads
(vii) Selling expenses

2.10 Estimation of profitability (projections for 10 years of operation in tabular form)

(i) Installed capacity
(ii) Number of working days (single shift basis)
(iii) Capacity utilization
(iv) Production (in single unit)
(v) Sales realisation
(vi) Cost of production
(vii) Gross profit [(v)-(vi)]
(viii) Financial expenses
(a) Interest on bank borrowing
(ix) Depreciation on written down value method (as per separate schedule to be attached for different categories of fixed assets)
(x) Preparatory expenses not written off
(xi) Operating profit [(vii) – {(viii) + (ix) + (x)}]
(xii) Tax vide separate schedule
(xiii) Profit after tax [(xi) – (xii)]
(xiv) Available surplus [(xiii) + (ix)]

2.11 Cash flow statement (projections for 10 years in tabular form)

(A) Sources of fund:
(a) Gross profit less depreciation
(b) Term loan
(c) Subsidy/Grant
(d) Promoter's contribution
(e) Increase in bank borrowings
(f) Depreciation

(B) Disposal of funds:
(a) Preliminary & pre-operative expenses
(b) Capital expenditure
(c) Increase in working capital
(d) Interest on term loan
(e) Interest on bank borrowings
(f) Decrease in term loan
(g) Taxes

(C) Opening balance of cash in hand or at bank [sum total of {(A)-(B}]
(D) Net surplus/Deficit
(E) Closing balance of cash in hand or at bank

2.12 Debt Service coverage ratio (Projections for 10 years)

$$DSCR = \frac{Net\ Profit + Interest(TL) + Depreciation}{installment(TL) + Interest(TL)}$$

2.13 Balance sheet & P/L account (projection for 10 years)

2.14 $$BreakEvenPoint = \frac{FixedCost}{Contribution(Sales - VariableCost)}$$

3 **Commercial Viability:** Following financial appraisal tools will be employed for assessing commercial viability of the project:

(i) **Return on Capital Employed (ROCE):** The total return generated by the project over its entire projected life will be averaged to find out the average yearly return. The simple acceptance rule for the investment is that the return (incorporating benefit of grant-in-aid assistance) is sufficiently larger than the interest on capital employed. Return in excess of 25% is desirable.

(ii) **Debt Service Coverage Ratio** : Acceptance rule will be cumulative DSCR of 3:1 during repayment period.

(iii) **Break-Even (BE) Analysis:** Break-even point should be below 60 per cent of the installed capacity.

(iv) **Sensitivity Analysis**: Sensitivity analysis will be pursued for all the major financial parameters/indicators in terms of a 5-10 per cent drop in user charges or fall in capacity utilisation by 10-20 per cent.

(v) **Net Present Value (NPV)**: Net Present Value of the project needs to be positive and the Internal Rate of return (IRR) should be above 10 per cent. The rate of discount to be adopted for estimation of NPV will be 10 per cent. The project life may be considered to be a maximum of 10 years. The life of the project to be considered for this purpose needs to be supported by recommendation of a technical expert/institution.

Annex 3

<u>Format for Tripartite Agreement among Special Purpose Vehicle (SPV), State Government and Government of India under MSE-CDP</u>

This agreement is made at ……… on this the ………th day of ……… 20.... between (1) the President of India, acting through and represented by Joint Development Commissioner /Director in the Office of the Development Commissioner (MSME), the Ministry of Micro, Small & Medium Enterprises (MSME), New Delhi (hereinafter after referred to as the 'GoI'), (2) Governor/Lt. Governor of the State/Union Territory of ……… acting through and represented by Secretary (Industries), State/UT Government of ………… (hereinafter referred to as the 'GoS') and (3)……………..… Special Purpose Vehicle (SPV) having its registered office at……… represented by its Managing Director/Chief Executive Officer (hereinafter referred to as the 'SPV').

WHEREAS the GoI has introduced a scheme named as "Micro and Small Enterprises- Cluster Development Programme (MSE-CDP)" with the objective of capacity building of micro and small enterprises (including small scale service and business entities) and their collectives in the country;

AND WHEREAS the SPV has been created and constituted as a partnership firm/trust/ society/co-operative society/company, *inter alia*, to create, establish, run and maintain a Common Facility Centre at ……………………….(the CFC) for the use and benefit of its members and of other units engaged or coming up in the same industry, trade or vocation in the …………………………of ……………………….………(the Cluster);

AND WHEREAS the SPV has submitted a project for approval of the GoI under the MSE-CDP;

AND WHEREAS the GoI has approved the project submitted by the SPV subject to the conditions mentioned in the sanction letter no…………… dated ………… (or to be issued) which shall be deemed to be a part of this Agreement and the GoS has also agreed to contribute towards the cost of establishment of the CFC;

AND WHEREAS for binding the Parties to their respective obligations and to ensure long term use of the CFC by the enterprises in the Cluster, the Parties are desirous to enter into an agreement;

NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:-

1. The SPV shall set up the CFC at…………… on a piece of land to be provided by it free of all encumbrances and charges.
2. The SPV shall contribute to the cost of establishment of the CFC from its resources to the extent and in the form as laid down in the Sanction Letter.
3. The GoI and the GoS shall, on satisfactory proof of the contribution by the SPV, make their respective contributions towards the cost of establishment of the CFC, at such time, in such manner and to such extent as laid down in the Sanction Letter.
4. The establishment of the CFC, including civil works, if any, shall be completed by the SPV within one year of the receipt of the Sanction Letter,

or such extended time as the GoI may, on its satisfaction as to the reasons of delay, grant.

5. The SPV shall be exclusively responsible for the day-to-day running of the CFC. The aim of running the CFC shall be to provide common services to the enterprises in the Cluster at affordable cost as well as to generate enough income to meet all its running expenditure, depreciation and provision for replacement/expansion of capital assets. However, any shortfall or excess of income over expenses shall be kept or borne by the SPV only.
6. The disbursement of funds by the GoI will be made only after the upfront contribution to be made by the SPV, the State Government or the beneficiaries.
7. Further, the SPV/implementing agency will ensure that necessary infrastructure like provisioning of land and building including water and power supply for CFC is completed before they approach GoI for release of its share.
8. Pending utilization of GoI grant, the funds will be parked in a separate dedicated account created for this purpose. Interest accrued, if any, on unutilized fund shall be adjusted against future disbursement under the scheme.
9. GoI will reserve the right to carry out physical verification of the assets acquired with the funds or initiate any other enquiry as it may deem fit to satisfy the competent authority with regard to the proper utilization of the funds released.
10. The SPV shall furnish utilization certificates for amounts released as grant-in-aid duly verified by the statutory auditors.
11. The GoS will act as a facilitator to supervise and evaluate the progress of the project separately. The GoS will also inform the GoI about the status of the establishment or running of CFC and shall also report to the GoI for any discrepancies in its management or otherwise.
12. All plant, machinery, fixtures or equipment procured for the purpose of the CFC out of or with the support of the GoI or GoS grant shall be the exclusive property of the GoS, though in the custody and use of the SPV.
13. The SPV shall, at its own cost, insure and keep insured all the plant, machinery, fixtures and equipment of the CFC for a minimum period of 10 years. In case of loss of or damage to such plant, machinery, fixtures and equipment, etc., the insurance monies shall be payable to the GoS.
14. The SPV shall observe all the conditions and stipulations of the Sanction Letter.
15. The management of the SPV and the operation of the CFC shall be in accordance with the GoI Guidelines dated ………, which shall be deemed to be a part of this Agreement.
16. The SPV shall keep all monies not immediately required in interest bearing deposits with any Scheduled Bank in India.
17. In the event of any liquidation or bankruptcy proceedings or any threatened distress action against the SPV or any of its assets all plant, machinery, fixtures and equipment procured for the purpose of the CFC out of or with the support of the GoI or GoS grant shall be outside such proceedings and the GoI may assume the control and management of the SPV and appoint any of its officer or officer of the GoS or any semi-government or non-government body to run the CFC.
18. The SPV represents and warrants:

A. That it has been duly constituted under the law as applicable and has full authority to enter into this Agreement.
B. That this agreement is binding upon it in all its provisions.
C. That it shall work on mutual co-operation basis on sound managerial and business principles and no managerial changes shall be made which may adversely affect the smooth functioning of the CFC.
D. That it shall keep all the plant, machinery, fixtures and equipment in good working order and shall undertake all preventive and remedial maintenance and upkeep and maintain insurance.
E. That the plant, machinery, fixtures and equipment procured out of or with support of the GoI and GoS grant, is the property of GoS and the SPV shall not sell, hypothecate, mortgage, charge or create any encumbrances against the said plant, machinery, fixtures and equipment or any part of it in favour of any person, for any reason or transaction.
F. That the SPV shall follow the directions of the GoI and GoS, as may be issued from time to time for better management of the SPV or the better running of the CFC.
G. That the SPV acknowledges that the MSE-CDP provides for only one time grant towards capital cost of establishing the CFC and no subsidy/grant/assistance is envisaged for the recurring expenses or for replacement, renovation or expansion of the capital assets.
H. In the event it is found that the SPV has not utilized the amount of grant, or any part of it, for the setting up of the CFC or has subsequently sold or otherwise disposed of any of the assets of the CFC acquired out of the grant, the GoI, without prejudice to any other rights, shall be entitled to recover the amount of loss as arrears of land revenue from the SPV and / or persons connected with its management jointly and severally.

19. In case of any disputes or differences arising from, in relation to or in connection with this Agreement and not otherwise provided for in the succeeding clause, shall be settled by arbitration through reference to a sole arbitrator nominated by the Secretary, Department of Legal Affairs, Government of India, New Delhi (the Law Secretary). The provisions of the Arbitration and Conciliation Act, 1996 shall apply to the arbitration proceedings. Courts in Delhi shall have exclusive jurisdiction in all the matters.
20. In case of violation of the stipulated conditions or non observance of the Sanction Letter or the GoI Guidelines by the SPV which is not cured within 15 days of issue of notice by the GoI, the GoI in consultation with the GoS, may, for such time as it may think proper, assume the management of the SPV or delegate the same to the GoS, or a semi-government or non-government body, to assure proper functioning of the CFC. The decision of GoI in this regard will be final. In such event the SPV shall have no claims for any investment made in the CFC or its management.
21. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of the remaining provisions, which shall remain in full force.
22 Failure or delay on the part of GoI in insisting upon strict performance by the SPV or in taking action against the SPV, or grant of time or any other indulgence by the GoI, shall not be deemed to be waiver of any breach nor waiver on any occasion of breach shall be deemed to be a waiver for other occasions or other breaches.

23. No amendment to this agreement shall be valid unless expressed in writing and duly signed by all the Parties.
24. This agreement does not constitute any partnership of the GoI or the GoS with the SPV and the GoI and the GoS shall not be responsible for any act, omission, negligence, etc. of the SPV or its employees, agents or contractors or any injury suffered or claim made by any person in respect of the working of the CFC.
    1) Government of India, Represented by Shri………
    2) State/UT Government, Represented by Shri…….
    3) Special Purpose Vehicle Represented by Shri…….

SECRET

No. 1(17)/SICDP/Clusters/TM-2006
Government of India
Ministry of Micro, Small & Medium Enterprise (MSME)
Office of the Development Commissioner (MSME)

Annex 4

Details of Project Cost for Infrastructure Development for New Sites

S. No.	Items		Rs. lakh
1.	**Land Development and other overhead Infrastructure**		
	i.	Cost of land filling/leveling including boundary ball / fencing	100
	ii.	Cost of laying roads	200
	iii.	Road side greenery & social forestry	10
	iv.	Water supply including overhead tanks, and pump houses	110
	v.	Water harvesting	10
	vi.	Drainage	60
	vii.	Power (Sub-Station and distribution net-work work including Street light etc), Generation of non-conventional energy	250
	viii.	Others (Sanitary Conveniences etc.)	10
		Sub Total	**750**
2.	**Administrative and Other Services Complex**		
	i.	Administrative Office Building	20
	ii.	Telecommunication /Cyber Centre/ Documentation Centre	20
	iii.	Conference Hall/ Exhibition centre)	30
	iv.	Bank/ Post Office	20
	v.	Raw material storage facility, Marketing outlets `	40
	vi.	First Aid Centre, Crèche, Canteen facilities	20
		Sub Total	**150**
3.	**Effluent Treatment Facilities**		**80**
4.	Contingencies & Pre-operative expenses		**20**
		GRAND TOTAL	**1000**