

TMB MSME CREDIT SCHEME

PARAMETERS	SCHEME GUIDELINES
Purpose	To provide Bank Credit to MSME at liberalized terms towards working capital and term loan for acquiring fixed assets
Coverage	<p>All Micro, Small & Medium Enterprises as per the extant definition of Govt. of India (As per Micro, Small & Medium Enterprises Development (MSMED) Act, 2006).</p> <ul style="list-style-type: none"> • Classification of Enterprises is broadly into <p><u>1. Micro (Manufacturing) Enterprises (Priority Sector)</u> Enterprise engaged in the manufacture/production or preservation of goods and whose investment in plant and machinery (original cost excluding land and building) does not exceed Rs.25 lakh, irrespective of the location of the unit.</p> <p><u>2. Small (Manufacturing) Enterprises (Priority Sector)</u> Enterprise engaged in the manufacture/production or preservation of goods and whose investment in plant and machinery (original cost excluding land and building) does not exceed Rs.5 crore</p> <p><u>3. Micro (Service) Enterprises (Priority Sector)</u> Enterprise engaged in providing/rendering of services and whose investment in equipment (original cost excluding land and building, furniture and fittings) does not exceed Rs.10 lakh.</p> <p><u>4. Small (Service) Enterprises (Priority Sector)</u> Enterprise engaged in providing / rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings and other not directly related to the service rendered) does not exceed Rs.2 crore.</p> <p>The Small and Micro (Service) Enterprises shall also include Small Road & Water Transport Operators, Small Business, Professional & Self-Employed Persons and all other Service Enterprises. As far as SRWTOs are concerned, the investment in equipment means investment in vehicles concerned.</p> <p><u>5. Medium (Manufacturing) Enterprises (Non – Priority Sector)</u> Enterprise engaged in manufacture/production or preservation of goods and whose investment in plant and machinery (original cost excluding land and building is more than Rs.5 crore but does not exceed Rs.10 crore.</p> <p><u>6. Medium (service) Enterprises(Non – Priority Sector)</u> Enterprise engaged in providing/rendering of services and whose investment in equipment (original cost excluding land and building and furniture, fittings) is more than Rs.2 crore but does not exceed Rs.5 crore</p>

	<p>7. Bank's lending to medium enterprises will not be included for the purpose of reckoning under priority sector.</p> <p>While arriving the investment in Plant & Machinery, the investment made in wind mill (to generate electricity for captive consumption or partly for captive consumption and remaining power to sale to EB) also is to be taken into account.</p>
Eligibility	All MSME units run by Individuals/HUFs, Proprietary concerns, Partnership Firms, Limited Companies.
Form of advance	<p>All Type of Fund Based & Non-Fund Based Limits, to provide Bank Credit to Micro, Small & Medium Enterprises (MSMEs) at concessional Rate of Interest towards working capital and term loan for acquiring any fixed assets for business development purpose.</p> <p>Purchase of second hand indigenous machineries and imported used machineries are allowed under this scheme.</p> <p><u>Note:</u> All Sanctioning Authorities including Branch Managers are authorized to sanction loans for purchase of second hand indigenous machineries and imported used machineries under this scheme subject to compliance of guidelines as per Loan Policy as shown below.</p> <p>"In the case of all the second hand Machineries, it should be supported with the Chartered Engineer's valuation certificate confirming the price and residual life of the machinery and we should ensure that the residual life is longer than the repayment schedule"</p>
Maximum amount of Loan under the Scheme	<p>Maximum amount:</p> <p>Single Borrower: Rs.25 Crore</p> <p>Group Borrowers : Rs.50 Crore</p> <p>Lending Norms -</p> <p>Assessment of Working Capital Limits:</p> <p><u>For Micro & Small Enterprises:</u></p> <p>For Working Capital requirement assessed upto Rs.5 crore in the case of Manufacturing Enterprises and upto Rs.2 crore in the case of Service Enterprises:</p> <p>Projected Turnover Method of Assessment based on minimum working capital limit at 20% of estimated annual turnover shall be followed.</p> <p><u>In All other cases:</u></p> <p>Projected Balance Sheet Method (Maximum Eligible Bank Finance) providing for NWC at 25% of current assets (2nd Method of Lending) shall be followed.</p> <p>In case of Service Enterprises like Contractors etc, the Cash Budget Method of Assessment should be followed.</p>

	<p><u>Condition:</u></p> <p>The borrowing unit should provide 5% of the projected annual turnover as margin money.</p> <p>Increase in projected turnover should normally not to exceed 25% of the actual turnover in the preceding year. A prudent decision in this regard is to be taken based on capacity expansion, increased capacity utilization, pricing of Inventory etc.</p> <p>In all such cases where the projected turnover accepted for the purpose of assessment is more than 25% of the previous year' actuals, copies of the Sanction Appraisal Notes should be sent to RO for scrutiny along with MDP statement. RO should look into the justification and advise comments if any to the branch.</p> <p>Term Loans:</p> <p>The quantum of the term loans may be based on the project cost / cost of machinery less margin as per our Loan Policy. The same may be linked to the repayment capacity of the borrower assessing the cash flows and ADSCR.</p>
Primary Security	Working Capital Limits: Stock & Receivables Term Loan : Assets acquired & created out of Loan
Margin	As per our Bank norms.
Collateral Security	<ol style="list-style-type: none"> 1. Collateral security should not be obtained for loans upto ` 10.00 lakh extended to Micro and Small enterprises (MSEs) for both manufacturing and service enterprises. (These advances may be covered under CGS of CGTMSE). 2. Collateral security should not be taken for loans upto Rs.100 lakh sanctioned under CGTMSE scheme. (Note: <ol style="list-style-type: none"> a. Advances to Retail Trade, Educational Institutions, Training/ Tuition Centres and Self Help Groups cannot be covered under CGS) b. In respect of advances covered under CGTMSE Scheme, third party guarantee should not be taken in any form. 3. Collateral securities need not be insisted upon for Key Loans, IBN and FBN facilities. 4. Tangible and Marketable collateral security of at least 50% of the limit sanctioned should be obtained for Fund Based and Non fund based limits sanctioned to Medium Enterprises. However loans upto Rs.100 lakh, which are covered under CGS of CGTMSE are exempt from this requirement as already stated.

5. Tangible and Marketable collateral security of at least 50% of the limit sanctioned should be obtained for Fund Based and Non fund based limits aggregating to above Rs.10 lakh sanctioned to Micro & Small Enterprises. However loans upto Rs.100 lakh, which are covered under CGS of CGTMSE are exempt from this requirement as already stated.
6. General Manager (Credit) and higher sanctioning authorities may in deserving cases relax the collateral security norms on case to case basis.

Rating and Financial Benchmarks:

In all the above cases the internal rating should be:

- i. Not below A incase of CRRM Models
- ii. Not below RTMB4 in case of RAM Rating
- iii. Not below P3 for new ventures

Financial Benchmarks:

- For credit limits upto `10 lakh Current Ratio shall be 1.10:1
- For credit limits above Rs.10 lakh Current Ratio shall be 1.25:1 (without including annual maturing term liabilities as current liability) and 1.10:1 (including the term liabilities maturing within one year under Current Liabilities)
- For Export Credit limits Current Ratio shall be 1.00:1 (including annual maturing term liabilities as current liability)
- Leverage Ratio:
 - For Traders, Secured Overdrafts etc : 5:1 maximum
 - For Contractors (including guarantees under NFB) :9:1 Maximum
 - Others 3:1
- ADSCR 1.33:1 (minimum for TL) and during any year should not go below 1.25:1

Competent Authority to approve Deviations:

Any relaxation in the above norms can be considered upto the level of Hurdle ratios, only by Regional Manager and higher sanctioning authorities, as provided for in the Loan Policy. Any other deviation should have the prior approval of GM (Credit)

	<p>(The reason for the non maintenance of the required Bench mark ratios should be scrutinized carefully and the justification is to be documented. Wherever possible, the improvement of the Bench mark ratios to the required level is to be insisted upon within a reasonable period by plough back of profit, by introduction of long term funds etc. The relaxation of norms shall be considered for a specific period if the proposal is otherwise in order with justifiable reason with an undertaking to improve the same within a reasonable period.)</p> <p><u>Note on CGS Cover under CGTMSE:</u> Guarantee cover available under CGS is as under:</p> <p><u>1. Micro Enterprises:</u></p> <p>Upto Rs. 5.00 - 85% of the amount in default subject to a maximum of Rs.4.25 lakh</p> <p>Above Rs.5 lakh and upto Rs.50 lakh - 75% of the amount in default subject to a maximum of Rs.37.50 lakh</p> <p>2. Women Entrepreneurs / units located in Norty East Region (including Sikkim) – other than Credit facility upto Rs.5 lakh to Micro Enterprises - 80% of the amount in default subject to a maximum of Rs.40 lakh</p> <p>3. All other category of borrowers Upto Rs.50 lakh - 75% of the amount in default subject to a maximum of Rs.37.50 lakh</p> <p>4. All limits above Rs.50 lakh and Upto Rs.100 lakh - 50% of the amount in default subject to overall ceiling of Rs.50 lakh</p> <p><u>Note:</u> The CGS is applicable only for Manufacturing / Servicing units other than Retail Trades, Educational Institutions, Tutorial centres and SHGs/ JLG.</p>
<u>Rate of Interest</u> (For Domestic Credit)	As per annexure
Rate of interest (for export	<u>Rate of Interest for Export Credit:</u>

	<p>another bank. <u>No pre-payment charges shall be levied where the credit limits are closed by the borrower from own source of funds.</u></p>	
Godown Inspection Charges for limits against stock only	Up to Rs.2.00 lakhs.	NIL
	Above Rs.2.00 lakhs & upto Rs.25.00 lakhs	Rs.2,000 per annum plus applicable taxes
	Above Rs.25.00 lakhs& upto Rs.1. crore	Rs.3,000 per annum plus applicable taxes
	Above Rs.1.00 crore & upto Rs. 5. crores	Rs.5,000 per annum plus applicable taxes
	Above Rs. 5.00 crores	Rs.10,000 per annum plus applicable taxes
Documentation charges	<u>VIII. Documentation Charges :</u>	
	<u>For regular fresh and enhancement limits / adhoc and one time limits</u> (Fund based & Non fund based)	
	(i)Up to Rs..25.00 lakh	NIL
	(ii)Above Rs.25.00 lakh and upto Rs.1.00 crore	Rs.1,500 plus applicable taxes
	(iii)Above Rs.1.00 crore	Rs.10,000 plus applicable taxes
For renewals (irrespective amount)	NIL	

Interest Rates on TMB MSME CREDIT		
i) Existing Unit as well as New Unit/New Project		
a) Up to Rs.2 lac	BR+1.00%	11.75%
b) Above Rs.2 lac but below Rs.20 lac	BR+2.00%	12.75%
ii) Existing Unit		
a) From Rs.20 lac to Rs.1 Crore (as per rating)		
Prime	BR+2.25%	13.00%
AAA	BR+2.75%	13.50%
A A&A	BR+3.25%	14.00%
BBB & BB	BR+4.25%	15.00%
Existing Unit		
b) Above Rs.1 Crore (as per Rating)		
I RTMB 1		
a. Below 75% collateral coverage	BR+1.50%	12.25%
b.75% to 100% collateral coverage	BR+1.25%	12.00%
c. Above 100% collateral coverage	BR+1.00%	11.75%
II RTMB 2		
a. Below 75% collateral coverage	BR+2.00%	12.75%
b.75% to 100% collateral coverage	BR+1.75%	12.50%
c. Above 100% collateral coverage	BR+1.50%	12.25%
III RTMB 3 & RTMB 4		
a. Below 75% collateral coverage	BR+2.50%	13.25%
b.75% to 100% collateral coverage	BR+2.25%	13.00%
c. Above 100% collateral coverage	BR+2.00%	12.75%
IV RTMB 5 & 6		
Accounts rated as B, C, below C there is no concession in rate of interest. Interest should be charged as per point no.11 of AnnexureII to our HO.Circular HO.DGM.CD.ADV.OTHR.106.Cir.2335/2012-13 dt. 09.02.2013 which stipulates that incase of borrowal accounts eligibile for credit rating, if the credit rating is not done for any reasons and if the existing credit rated borrowal accounts are not reviewed on due date, the applicable normal lending rate should be charged from the due date.	Normal Interest to be charged in cases where concession is not applicable as per Interest Rate Schedule No.36	
** Additional concession of 0.50% to those Micro, Small and Medium Enterprises{MSME} (both Manufacturing & Service) advances above Rs.1.00 Crore sanctioned under "TMB SME" Scheme Loan and under Sector "MSME" whose rating as per our Bank Internal Rating is from "Prime" to "A" and equivalent rating not less than "A" as per external rating done by any one of the agencies viz., SMERA\CRISIL\ICRA\ONICRA\CARE\FITCH		