



TELANGANA GRAMEENA BANK

(Sponsored by State Bank of Hyderabad)
Head Office, # 2-1-520, 2nd Floor, Vijayasri Sai Celestia, Street No.9
Shankermutt Road, Nallakunta, Hyderabad, Telangana. -500 044.

Website : www.tgbhyd.com

Phone: 040-27605361

FAX: 040-27662623

MSME LOAN POLICY

1. Micro, Small and Medium Enterprises [Manufacturing Sector]:

Enterprises engaged in the manufacture or production, processing or preservation of goods as specified below:

i) **A Micro Enterprise [Manufacturing]** is an enterprise where investment in plant & machinery [original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722(E) dated October 5, 2006] **does not exceed Rs.25.00 lacs.**

(ii) **A Small Enterprise [Manufacturing]** is an enterprise where the investment in plant and machinery [original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722(E) dated October 5, 2006] is more than Rs.25.00 lacs but **does not exceed Rs.5.00 crores;** and

(iii) **A Medium Enterprise [Manufacturing]** is an enterprise where the investment in plant and machinery [original cost excluding land and building and the items specified by the Ministry of Small Scale Industries vide its notification No.S.O.1722(E) dated October 5, 2006] is more than Rs.5.00 crores but **does not exceed Rs.10.00 crores.**

2. Definition of Micro, Small and Medium Enterprises [Services Sector]

Enterprises engaged in providing or rendering of services and whose investment in equipment [original cost excluding land and building and furniture, fittings and other items not directly related to the service rendered or as may be notified under the MSMED Act, 2006] are specified below. These will include small road & water transport operators [owning a fleet of vehicles not exceeding ten vehicles], retail trade [with credit

limits not exceeding Rs.10.00 lacs], small business [whose original cost price of the equipment used for the purpose of business does not exceed Rs.20.00 lacs] and professional & self employed persons [whose borrowing limits do not exceed Rs.10.00 lacs of which not more than Rs.2.00 lacs should be for working capital requirement except in case of professionally qualified medical practitioners setting up of practice in semi-urban and rural areas, the borrowing limits should not exceed Rs.15.00 lacs with a sub-ceiling of Rs.3.00 lacs for working capital requirements].

(i) A Micro Enterprise [Services] is an enterprise where the investment in equipment **does not exceed Rs.10.00 lacs.**

(ii) A Small Enterprise [Services] is an enterprise where the investment in equipment **is more than Rs.10.00 lacs but does not exceed Rs.2.00 crores;** and

(iii) A Medium Enterprise [Services] is an enterprise where the investment in equipment **is more than Rs.2.00 crores but does not exceed Rs.5.00 crores**

Bank's lending to medium enterprises will not be included for the purpose of reckoning under the priority sector.

3. Compilation of separate data for each category of enterprises

Based on the revised definition the data will be compiled separately for each category of enterprises in the prescribed format from the quarter ended 31st March 2016. All the Branches are advised to forward the data to their Regional Offices by 10th of succeeding quarter, consolidated statement of Regional level data to be submitted to Head Office by the end of 15th of succeeding quarter.

4. Measures to increase the quantum of Credit to MSMEs:

The objective is to double the flow of credit to SMEs within a period of 5 years.

A minimum growth of 20% in SMEs to be achieved on year on year basis

5. The Time Norms:

The time norms for processing of loan applications for Micro, Small & Medium Enterprises are as under:

Particulars	To Be Disposed Off
For loans up to Rs.5.00 lacs	Within 2 weeks
For loans above Rs.5.00 lacs and up to Rs.25.00 lacs	Within 4 weeks
For loans above Rs.25.00 lacs	Within 6 weeks

6. Collateral Security & Coverage under Credit Guarantee Scheme of CGTSE

The existing guidelines regarding granting of collateral free loans to units with credit limits upto Rs.10.00 lacs for all the Micro Enterprises & Small Enterprises [Manufacturing & Service Sector] units will continue. Collateral free loans may be extended provided guarantee cover of Credit Guarantee Fund Trust for Micro & Small Enterprises [CGTMSE] is obtained.

Micro & Small [Manufacturing Sector] units covered under CGTMSE will have to pay applicable guarantee fee upfront in addition to applicable annual fee on the limits sanctioned.

7. (a) Method of Assessment of Working Capital For MSME [Manufacturing Sector]:

The following method of assessment of Working Capital will be adopted for MSME [Manufacturing Sector] units:

- (i) **For advances up to Rs.500.00 lacs:** Turn Over Method (Nayak Committee Recommendations) and Traditional Method, whichever is higher.
- (ii) **For advances above Rs.500.00 lacs:** Projected Balance Sheet Method For seasonal, software, construction Industries, etc: Cash Budget Method'

(b) Assessment of Credit Proposals of MSME [Service Sector]

Credit Assessment for MSME [Service Sector] would be based as per the extant guidelines as applicable for SBF or Trade & Services.

8. Monitoring:

The following monitoring norms for MSME [Manufacturing & Services] sectors will continue unchanged.

- a) Inspection - Quarterly
- b) Submission of stock statements - Quarterly

9. Out Reach of Formal Credit - Opening of New Accounts:

All Branches will secure new accounts on ongoing basis to expand MSME customer base.

10. Cluster based approach:

Cluster based approach for financing MSME sector offers possibilities of reduction of transaction costs and mitigation of risk. Cluster based approach be treated as a thrust area. It must be considered for adoption of at least one cluster in each lead district of our Bank. The concerned controller should initiate necessary action in this regard.

11. Delayed Payment to Micro & Small Enterprises Sector:

The existing provisions of the Interest on Delayed Payment Act, 1998 to Small Scale and Ancillary Industrial Undertakings have been further strengthened under the MSMED Act 2006.