



Credit Linked Capital Subsidy Scheme for Technology Upgradation of the Small Scale Industries (CLCSS)

1. Background

The Ministry of Small Scale Industries (SSI) is operating a scheme for technology upgradation Small Scale Industries (SSI) called the Credit Linked Capital Subsidy Scheme (CLCSS). The Scheme aims at facilitating technology up gradation by providing upfront capital subsidy to SSI Unit including tiny, Khadi, village and coir industry units, on institutional finance (credit) availed of by them for modernization of their production equipment (plant and machinery,) and techniques. The Scheme (Pre-Revised) provided for 12 per cent capital subsidy to SSI units, including tiny units, on institutional finance availed of by them for induction of well-established and improved technology selected sub- sectors/products approved under the Scheme. The eligible amount of subsidy calculated under this scheme was based on the actual loan amount not exceeding Rs.40 lakh.

Due to insufficient investment and lack of awareness of both the quality standards and access to modern technologies, a large percentage of SSI units continue with outdated technology and plant and machinery. With increasing competition due to liberalization of the economy, the survival and growth of the SSI are critically dependent on their modernization and technological upgradation. Upgradation of both the process of manufacture and corresponding plant and machinery is necessary for the 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.

It is in this background that the Finance Minister made an announcement in the Budget speech for 2004-05 to raise the ceiling for loans under the Scheme from Rs.40 lakh to Rs1 crore and rate of subsidy from 12 per cent to 15 per cent. Further, in the light of the experience gathered while implementing the Scheme, certain other modifications were also required to remove some anomalies in the CLCSS and make it more useful to the SSI units, including tiny units, in taking up technology up gradation on a larger scale.

After considering these issues, the CLCSS has been amended as follows:

- a) To raise the ceiling on loans under the Scheme from Rs.40 lakh to Rs.1 crore;
- b) To raise the rate of subsidy from 12 per cent to 15 per cent;
- c) To calculate the admissible capital subsidy with reference to the purchase price of plant and machinery, instead of the term loan disbursed to the beneficiary unit;
- d) To do away with the practice of categorizations of SSI units in different slabs on the basis of the present investment for determining the eligible subsidy, and
- e) To extend the validity of the Scheme upto 31st March 2007.

These decisions are effective from September 29, 2005

2. Objective

The revised scheme aims at facilitating technology upgradation by providing 15 per cent up to 100 per cent capital subsidy with effect. From the 29th September, 2005 (12 per cent prior to 29.09.2005) to SSI units, including tiny, khadi, village and coir industrial units (hereinafter referred to as SSI units), credit and institutional finance availed of by them for induction of well established and improved technology specified sub sectors/Products approved under the scheme.

3. Scope of the Scheme

a) The scheme would cover the following products/sub-sectors;

- 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 Molded 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. Electric Equipment viz test & measuring, Industrial process control analytical Medical Electronic, consumer & Communication equipment
- xv. Fans & Motor Industry
- xvi. General Light Service (GLS)
- xvii. Information Technology (Hardware)
- xviii. Mineral Filled Sheathed Heating Elements
- xix. Transformer Electrical Stamping 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 Equipments
- xxxix. Beneficiation of Graphite and Phosphate

- xi. Khadi and Village Industries
- xli. Coir and Coir products
- xlii. Steel Re-rolling Industries
- xliii. Zinc Sulphate
- xliv. Welding Electrodes

b) 3.2As the Scheme progresses, the list of products/sub-sectors may be expanded by inducting new technologies/products/sub-sectors with the approval of the competent Authority, i.e. the Government and Technology approval Board (GTAB) / Technical Sub-Committee.

4. Eligible Primary Lending Institutions (PLIs).

All Scheduled Commercial Banks, Cooperative Banks (other than Urban Cooperative Banks), Regional Rural Banks (RRBs), National Small Industries Corporation (NSIC), State Financial Corporation (SFC) and North Eastern Development financial Institution (NEDFi) are eligible as Primary Lending Institutions (PLIs) under this scheme after they execute a General Agreement (GA) with any of the Nodal agencies, i.e, the Small Industries Development Bank of India (SIDBI) and National Bank of Agriculture and Rural Development (NABARD).

5. Eligible Beneficiaries

The eligible beneficiaries include sole proprietorships, Partnerships, co-operative societies, private and public limited companies in the SSI sector. Priority shall be given to women entrepreneurs.

6. Types of units to be covered under the Scheme

- i. Existing SSI units registered with the State Directorate of Industries, which upgrade with the state-of-the-art technology, with or without expansion.
- ii. New SSI units which are registered with the state Directorate of Industries and which have set up their facilities only with the appropriate eligible and proven technology duly approved by the GTAB.

7. Eligibility Criteria

- i. Capital subsidy at the revised rate of 15 per cent of the eligible investment in plant and machinery under the Scheme shall be available only for such project, where term loans have been sanctioned by the eligible PLIs on or after September 29, 2005. Machinery purchased under Hire Purchase Scheme of NSIC are also eligible for subsidy.
- ii. Industry graduating from small scale to medium scale on account of sanction of additional loans under CLCSS shall be eligible for assistance.
- iii. Eligibility for capital subsidy under the Scheme is not linked to any refinance scheme of the Nodal Agencies. Hence, it is not necessary that the PLIs will have to seek refinance in respect of the term loans sanctioned by them from any of the refinancing Nodal Agencies.
- iv. Labour intensive and /or export oriented new sectors/activities will be considered for inclusion under the scheme.

8. Definition of Technology Upgradation

- i. Technology upgradation would ordinarily mean induction of state-of-the-art technology. In view of the varying mosaic of technology obtaining in more than 7500 products in the Indian small scale sector, technology upgradation would mean a significant step up from the present technology level to a substantially higher one involving improved productivity, or/and improvement in the quality of products or /and improved environmental conditions including work environment for the unit. It would also include installation of improved packaging

techniques as well as anti-pollution measures and energy conservation machinery. Further, the units in need of introducing facilities for in-house testing and on-line quality control would require quality for assistance, as the same is a case of technology upgradation.

- ii. Replacement of existing equipment/technology with the same equipment /technology will not qualify for this scheme, nor would the scheme be applicable to units upgrading with second hand machinery.

9. Duration of the Scheme

The scheme will be in operation up to March 31, 2007 or till the time sanctions of aggregate capital subsidy disbursed by the Nodal Agencies reaches Rs.600 crore, whichever is earlier.

10. Nodal Agencies

The Small Industries Development Bank of India (SIDBI) and the National Bank for Agriculture and Rural Development (NABARD) will continue to act as the Nodal Agencies for the implementation of this scheme.

11. Ceiling on eligible loan amount and capital subsidy

The maximum limit eligible loan under the revised scheme will be Rs.100 lakh. Accordingly, the ceiling on subsidy would be Rs.15 lakh or 15 per cent of the investment in eligible plant and machinery whichever is lower.

The amendment to existing CLCSS is applicable with effect from 29.9.2005. The revised rates are applicable only in cases where the loans were sanctioned/approved on or after September 29,2005. The cases where the loans were sanctioned/approved prior to September 29,2005 will be governed by the pre-revised guidelines regarding ceiling on subsidy (Rs 4.80 lakh), method of calculation, etc.

Units which have already availed subsidy under the (pre-revised CLCSS scheme) cannot claim additional subsidy on account of difference in the rate of subsidy which is now permissible under the revised guidelines.

12. Monitoring of the scheme

The scheme will be monitored by a Governing and Technology Approval Board (GTAB). The Secretary (SSI & ARI) will be the chairperson of the Board and the Development Commissioner (SSI) will be its Member Secretary. The GTAB would also periodically review the functioning of the scheme. There will be a Technical Sub-Committee under GTAB to consider inclusion of new sub-sectors/products and well Established and Improved Technologies under the scheme.