

## **Frequently Asked Questions (FAQ) on Ministry's Scheme of Performance & Credit Rating for Micro & Small Enterprises**

**Q 1: What is Performance & Credit Rating of Micro & Small Enterprises?**

Ans.: Performance & Credit Rating is an independent evaluation of micro & small enterprises' Capabilities and Credit worthiness by an accredited third party which has good acceptance from Banks, Financial Institutions and MSE's Customers and Buyers.

**Q 2: Who is the nodal agency for implementing the Scheme?**

Ans: The scheme is 'Plan Scheme' of the Ministry of MSME, which is being implemented by NSIC through its various branches and offices in the country.

**Q.3: Who carry out rating under the Scheme?**

Ans.: Rating agencies empaneled under the Scheme can carry out the rating of MSEs under the Scheme.

**Q.4. Who has to select the rating agency to carry out rating of any MSE unit?**

Ans.: MSE is at liberty to select any of the approved / empaneled rating agencies to get itself rated under the Scheme.

**Q.5. Which are the agencies entrusted with the job of credit rating?**

Ans. Presently six rating agencies are approved to conduct rating under the Scheme i.e. CRISIL, CARE, Brickwork, ICRA, India Ratings, SMERA & INFOMERICS RATINGS.

**Q.6 Which can be empaneled as Rating Agency under the Scheme?**

Ans.: Rating agencies registered by SEBI and empaneled as External Credit Assessment Institution (ECAI) by RBI are eligible to carry out rating of MSEs under the Scheme. Any rating agency that is not meeting the above criteria would not be allowed to continue rating work for Ministry of MSME under the PCR Scheme.

**Q.7. What are the basic features of the Performance & Credit Rating Scheme for micro & small enterprises?**

Ans: The broad features of the scheme are as follows:

- Rating facilitates MSEs to get credit from Banks and Financial Institutions with comparative ease and favorable interest rates.

- The rating provides an independent evaluation of the strengths and weaknesses of the applicant borrowing unit, which helps Banks/ FIs in evaluating risk and taking credit decision.
- Rating facilitates vendors/buyers in judging the capabilities and capacity of the micro & small enterprise units for taking a decision on finalization of purchase contracts with them.
- The rating helps in infusion of a sense of financial and operational discipline, which further helps in the overall growth of micro & small enterprises.

**Q.8 How to apply for rating under the Scheme?**

**Ans:** Any MSE unit interest to apply for rating will have to fill up the prescribed application form and submit the same to the rating agency chosen by it along with its share of the rating fee. The MSE unit willing to get rated under the Scheme can download the application form from the website of Ministry of MSME (msme.gov.in), NSIC ([www.nsic.co.in](http://www.nsic.co.in)) and Rating Agencies or obtain a copy of the application form from any of the offices of NSIC or the rating agencies. It is also required to upload its application for rating on the website [www.msmedatabank.in](http://www.msmedatabank.in).

**.Q.9 What is the validity of the application?**

**Ans.:** The validity of the application is six months during which the MSE units is required to submit all documents to the rating agency.

**Q.10. What is the period prescribed for rating agency to complete the rating?**

**Ans.:** The rating agency is required to complete the rating process within 60 days of the receipt of complete application along with prescribed documents.

**Q.11: What is the validity of the rating report?**

**Ans:** The validity of a rating is one year from the date of issue of the rating report.

**Q.12 Whether MSE needs to pay fee for getting itself rated?**

**Ans.** Yes, applicant unit has to pay its share of rating fee to the rating agency along with its application. The payment can be made by way of pay order / demand draft drawn in favor of the rating agency selected by the MSE unit.

**Q.13 What is the fee charged by the rating agencies under the credit rating scheme?**

Ans.: Rating agencies devise their fee structure for micro & small enterprises under this scheme, which varies from agency to agency.

**Q.14 Whether fee is subsidized by the Government? If yes, what is the amount of subsidy provided for rating of MSEs?**

Ans.: Yes, a portion of the fee is subsidized by the Ministry, which is released to the rating agencies through NSIC after the submission of rating report by the rating agencies to NSIC.

The fee subsidized by the Ministry under this scheme is as follows:

<b>Turn Over</b>	<b>Fee to be reimbursed by Ministry of MSME</b>
<b>For General Category MSEs</b>	
Up to Rs. 50 lacs	75% of the fee charged by the rating agency subject to a ceiling Rs. 15,000/-
Above Rs. 50 lacs to Rs. 200 lacs	75% of the fee charged by the rating agency subject to a ceiling of Rs.30,000/-
Above Rs.200 lacs	75% of the fee charged by the rating agency subject to a ceiling of Rs.40,000/-
<b>For MSEs of SC/ ST categories</b>	
Up to Rs. 50 lacs	90% of the fee charged by the rating agency subject to a ceiling Rs. 20,000/-
Above Rs. 50 lacs to Rs. 200 lacs	90% of the fee charged by the rating agency subject to a ceiling of Rs.40,000/-
Above Rs.200 lacs	90% of the fee charged by the rating agency subject to a ceiling of Rs.50,000/-

The balance amount towards the fee is borne by micro & small enterprises itself. .

**Q.15 Whether fee paid by the MSE to the rating agency is refundable?**

Ans: In the event of request of MSE for rating is treated closed by the Rating Agencies due to non-receipt of the complete information, 50% of the fee received from the unit is to be refunded by the rating agency to the respective applicant unit.

**Q.16. Whether subsidy is available for the renewal of rating? If yes, how much?**

**Ans.:** For **General category MSEs**, the fee is subsidized only for one time rating and renewal fee for the rating in subsequent years is not subsidized.

However, for **SC / ST MSEs**, having a rating up to MSE 5, rating fee for renewal is subsidized as details given hereunder:

<b>Turnover</b>	<b>Rating fee on renewal</b>
Up to Rs. 50 lacs	Rs. 10000/-
Above Rs. 50 lacs to Rs. 200 lacs	Rs. 20000/-
Above Rs.200 lacs	Rs. 25000/-

**Q.17. What are the rating scales for assigning rating under the scheme.?**

**Ans.:** Financial strength of MSEs under the Performance & Credit Rating Scheme is given on eight scale parameter as mentioned below:

**Ratings scale**

<b>Rating symbol (prefixed with name of CRA)</b>	<b>Definition</b>
MSE 1	Highest credit worthiness in relation to other MSEs
MSE 2	High credit worthiness in relation to other MSEs
MSE 3	Good credit worthiness in relation to other MSEs
MSE 4	Above average credit worthiness in relation to other
MSE 5	Average credit worthiness in relation to other MSEs
MSE 6	Below Average credit worthiness in relation to other MSEs
MSE 7	Weak credit worthiness in relation to other MSEs
MSE 8	Poor credit worthiness in relation to other MSEs

**Operating Performance is indicated in the five scale parameters i.e Highest, High, Average, Weak and Poor.**

**Q.18. Whether it is mandatory to obtain rating for availing assistance under any other scheme of the Ministry and NSIC?**

**Ans.** No.

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