

**The National Small Industries Corporation Ltd.
“NSIC Bhawan” Okhla Industrial Estate
New Delhi-110020**

Tender Document

For

**Conducting Study to
Assess ‘Impact and effectiveness of Performance and
Credit Rating Scheme for Micro & Small Enterprises’**

Last date of receipt of tender	:	25.11.2016 (Latest by 12:00 hrs.)
Date of opening of Technical Bid	:	28.11.2016 (12:30 hrs)
Date of opening of Price Bid	:	Shall be intimated to the eligible bidders

**The National Small Industries Corporation Ltd.
(A Government of India Enterprise)
“NSIC Bhawan” Okhla Industrial Estate
New Delhi-110020**

Ref. No. NSIC/HO/FIN/CREDIT RATING/2016-17

Dated: 04.11.2016

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**The National Small Industries Corporation Ltd.
“NSIC Bhawan”, Okhla Industrial Estate
New Delhi-110020**

No. SIC/HO/FIN/CREDIT RATING /2016-17

Dated: 04.11.2016

M/s -----

Sub: Invitation for conducting study to assess ‘Impact and effectiveness of Performance and Credit Rating Scheme for Micro & Small Enterprises’.

1. The National Small Industries Corporation Ltd (NSIC) is a Government of India Enterprise, under the administrative control of Ministry of MSME, working for the promotion of Micro, Small & Medium Enterprises (MSMEs) in the country.
2. NSIC intends to conduct a study to assess **‘Impact and effectiveness of Performance and Credit Rating Scheme for Micro & Small Enterprises’** as stated in Terms of Reference (TOR). A copy of the Terms of Reference (Refer Annexure – I) along with following documents is attached for your reference:
 - (i) Standard form of certificates (i.e. Annexure A, B, B1) to be included in the technical proposal and Annexure C in the financial proposal.
 - (ii) Standard form of agreement to be executed with the agency to which the work will be awarded (Annexure – D).

In this regard, sealed quotations are invited on two bid system (i.e. Technical proposal and financial proposal) from Government / Semi-Government / Autonomous Bodies / reputed professional agencies / Institutions having experience of conducting studies / surveys.

3. Eligibility Criteria:

- a) Bidder must have an experience of 5 years in the similar nature of work.
- b) Bidder must submit the proof of earning minimum revenue of Rs. 50 lacs each year in the last 3 years from the studies / research / consultancy.

- c) Bidder must have successfully conducted at least five similar type of studies for PSUs/ Govt Depts. in the last three years.
 - d) Bidder must have conducted two studies of minimum of Rs. 7.5 lacs each in the last financial year (2015-16).
 - e) Attested copies of service tax registration number and PAN No.
 - f) Copies of Income Tax Return filed for the last two financial years.
 - g) The applicant should furnish an undertaking to the effect that the firm has not been black listed in India or abroad by any government department / agency in the attached Performa at Annexure –E.
4. Earnest Money Deposit (EMD) of Rs 25,000/- will have to be submitted by the participating agency in the form of Demand Draft favouring “National Small Industries Corporation Limited” payable at New Delhi and will only be returned after selection of final bidder. However, units registered with NSIC under Single Point Registration Scheme will be exempted from payment of EMD.
5. Request for Proposal (RFP) should contain quotations in two separate sealed envelopes (marked as ‘Technical Proposal’ and ‘Financial Proposal’) and should be addressed to the General Manager (Finance), superscribing as ‘Quotation to conduct a study to assess ‘Impact and effectiveness of Performance and Credit Rating Scheme for Micro & Small Enterprises’.
6. The quotation must reach the following address on 25.11.2016 by 12.00 hrs:

General Manager (Finance)
The National Small Industries Corporation Ltd.
(A Govt. of India Enterprise)
NSIC Bhawan, Okhla Industrial Estate-III,
New Delhi-110020
Tel. No. 011-26926275, Fax-011-26928212

NSIC reserves the right to accept or reject any or all of the quotations received in response to the above referred invitation, without assigning any reason.

Terms of Reference (TOR)

Performance & Credit Rating Scheme for Micro and Small Enterprises

1. Background:

Fast changing global economic scenario and liberalization of economic environment in our country have thrown up many opportunities and challenges to the Micro and Small Enterprises (MSEs) in India. Therefore, there is a need to create awareness amongst MSEs about the strengths and weaknesses of their existing operations and to provide them an opportunity to enhance their organizational strengths.

Towards this direction, this Ministry of Micro Small and Medium Enterprises had launched 'Performance and Credit Rating Scheme' on 07.04.2005 to create awareness amongst Micro and Small Enterprises (MSEs) about the strengths and weakness of their existing operations and to provide them an opportunity to enhance their organizational strengths and credit worthiness. The scheme is being implemented through National Small Industries Corporation Ltd (NSIC), a public sector undertaking under the administrative control of this Ministry of Micro, Small and Medium Enterprises.

2. Objectives of the Scheme:

The Performance and Credit Rating Scheme encourages MSE sector in improving its contribution to the economy by way of increasing their productivity and also make access to credit quicker and cheaper. The MSEs are benefited through the following advantages available under the scheme:

- The rating will serve as a trusted third party opinion on MSEs capabilities and creditworthiness and an independent evaluation by a third party will have good acceptance from banks, financial institutions, buyers and customers.

- MSEs will be able to secure credit from Banks & Financial Institutions with comparative ease and at lower interest rates.
- The rating scheme will benefit Banks and Financial Institutions by providing them an Independent evaluation of the strengths and weaknesses of the applicant borrowing unit, which would help them in evaluating risk and taking credit decision.
- Rating of MSEs would facilitate vendors/buyers in judging the capabilities and capacity of the MSEs for taking a decision on finalization of purchase contracts with them.
- The rating scheme will help infusion of a sense of financial and operational discipline, which would further help the overall growth of the sector
- The contribution of MSEs sector to the economy will improve by way of higher production, exports and other global competitive advantages

3. Current Status of Implementation:

Government has appointed NSIC as the implementing agency for the scheme. The scheme is being operated through accredited rating agencies, i.e., CRISIL, SMERA, ONICRA, CARE, INDIA RATING, BRICKWORK and ICRA. NSIC is implementing the scheme and creating awareness thereof among the MSEs by conducting various open houses/exclusive sessions on the rating scheme. In these programmes various Industries Associations, Banks and Rating Agencies are also being involved. The scheme is also propagated in the seminars and campaigns being conducted by NSIC for its various schemes.

4. Objective of the Study: -

- 4.1 To assess 'Impact and effectiveness of Performance and Credit Rating Scheme for Micro & Small Enterprises'.
- 4.2 The study should assess the impact of the following benefits being accrued to MSEs from the scheme:

- 4.2.1 Access to funds with ease and at lower interest rate,
- 4.2.2 Reduction in operational cost
- 4.2.3. Adoption of latest appropriate technology in order to remain competitive in the market and to produce quality of products
- 4.2.4 Exposure to international markets and recognition in global trade.
- 4.2.5 Increased production volumes and profitability.
- 4.2.6. Increase investment in plant machinery.
- 4.2.7 Increased confidence / reliability of various stakeholders like banks / financial institutions, clients etc.
- 4.2.7 Increase in volume of credit
- 4.2.8 Impact of commercial / non-commercial advantage

4.3 Improvement in the subsequent rating.

All the above parameters should facilitate overall growth of MSEs rated under the scheme resulting in upgradation of Micro Enterprises to Small Enterprises and Small Enterprises to Medium Enterprises.

5. Methodology for the Proposed Study:

- Preparation of standard questionnaire in consultation with NSIC.
- Distribution of questionnaire to 5000 units rated under this scheme on a Pan-India basis on a sampling method.
- Obtaining of questionnaire duly filled in from at least 500 units.
- Personal discussion and interviews with the rated units with a sample of at least 100 units rated.
- Personal discussions and interviews with the officials of banks and rating agencies.
- Analyzing the data so received and evaluating the same in terms of objectives of the scheme as mentioned above.
- Suggest measures to make the scheme more effective in promoting and scaling up of Micro and Small Enterprises to next level.
- Preparation and submission of the draft report.
- Presentation by the consultant / agency and discussion on the report.
- Submission of final report. (5 copies in printed form and soft copy)

6. Reports and Time Schedule:

The study is to be completed within 12 weeks from the date of award of assignment. It is expected that the following assignment schedule for reporting may be adhered to:

S. No.	Project Activity	1	2	3	4	5	6	7	8	9	10	11	12
1	Desk research Finalization of questionnaire Consultation with NSIC												
2	Field survey Data Analysis & Draft Report preparation & submission alongwith presentation												
3	Incorporation of NSIC'S Comments												
4.	Submission of Final Report & PPT. In addition, the bidder will be required to give presentation in the Ministry												

6.1 Time schedule:

The assignment is to be completed in 3 stages as described below:

Phase I : (0-2 weeks): Desk research related to assessing role of Performance and Credit Rating Scheme in promoting and scaling up of Micro and Small Enterprises to next level and preparation of Questionnaire.

Phase II (3-10 weeks): During this phase, Field survey by way of interaction through personal visits, interviews, meetings with the stakeholders is to be made. Feedback is to be obtain through structured feedback by way of Questionnaire

as approved by NSIC. The analysis of the data is also to be completed in terms of the objectives of the study and accordingly draft report is to be prepared and submitted to NSIC alongwith presentation for its comments.

Phase III (11-12 weeks): On the basis of comments of NSIC on the draft report the final report is to be prepared and submitted. A Power Point Presentation also needs to be submitted / made to NSIC / Ministry

7. Deliverables:

- a. 2 copies of draft report to be submitted within eight weeks from the date of assignment of work.
- b. 5 copies of final report along with soft copy within 10 weeks from the date of assignment of work.

8. Data to be provided by NSIC:

The following details will be provided to the agency at the time of conducting the survey:

- i) A copy of the scheme detailing salient features of the scheme, rating process, rating scales, etc.
- ii) Address of the rating agencies.
- iii) Details of the rating fee charged by the rating agencies.
- iv) List of the units rated under this scheme.

9. Penalty:

Any delay in meeting timelines as mentioned in para 6 above by the agency (unless a written permission is accorded by NSIC), will attract a penalty of 5% of the contract value per week subject to a maximum of 25% of the amount of the contract.

10. Payment Terms

- 20% of the payment will be made to the agency on submission of first draft report.
- 30% of the contract value shall be paid upon submission of draft of final report.
- Balance 50% payment will be released to the agency on acceptance of final report by the Competent Authority and submission of complete invoice in duplicate to NSIC.

11. Other Terms & Conditions

- i. The assignment should be completed within the stipulated time mentioned in the award letter. Delay in submission of the report beyond the stipulated time will attract penalty as mentioned at Sl. No. 9 above. For factors beyond the control of the agency, suitable extension in time may, however, be granted at the written request of the agency. However, the decision of NSIC shall be final and binding on the agency.
- ii. The total fee for the study to be quoted by the agency will include service tax and other taxes, if any and all other expenses to be incurred during the course of conducting the survey. The liability of payment of the tax shall be of the agency conducting the study.
- iii. The draft/ final reports and the contents thereof would be the intellectual property of NSIC and would not be published by the concerned agency without prior approval of NSIC.
- iv. If the performance of the agency during the conduct of the study is not found to be satisfactory, the award of the assignment can be terminated and the amount already paid to the agency shall be recovered.
- v. The raw data/ processed data/ findings should not be disclosed by the agency to any third party without prior approval of NSIC.
- vi. Earnest Money Deposit (EMD) of Rs. 25,000/- in the form of Demand Draft in favour of NSIC will have to be submitted by each tender participating agency along with technical bid. However, unit registered with NSIC under Single Point Registration Scheme will be exempted from EMD.

- vii. The validity of the quotations including charges for the study must be for atleast six months from the date of tender opening.
- viii. The agency should not sub let the complete assignment or part thereof to any other agency. The sub letting of complete assignment or part thereof would liable to cancel the contract and forfeiture of EMD.
- ix. **Even though the bidders meet the above qualifying criteria, they are subject to be disqualified if they have:**

- Made misleading or false representation in the forms, statements and attachments submitted in proof of the qualification requirement at above.
- Records of poor performance such as abandoning the work, not properly completing the contract, inordinate delay in completion, litigation history or financial failure etc.
- Their business banned by any central / state govt., departments / public sector undertakings or enterprises of central / state govt.
- Not submitted all the supporting documents or not furnish the relevant details as per the prescribed format.
- Concealed any information required to be furnished as per the offer conditions or make misleading or false representations in the forms, statements and attachments submitted in proof of the qualification requirements.
- No condition / deviation which is either additional or in modification of the offer conditions shall be included in the offer. If the offer contains any such condition or deviation from proposed condition, the offer is liable to be rejected.
- Record of adverse performance of the bidder such as termination of contract awarded to him and completion of balance works at his risk and cost / banning of business with the bidder by any of the central / state govt., departments / public sector undertakings or enterprises of central / state govt. will weigh against the qualification of the bidder for the award of the contract and may lead to rejection of the offer.

NSIC does not bind itself to accept lowest or any other offer and reserves the right to reject lowest or any or all offers without assigning any reasons whatsoever. Decision of NSIC shall be final and binding on all the bidder.

NSIC further reserves the right to cancel the bidding process at any time prior to award of contract without thereby incurring any liability to the affected bidder or bidders on account of NSIC's such action.

CONSULTANT'S ORGANISATION AND EXPERIENCE

A – Consultant's Organisation

[Provide here a brief (note more than two pages) description of the background and organization of your entity and each associate, if any, for this assignment.]

B – Consultant's Experience

[Using the format below, provide information on each assignment for which your entity, and each associate for this assignment, was contracted for carrying out consulting services similar to the one requested under this assignment.]

1. Assignment name: value of the contract (in Rs.)

- I. Name of associated Consultants, if any Country :
- II. Name of senior professional staff of your firm involved and functions performed (indicate most significant profiles such as Project Director/Coordinator, Team Leader Location within country :
- III. Narrative description of Project
- IV. Description of actual service provided within the assignment

2. Assignment name : value of the contract (in Rs.)

- I. Name of associated Consultants, if any Country :
- II. Name of senior professional staff of your firm involved and functions performed (indicate most significant profiles such as Project Director/Coordinator, Team Leader Location within country :
- III. Narrative description of Project
- IV. Description of actual service provided within the assignment

3. Assignment name : value of the contract (in Rs.)

- I. Name of associated Consultants, if any Country :

- II. Name of senior professional staff of your firm involved and functions performed (indicate most significant profiles such as Project Director/Coordinator, Team Leader Location within country :
- III. Narrative description of Project
- IV. Description of actual service provided within the assignment

4. Assignment name: **value of the contract (in Rs.)**

- I. Name of associated Consultants, if any Country :
- II. Name of senior professional staff of your firm involved and functions performed (indicate most significant profiles such as Project Director/Coordinator, Team Leader Location within country :
- III. Narrative description of Project
- IV. Description of actual service provided within the assignment

5. Assignment name: **value of the contract (in Rs.)**

- I. Name of associated Consultants, if any Country :
- II. Name of senior professional staff of your firm involved and functions performed (indicate most significant profiles such as Project Director/Coordinator, Team Leader Location within country :
- III. Narrative description of Project
- IV. Description of actual service provided within the assignment

Annexure B

I General Description of Team

Sr. No.	Name of Team Leader & Staff	Position	Input (Staff-months)
1.			
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Note: CV of the Team Members to be provided in the format given at **Annexure B-I**.

**CURRICULUM VITAE (CV) OF PROPOSED
PROFESSIONAL STAFF FOR THE ASSIGNMENT**

1. Proposed Position [only one candidate shall be nominated for each position]:-

2. Name of Entity [Insert name of entity proposing the staff]:_____

3. Name of Staff [Insert full name]:

4. Date of Birth:_____

Nationality:_____

5. Education:[Indicate college/ university and other specialized education of staff member, giving names of institutions, degrees obtained, and dates of obtainment]:

6. Membership of Professional Associations:

7. Publications (Indicate books, research papers and other articles published in reputed journals).

8. Other Training(s) : [Indicate significant training since degrees under 5 – Education were obtained]:

9. Countries of Work Experience : [List countries where staff has worked in the last ten years]:

10. Employment Record:[Starting with present position, list in reverse order every employment held by staff member since graduation, giving for each employment (see format here below): dates of employment, name of employing organization, positions held]:

From [Year]:_____ To [Year]:_____

Employer:_____

Positions held:_____

11. Detailed Tasks Assigned

[List all tasks to be performed under this assignment]

12. Work Undertaken that Best Illustrates Capability to Handle the Tasks Assigned

[Among the assignments in which the staff has been involved, indicate the following information for those assignments that best illustrate staff capability to handle the tasks listed under point 10].

Name of assignment or project _____

Year _____

Location _____

Client _____

Main project features: _____

Positions held: _____

Activities performed: _____

13. Certification:

I, the undersigned, certify that to the best of my knowledge and belief, this CV correctly describes myself, my qualifications, and my experience. I understand that any willful misstatement described herein may lead to my disqualification or dismissal, if engaged.

_____ Date: _____

[Signature of staff member or authorized representative of the staff] Day/Month/Year

Full name of authorized representative: _____

CONSULTANT'S FINANCIAL PROPOSAL

(A)	Cost of the Study/Survey/Research Paper : Rs (based on team and staff inputs and all necessary activities as per ToR)	Rs.
(B)	Service Tax	Rs.
(C)	Total Cost (a+b)	Rs.

Rupees in words: _____

Note : No separate payment towards overheads, equipment, accommodation, procurement of primary and /or secondary data, necessary travel (if any), etc. shall be allowed.

FORMAT FOR AGREEMENT

AGREEMENT

THIS AGREEMENT is entered into this between the National Small Industries Corporation Ltd. (NSIC) (a Government of India Enterprise) having its principal place of business at NSIC Bhawan, Okhla Industrial Estate, New Delhi-110020 and("the Consultant") having its principal office located at acting through Shri

WHEREAS, the NSIC wishes to have the Consultant perform the Assignment hereinafter referred to, and

AND WHEREAS, the Consultant is willing to perform this Assignment,

NOW, THEREFORE, THE PARTIES hereby agree as follows:

1. **Services** (i) The Consultant shall perform the assignment specified in "Terms of Reference" which is an integral part of this Agreement (the "Assignment").
(ii) The Consultant shall provide the details of personnel listed in Annex B, "Consultant's Personnel," to perform the Assignment.
(iii) The Consultant shall submit to the NSIC the reports in the form and numbers and within the time periods specified in clause no 6 & 7 of TOR.
2. **Term** The Consultant shall perform the Assignment within twelve weeks from the date of award of assignment], or any other period as may be subsequently agreed by the parties in writing, subject to liquidated damages for the delay attributable to the Consultant as indicated in clause 12 of this agreement.

3. Payment

A. Ceiling

For the Assignment, the NSIC shall pay the Consultant the sum of [insert amount]. This amount includes all of the Consultant's costs and deliverables as well as any tax obligation that may be imposed on the Consultant.

B. Schedule of Payments: The schedule of payments is specified below

- 20% of the payment will be made to the agency on submission of first draft report.
- 30% of the contract value shall be paid upon submission of draft of final report.
- Balance 50% payment will be released to the agency on acceptance of final report by the Competent Authority and submission of complete invoice in duplicate to NSIC

C. Payment Conditions

Final payment shall be made within 6 weeks from the date of submission of complete invoices in duplicate to the NSIC .

4. Project Administration

Coordinator The NSIC designates Shri Rajesh Madan, Chief Manager as the NSIC's Coordinator; for this Assignment. The Coordinator will be responsible for the coordination of activities under this Agreement, for acceptance and approval of the reports and of other deliverables by the NSIC and for receiving and approving invoices for the payment.

5. Performance Standards

The Consultant undertakes to perform the Assignment with the highest standards of professional and ethical competence and integrity. The Consultant shall promptly but not later than 3 days replace any employees assigned under this Contract that the NSIC considers unsatisfactory.

6. Confidentiality

The Consultant shall not disclose any proprietary or confidential information relating to the Services, this Agreement or the NSIC's business or operations without the prior written consent of the NSIC.

7. Ownership of Material

Any studies, reports or other material, graphic, software or otherwise, prepared by the Consultant for the NSIC under the Agreement shall belong to and remain the property of the NSIC. The Consultant may retain a copy of such documents and software for the purpose of this Agreement.

8. Insurance

The Consultant will be responsible for taking out any appropriate insurance coverage at its own cost.

9. Re-Assignment

The Consultant shall not re-assign this Agreement or sub-contract any portion of it without the NSIC's prior written consent.

10. Dispute Resolution

Any dispute arising out of the Agreement, which cannot be amicably settled between the parties, shall be referred for arbitration to an arbitrator nominated by the Chairman cum Managing Director, NSIC. Provisions of the Arbitration and Conciliation Act, 1996, as amended from time to time, shall be applicable. Courts in Delhi shall have jurisdiction in the matter.

11. Events of Default

- (i) Delay in furnishing of any report within the period mentioned for in clause no 6 & 7 of TOR. Provided that there shall not be default for the period of Force Majure and delays solely attributable to the NSIC.
- (ii) Any report being non-acceptable to the NSIC for lack of professional quality.
- (iii) Breach of any of the terms of this Agreement.

12. Consequences of Default

- (i) On the occurrence of any of the event of default on the part of Consultant, the NSIC may terminate this Agreement and claim refund of any money paid and refuse to make any more payment.
- (ii) In case of default being limited to delay only not exceeding 5 weeks, the NSIC, may in the alternative, claim the agreed liquidated damages @ 5% of the amount of contract for every week of delay, not exceeding in any case 25% of the amount of contract. The amount of liquidated damages shall be withheld and/or recovered from the payment to be made to the Consultant.

13. Force Majeure

The Parties shall be entitled to excuse performance of their respective obligations to the extent they are unable to perform the contract by an event of Force Majeure. A party claiming relief on this account shall immediately on becoming aware of Force Majeure event give notice to the other party disclosing the manner in and the period during which performance of its obligation is likely to be affected.

For the purpose of the Agreement Force Majeure means Acts of God, wars or similar action affecting India Civil Commotions or general strike (excluding by its own employees) lying beyond the reasonable control of the affected Party.

14. Notice

The address of the Parties for all communication is :
NSIC : National Small Industries Corporation Ltd.
NSIC Bhawan, Okhla Industrial Estate, New Delhi-110020

All notices with the aforesaid address sent by pre-paid registered-post or speed post or sent by fax with confirmation of its delivery or email shall be deemed to have been served and received by the addressee within the time they should have been delivered/received at the addressee's end.

Any change of address will not be valid unless acknowledged by the other party.

IN WITNESS WHEREOF, the representatives of the Parties to this Agreement being duly authorized have hereunto set their hands and have executed those present this ____ day of _____

For and on behalf of the

For and on behalf of the.....

The National Small Industries
Corporation Ltd.

Signed by _____ Signed by _____

Designation: _____ Designation: _____

In presence of _____ In presence of _____

FORMAT FOR SUBMISSION OF UNDERTAKING BY BIDDER

(To be submitted by the bidder on their letter head)

To,
General Manager (Finance)
National Small Industries Corporation Ltd.,
(A Govt. of India Enterprises)
NSIC Bhawan, Okhla Industrial Estate-III,
New Delhi – 110020

Subject :-Submission of bid for the Expression of Interest (EOI) invited for the Study to assess role of Performance and Credit Rating Scheme on promoting and scaling up of Micro & Small Enterprises to next level.

Sir,

1. The undersigned having read and examined in details all the terms and conditions as specified in Terms of Reference (TOR) for engaging agency / consultants for the study to assess role of Performance and Credit Rating Scheme on promoting and scaling up of Micro & Small Enterprises to next level (based on the feedback of 500 units) and hereby confirm with acceptance to comply without any deviation.
2. I/we the undersigned, certify that I/we confirm that consent of acceptance to the contents of agreement as placed at **Annexure - D** of EOI document and agreed to sign on demand.
3. It is further certified that our firm has not been blacklisted by any agency in India or abroad.
4. After having gone through the clauses and terms and conditions of the EOI on the subject cited above, we agree to abide by the terms and conditions, contained in the EOI document and enclosing herewith EMD of Rs. 25,000/- in the shape of Bank Draft bearing No. _____ dated _____ drawn on _____(Bank) in favour “National Small Industries Corporation Limited” payable at New Delhi.
5. The Complete details of my office is placed under for your record to exchange of communications pertaining to above assignment:
 - a) Name of the Consultancy Agency:
 - b) Address, telephone/Fax (with STD), Email details etc.
 - c) Name, Designation and Address of the contact person to whom all references shall be made regarding this EOI.
 - d) Telephone / Fax (with STD code), Mobile No., E-mail of the contact person.
6. Confirm myself is authorized to sign and submit the document(s) on behalf of my organization.

Dated :

SIGNATURE OF THE TENDERER WITH SEAL

NAME OF THE TENDERER WITH ADDRESS.

**Revised Guidelines
of
Performance & Credit Rating Scheme
for
Micro and Small Enterprises**

**SME Division
Ministry of Micro, Small and medium Enterprises
Government of India**

Performance & Credit Rating Scheme for Micro & Small Enterprises (MSEs)

BACKGROUND

The MSE Sector occupies an important position in any developing economy the world over. Fast changing global economic scenario has thrown up many opportunities and challenges to the micro and small industries in India. While, on the one hand, many opportunities have opened up for the small scale sector to enhance productivity and look for new markets in other countries, it has also put an obligation on them to upgrade their competence in terms of technology, management & financial strength to successfully meet the global competition.

Therefore, there is a need to create awareness amongst micro and small Units about the strengths and weaknesses of their existing operations and to provide them an opportunity to enhance their organizational strengths. As a step in this direction, a need was felt for introducing a Rating Scheme for micro and small industries. It is expected that the Rating Scheme would encourage MSE sector in improving its contribution to the economy by way of increasing their productivity, since a good rating would enhance their acceptability in the market and also make access to credit quicker and cheaper and thus help in economizing the cost of credit. Besides, the rating would also infuse a sense of confidence amongst the buyers for taking a decision on the options of sourcing material from MSEs.

With above background, a Performance & Credit Rating Scheme for micro and small industries has been formulated in consultation with various stakeholders i.e. Small Industries Associations, & Indian Banks' Association and various Rating Agencies viz. CRISIL, ICRA, Dun & Bradstreet (D&B) and ONICRA. It has the approval of the Government.

TITLE OF THE SCHEME

The scheme is titled: **“PERFORMANCE & CREDIT RATING SCHEME FOR MICRO AND SMALL ENTERPRISES”**

SALIENT FEATURES OF THE SCHEME

1. APPROACH FOR RATING OF MICRO AND SMALL UNITS

- i. NSIC is the nodal agency for implementing the scheme of performance and credit rating for micro and small enterprises through its various branches/offices located in the country.

- ii. The unit's rating shall be a combination of performance and credit worthiness of the unit. The MSEs rating methodology shall cover a combination of credit and performance factors including parameters measuring operational, financial, business and management risks.
- iii. Only rating agencies registered by SEBI and empanelled as External Credit Assessment Institution (ECAI) by RBI would be 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. The eligible rating agency should apply to receive subsidy under the PCR Scheme on the portal of NSIC. Approval for eligible rating agencies should be given within one month.
- iv. NSIC shall maintain a database about the units awarded Rating by different Rating Agencies.

2. SELECTION OF THE RATING AGENCY BY MSEs

The micro and small enterprises shall be at liberty to select any of the approved rating agencies empanelled under the rating scheme. The rating agency chosen by the unit shall be mentioned in its request for obtaining the rating.

3. APPLICATION FORM

The application forms will also be made available at the website of Ministry of MSME, NSIC, Office of Development Commissioner, MSME, Coir Board, KVIC and the Rating Agencies. Interested MSME Associations will also be requested to make available the Application Form from their website. The MSE unit willing to get rated under the Scheme can download the application from any of these website or obtain a copy of the application from any of the offices of the above agency.

Any MSE unit wishing to apply for rating will have to fill up the prescribed application form and submit the same to the rating agency chosen by it and as well upload the same on the website www.msmedatabank.in.

4. RATING PROCESS

The rating process will be undertaken in the following manner:

STEPS	RATING PROCESS
1	Request for Rating from MSE units will be uploaded on the portal www.msmedatabank.in by the rating agency selected by the MSE units. Complete details of the applicant unit including details of the payment made by the MSE unit will be uploaded on the portal.

2	The documents required to be submitted by the MSE unit will be collected by the selected rating company. .
3	Onsite meeting with MSE Management
4	Analysis of Information obtained from the MSE Unit(s)
5	Assign Rating

The validity of the application will be for a period of six months during which the MSE units is required to submit all documents to the rating agency. The rating agency is also required to complete the rating process within 60 days of the receipt of complete application alongwith prescribed documents. The validity of a rating shall be for a period of one year from the date of issue of the rating letter.

5. RATING FEE

The Rating Agencies have different fee structure for their rating of various clients including micro and small enterprises. The Rating Agencies will devise their fee structure for MSE units under this Scheme separately.

As the evaluation criteria for award of Rating is different with various Rating Agencies and their acceptability also varies with the users, the rating fee to be charged by the Rating Agencies will be varying.

The Rating Agencies will, however, be free to decide their rating fees which will be intimated to NSIC at the time of empanelment, so that fee is well known in advance to the applicant unit as well as NSIC. The rating fees may, however, be reviewed by Rating Agencies from time to time due to the competition and the number / size of clientele.

Although, the rating fee of different Rating Agencies may vary but for the purpose of subsidizing the fee, a ceiling has been prescribed by the Government as per table give below under Sharing of Fees.

The micro and small enterprises will have to pay their contribution towards the rating fee along with its application. The payment can be made by way of pay order / demand draft drawn in favour of the Rating Agency selected by the SSI unit.

In the event of the request for Rating being treated as closed by the Rating Agency due to non-receipt of the complete information, 50% of the fees received from the MSE unit shall be refunded by the Rating Agency. However, if the MSE unit backs out from the rating process after the Rating Agency has carried out its inspection, no amount shall be refunded back.

6. SHARING OF FEES

The fee to be paid to the rating agencies shall be based on the turnover of the micro and small enterprises which has been categorized into three slabs. The slabs of the Turnover and the

Share of Ministry of MSME towards the fee charged by the Rating Agency have been indicated in the table given below:-

Fee to be reimbursed by Ministry of MSME

Turn Over	Fee to be reimbursed by Ministry of MSME
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/-

The balance amount towards the fee shall be borne by the micro and small Units. The portion of the fee to be subsidized by the Ministry shall be released through NSIC after submission of the Rating Report to NSIC by the Rating Agencies.

7. RATING SCALES

While the criteria for evaluation would be left to each of the Rating Agencies, the symbols and their definition for indicating the risk score in the rating awarded has been evolved for uniform implementation by the Rating Agencies. The symbols along with their definition while assigning a Rating to micro and small enterprises are placed at **Annexure-I**. These symbols depict both the performance evaluation as well as the credit worthiness of the unit.

8. SHARING OF THE EVALUATION/RATING OF MSEs

The Rating Agencies shall share the Rating awarded to MSEs with NSIC.

Credit Rating Agencies (CRAs) should provide data for the first year and thereafter track the units rated by them for three years including the financial year for which the rating is being conducted. Information w.r.t. all rated units should be uploaded by the respective rating agencies on www.msmedatabank.in.

For the first year in which the rating is carried out, the following data should be captured by the rating agency and uploaded on the portal:

- a) Name
- b) Address
- c) Type & Entity
- d) Year of establishment / operations started
- e) Contact no. & email.

- f) UAM No./ EM
- g) No. of Employees
- h) Turnover & Profitability of last 3 years
- i) Investment in P & M
- j) Products manufactured or service provided
- k) Whether supplying to any major buyers and whom
- l) List of top customers
- m) Loan details
- n) Name of the Bank and Address
- o) Interest Rate charged
- p) Date of Rating Renewal.

For the next 2 years, the CRA should upload the following data for these companies:

- a) No. of employees
- b) Turnover & profitability for these years
- c) Loan details
- d) Name of Bank
- e) Interest rate charged

The CRA will be paid up to Rs.1,500/- for uploading data per unit for each of the next two years, If they upload complete data mentioned above for each year.

Public access would be provided to rating outcome for units rated and certain reports. Detailed information uploaded about the companies & full rating report would be accessible to M/o MSME and NSIC only.

9. EVALUATION AND MONITORING

At least 2% of the rated units in the previous year shall be inspected by NSIC in the, following year for the purpose of post-rating follow-up and verification. The NSIC will inspect the units on the random basis and that random basis might be determined by the Committee under JS (SME) and CMD (NSIC). During this inspection, the data of rated units should be checked with the data captured by the rating agencies during the rating process. This may include existence of unit, its financials, fee paid by the units, rating agency's site visit details, its dealing with the bank, receipt of draft / final report by the MSE from the rating agency etc.

A committee shall be constituted by the Government to evaluate quality of rating reports and rating methodology used by all the rating agencies. The committee members would comprise of Secretary MSME, JS(SME) and three experts from financial sector (not from rating agencies) to be co-opted in the Committee by Secretary MSME. This Committee shall evaluate the work being done by the various rating agencies. . The Committee shall meet at least once in three months and take help of such officials and other persons for its work as required. The experts

co-opted on the Committee shall be paid sitting fees up to Rs.10,000/- per meeting / day, but actual rates will be determined by the Committee.

The findings as per inspection report of NSIC and the evaluation by the above Committee shall become the basis of recommendations of the Committee to the Government about the performance of the rating agencies. Accordingly, directions shall be given to various rating agencies about the improvements solicited in the rating work being done by them and action to be taken against the rating agencies whose work is not found up to the desired standards that may include barring them from carrying out rating under the scheme.

10. PROMOTION OF THE SCHEME

The scheme would be given wide publicity by NSIC, IBA and Credit Rating Agencies. The details of the scheme would also be available on the website of the Ministry of MSME, NSIC, IBA & its member banks, MSME Associations and the Rating Agencies shall also be used to promote the Rating Scheme.

11. INFORMATION REQUIRED FOR RATING

MSEs applying for rating will have to submit the documents as per list placed as **Annexure-I (B)** along with the hard copy of the application to NSIC or the rating agency selected by the unit

12. ADMINISTRATIVE EXPENDITURE

NSIC is the nodal agency for implementing the Performance and Credit Rating Scheme of Ministry of MSME. The administrative expenditure to the tune of 7.5% of the total expenditure of the Performance and Credit Rating Scheme shall be reimbursed to NSIC for implementing the scheme but at least 3% of this amount will be spent on dissemination and publicity of the Scheme. The administrative expenditure includes expenditure towards advertisement & publicity of the scheme, cost of inspection, services for the evaluation committee, the cost of the manpower and efforts put in by the NSIC for implementation of the scheme.

Rating Scale of MSEs on Performance and Credit Parameters under the Performance & Credit Rating Scheme.

Ratings scale

Rating symbol	Definition
<Name of CRA> MSE 1	Highest credit worthiness in relation to other MSEs
<Name of CRA> MSE 2	High credit worthiness in relation to other MSEs
<Name of CRA> MSE 3	Good credit worthiness in relation to other MSEs
<Name of CRA> MSE 4	Above average credit worthiness in relation to other MSEs
<Name of GRA> MSE 5	Average credit worthiness in relation to other MSEs
<Name of CRA> MSE 6	Below Average credit worthiness in relation to other MSEs
<Name of CRA> MSE 7	Weak credit worthiness in relation to other MSEs
<Name of CRA> MSE 8	Poor credit worthiness in relation to other MSEs

Financial strength to be indicated by the following:

Highest	
High	
Good	
Above Average	
Average	
Below Average	
Weak	
Poor	

Operating performance to be indicated by

Highest	
High	
Average	
Weak	
Poor	

Illustration

The rating agency will indicate the rating as follows

Company ABC Limited

Name of the rating agency MSE 1

Financial Strength : Highest

Operating performance: High
