

FSIA E-circular dt. April 15, 2011 :  
CENVAT Credit and SIDBI Loans

## Faridabad Small Industries Association

*The face of Modern Indian MSMEs*

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Dear Members,

### Cenvat Credit Rules 2004 ( Amended in 2011 )

Most of us are either Excise Payers or Service Tax payers. And the Government has given a good bonanza for some of us. Do read this for good (a) Knowledge, (b) General Knowledge.

Source = NOTIFICATION NO. 3/2011-CENTRAL EXCISE (N.T.), DATED 1-3-2011

### Which items CENVAT input is available ?

**(iv) for clause (k), the following has been substituted, namely: –**

'(k) "input" means–

(i) **all goods used in the factory** by the manufacturer of the final product; or

(ii) **any goods including accessories**, cleared along with the final product, the value of which is included in the value of the final product and goods used for providing free warranty for final products; or

(iii) **all goods used for generation of electricity** or steam for captive use; or

(iv) all goods used for providing any output service;

but excludes–

(A) light diesel oil, high speed diesel oil or motor spirit, commonly known as petrol;

(B) any goods used for–

(a) construction of a building or a civil structure or a part thereof; or

(b) laying of foundation or making of structures for support of capital goods, except for the provision of any taxable service specified in sub-clauses (zn), (zzl), (zzm), (zzq), (zzzh) and (zzzza) of clause (105) of section 65 of the Finance Act;

(C) capital goods except when used as parts or components in the manufacture of a final product;

(D) motor vehicles;

(E) any goods, such as food items, goods used in a guesthouse, residential colony, club or a recreation facility and clinical establishment, when such goods are used primarily for personal use or consumption of any employee; and

(F) any goods which have no relationship whatsoever with the manufacture of a final product.

*Explanation.* – For the purpose of this clause, “free warranty” means a warranty provided by the manufacturer, the value of which is included in the price of the final product and is not charged separately from the customer;’;

### **Good points are**

Language is very simple,

Almost everything included, except a short list of exclusions

Next

**Which SERVICES → CENVAT credit is available ?**

(v) for clause (1), the following has been substituted, namely: –

‘(1) “input service” means **any service**, –

### **For a Service provider**

(i) used by a provider of taxable service for providing an output service; or

### **Manufacturer**

(ii) used by a manufacturer, whether directly or indirectly, in or in relation to the manufacture of final products and clearance of final products upto the place of removal,

### **For all -- Common**

and includes services used in relation to

- modernisation, **renovation or repairs of a factory**, premises of provider of output service **or an office** relating to such factory or premises,



>>> idea

Earlier service tax on renovation was not allowed, now it is allowed

- **advertisement or sales promotion, market research,**



>>> idea

earlier some Excise Commissionerates were not allowing the modvat of Marketing, Advertising, promotion bill’s services, now there is no confusion what so ever.

- storage upto the place of removal,  
>> skg == rent of stores / any warehouse services
- procurement of inputs,

>> skg == agents , CFA, customs agent in the procurement chain

**>>> next → various administrative expenses**

- accounting, auditing, financing, recruitment and quality control, coaching and training, computer networking, credit rating, share registry, security, business exhibition, legal services,

ok

confusions are now reduced

- inward transportation of inputs or capital goods and outward transportation upto the place of removal;

ok

- but excludes some services as under, –

*(A) specified in sub-clauses (p), (zn), (zzl), (zzm), (zzq), (zzzh) and (zzzza) of clause (105) of section 65 of the Finance Act (hereinafter referred as specified services), insofar as they are used for–*

*(a) construction of a building or a civil structure or a part thereof; or*

*(b) laying of foundation or making of structures for support of capital goods, except for the provision of one or more of the specified services; or*

*(B) specified in sub-clauses (d), (o), (zo) and (zzzzj) of clause (105) of section 65 of the Finance Act, insofar as they relate to a motor vehicle except when used for the provision of taxable services for which the credit on motor vehicle is available as capital goods; or*

*(C) such as those provided in relation to outdoor catering, beauty treatment, health services, cosmetic and plastic surgery, membership of a club, health and fitness centre, life insurance, health insurance and travel benefits extended to employees on vacation such as Leave or Home Travel Concession, when such services are used primarily for personal use or consumption of any employee;’;*

### **Message from FSIA**

Most of the companies know the cenvat credit rules. But the problem is that when the law changes, we continue to remember the **old version**. So, Time is here to “refresh your memory”. There are some benefits. So, if you are eligible, take them.

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## Need money ?

Take Loan of Rs. 50 Lakhs, without any Collateral, from FSIA help-desk\* ( Scheme Extended by SIDBI for 3<sup>rd</sup> year after good success in first 2 years. )



Future-ready





## “Collateral Free Loans” – arranged by FSIA → in Times of “BOOM”, → for your benefit

- ✓ Do you Purchase small Tools, Dies and Moulds ? Testing Equipments ? Do you take loan against all of these ?
- ✓ Do you always purchase Invertor, Generator, Batteries on Loan ?
- ✓ Do you always take Loan for small items like Computers, Printers, ....
- ✓ Have you been allotted some HSIIDC Flat recently ? Loan tie up to make ?
- ✓ Are you Planning to follow up with Private Banks for an Unsecured Loan carrying high rate of interest (18% to 24%)

## FSIA in the service of the Businesses

For the first Time in India  
SIDBI had selected an Industrial Association as a Front-Desk, for selection of businesses for grant of quick Collateral Free Loans.

<p>For the first Time in India, a Large Bank(S.I.D.B.I.) has selected an Industrial Association(<b>FSIA</b>) <u>as a Front-Desk</u>, for <u>selection of businesses</u> for <u>Grant of quick Collateral Free Loans.</u></p>	  <p>Future-ready</p>
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FSIA had entered into an MOU with the SIDBI for grant of quick Collateral Free Loans. This was 22<sup>nd</sup> Dec 2008. And now we are getting National Accolades for this success.

### A Quick look at the Features of this Quick “SIDBI-FSIA-Loan”

- ✓ **There is no Collateral.**
  - The Strength for proposal shall be your Balance Sheet + FSIA recommendation.
  - And moral pressure for Timely repayment is also that on the FSIA.
- ✓ **Nodal Bank is SIDBI and Front Desk is FSIA office**
  - That is the faith of SIDBI on your association
- ✓ **Moratorium is possible**
  - Usually, there is no moratorium on EMI-based unsecured Loans.
  - Here you can take upto 3 to 6 months ( on merits )
- ✓ **Ballooning option**
  - Usually EMI's are Equal Monthly instalments during the tenure
  - Here you can plan your own. You may repay Rs. 20K p.m. in First year, Rs. 30K p.m. in second year, and Rs. 50K p.m in 5<sup>th</sup> year.
- ✓ **Rate of Interest**
  - Rate of Intt on unsecured Pvt Bank Loans is about 18%-24%.
  - Here it will be SIDBI's PLR , minus 0.5%.

- Just an Example, the current PLR of some Banks is 12.5% to 17.5%
- And in this scheme, you will get at 10.5%
- ✓ **Rate of interest shall be Floating**
  - So, FSIA has organized Floating interest for this scheme.
  - To your benefit.
- ✓ **NOC of the Existing Bank ?**
  - No, it is not required.
  - SIDBI will just intimate the existing banker, if any.
- ✓ **Charge registration in the ROC ?**
  - Yes, it will be done.



- ✓ **Who will be carrying out financial due diligence and preliminary scrutiny** of the loan eligibility. ? -- FSIA ( However SIDBI 's decision shall be final and binding)
- ✓ **Disbursement Request** → via the FSIA help-desk
- ✓ **Who is eligible ?** →
  - Micro, Small & medium enterprises who (or their Associate concern or any unit in the group or under same management) are members of FSIA for atleast past one year as on date of application.
  - in existence for a minimum period of 3 years.
  - having Net Profit for last 2 years
  - having Minimum Credit Rating as per SIDBI's norms.
  - having Maximum limit : not more than 15% of the turnover in case of manufacturing / service sector units and 35% of turnover in case of units engaged only in job work subject to a maximum of Rs. 50 lakh.
  - having No default/ overdues.and have good credit track record
  - not in RBI/CIBIL defaulter/ caution list
  - KYC norms compliant
  - Having No statutory dues. Cases under protest/ litigation shall be considered on merit
  - having maximum overall DER (including proposed Loan) of 2.5 : 1 for the concern
  - having factory in its name or the promoter should have residence in his own or spouse name in NCR.
  - **FSIA Notes**
    - The above ready reference is quite transparent
    - If you meet the above, the loan would be transparently available
    - If you don't, you might not.
    - Having a Good Balance Sheet is a must, as seen above.
    - You may take the counsel of FSIA help desk for your eligibility review before you file the case.
- Terms and conditions apply
- All loans at sole discretion of SIDBI
- Available only for FSIA Members

### **Some Quick Questions & Answers**

- ✓ When is this scheme starting ? = Already Started. Over Rs 18 crores disbursed. Contact us immediately.
- ✓ Whom to Contact ? = SIDBI-Faridabad, or FSIA office
- ✓ What if I am not a FSIA member ? = No problems, Join us. New Members are welcome.
- ✓ Special offer = Indeed → Very Special Offer: → Loans also available on eligible assets, Machines, Capital Equipment etc. purchased during this financial year i.e., on or after 01.04.2008
- ✓ Any Subsidy ? → Yes. Credit Linked Capital Subsidy (15% Subsidy) available wherever applicable.

- ✓ When should I come to FSIA ? → Immediately, ( Earlier the better ) → You may submit documents & take sanction letter valid for upto 6 months for immediate disbursal whenever the need arises.

## Forthcoming Programmes:

We are organising a series of Training and orientation programmes for SME leaders, entrepreneurs and Associations to help them develop their vision and network for future and enable them to guide and advise hundreds of other SMEs in their respective areas of influence.

A. *The Training and orientation programme for FSIA Executive, Core Committee members at Maldives in April for leaders of FSIA to help develop vision, common goal, road-map for future. Supported by lamSMEofIndia & International Partners*

B. *The Training and orientation programme for Young Entrepreneur members of FSIA at Germany (May) to help them make a roadmap for the journey ahead, and to shift gears for the new acceleration and scale-up their existing businesses supported by lamSMEofIndia.*

*We are also pleased to inform that we have received green signal from Bavarian-Indian Centre for Business and University Cooperation, Germany to jointly set up a Skill, Vocational and Entrepreneurship Development Institute and Exchange Programmes for Indian & German SMEs. We have received a short possible project plan for the first year and for the start. We highly appreciate involvement of our members and their opinion on the project proposal. The Bavarian Centre seriously wants to bring this issue forward and deepen the cooperation with FSIA. In my opinion it will be important now to do the first specific steps, so that the entire project can be filled with life. Series of meetings and steps are being taken. We wish to complete the background work so that we are able to finalize MoU and/or further action plan. We seek nominations from our Members and Associates who can devote time to this Project.*

C. *Phase-II of the Secretarial Training programmes for SME Associations of India at Bhutan (June). Supported by German Partners.*

D. *The Training and Orientation Programme for the New members of FSIA at Andaman (July) supported by lamSMEofIndia.*

Above programmes are Organised by FSIA. We are grateful to our International and National Partner Organisations who have agreed in principle to Sponsor/support the above programmes. Internationally renowned Trainers shall conduct the Training and shall encourage networking opportunities & business meetings.

E. Launch of SCORE (Earlier Factory Improvement Programme-FIP) in April jointly with ILO, funded by Swiss Govt.

**F. Proposed Business Trip to Finland, Europe in May, 2011:** We are planning a week's Business Trip to Finland, Europe in May. We are expecting 75% subsidy for Micro & Small Enterprises and 100% for Women Entrepreneurs. Details shall be circulated soon. Knowledge Partners MRIU & NSIC. Supported by lamSMEofIndia. Interested members may write to [fsiaindia@gmail.com](mailto:fsiaindia@gmail.com). Please indicate area of interest in meeting with any particular industry/ Trade. We'll keep you updated on further details.

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**G. Lean Clusters Launched:** More than 30 entrepreneurs have decided to *transform* their existing enterprises to "*the world class SMEs*" and aim to be ranked amongst the best SMEs of India over the next few months. **"LAUNCH OF THE LEAN MANUFACTURING CLUSTERS":** *We are grateful to the Govt. of*

India for providing 80% subsidy for the full year programme. Congratulations to all those who have joined. Healthy enterprise is a Happy, Profit making and sustainable enterprise.

## Come, Let's be "Active" in FSIA



**For queries, suggestions and feedback , you can e-mail us at :**

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**Subscription**

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