



उत्तर प्रदेश UTTAR PRADESH

AV 347372
25 OCT 2011

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding entered into at Lucknow on this 9th Day of November 2011

BETWEEN

SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA, established under the Small Industries Development Bank of India Act, 1989 and having its Head Office at SIDBI Tower, 15, Ashok Marg, Lucknow 226 001 and a Branch Office at Ground Office, SIDBI Tower, 15, Ashok Marg, Lucknow 226 001 (Hereinafter referred to as "SIDBI" which expression shall unless it be repugnant to the context or meaning thereof shall include its successors, assigns) of One part

AND

INDIAN INDUSTRIES ASSOCIATION, a society registered under the Societies Registration Act 1860, having its registered office at IIA Bhawan, Vibhuti Khand, Gomti Nagar-Phase-II, Lucknow-226 001 (Hereinafter referred to as "IIA", which expression shall unless it be repugnant to the context or meaning thereof shall include its successors, assigns) of Other part.

WHERE

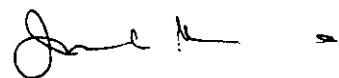
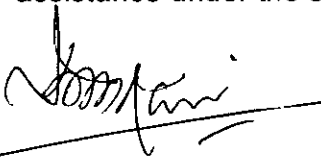
- (1) Indian Industries Association is an apex representative body of Micro, Small and Medium Enterprises (MSME) in service for 26 years with a strong membership base of more than 5000 Micro, Small and Medium Scale units. In 1985, a group of committed young professionals joined forces and conceived the idea of an organisation that can act as a catalyst for the promotion and growth of Micro, Small & Medium Industries. It was thus that, NAYE (National Alliance of Young Entrepreneurs) came into being. In July 1992, however, NAYE was renamed IIA with the roles and objectives of the organisation further widened to suit the needs of changing socio-economic environment. It is registered as a society (Registration no.3369-2007-2008) under Society Registration Act 1860.
- (2) **SIDBI** is the principal Financial Institution for the MSME sector in India and is interested in evolving new mechanisms for increasing the credit delivery to the MSME sector in the country.
- (3) The Memorandum of Association of IIA specifically provide for a clause regarding its power to do anything which may be needed for any purpose for the general benefit of the Micro, Small & Medium Enterprises.
- (4) **IIA** has approached SIDBI for evolving a suitable financing scheme for meeting capital expenditure requirements of its member MSME units and has offered its services for facilitating the credit flow to its members.

BOTH THE PARTIES HAVE AGREED FOR AN ARRANGEMENT TO ACHIEVE THIS OBJECTIVE AND HAVE REACHED AN UNDERSTANDING AS FOLLOWS:

1A. DEFINITIONS:

Unless the context otherwise requires in this MoU the following words and expressions shall have the meaning respectively assigned to them

“Customer” or “eligible Borrower” shall mean and include Micro, Small & Medium Enterprise, its group / associate concern which shall avail financial assistance in any form from SIDBI under this arrangement and which is / are members of IIA and which is in existence for a minimum period of 3 years having made net profit for last two years and has membership of any one unit in case of group entities would be treated as membership for all the units under the same management / group and all or any of the units would be eligible for the assistance under the scheme.



1B. TERMS OF ARRANGEMENT:

1b.1 IIA would identify and recommend its member MSME's for considering sanction of annual loan limit by SIDBI, after carrying out financial due diligence and preliminary scrutiny of the eligibility.

1B.2 SIDBI would process the application and consider sanction of limits upto ₹50 lakh which could be used by such MSME for business related routine / small capital expenditure at a short notice during the year.

1.B.3 SIDBI shall have right to decline / reject any loan application if the customer does not fulfill the required eligibility criteria or is not found to be support worthy by SIDBI. SIDBI's decision in this regard shall be final and binding.

1B.4 IIA would assist the member MSME units in the arrangements by carrying out various tasks to reduce the delivery time for SIDBI and to facilitate smooth flow of assistance to such MSMEs. However, IIA would not take any financial obligation / liability in respect of the loans dispensed by SIDBI.

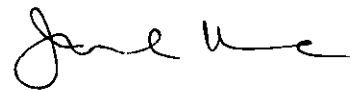
1B.5 Detailed terms of the arrangement including the financing scheme, rights and obligations of both SIDBI and the IIA are indicated at APPENDIX herein which shall be construed to be a part and parcel of this MoU.

1B.6 The arrangement would be made operational at centres in the state of Uttar Pradesh where SIDBI has a branch office or the unit is located within permitted distance criteria as per SIDBI guidelines.

1 C.RESPONSIBILITY / OBLIGATIONS OF IIA

1C.1 Sanction process – "IIA would recommend individual MSME customer to SIDBI with following information / documents

- (i) SIDBI loan application in Credit Appraisal and Rating Tool (CART form) along with related information / enclosures like balance sheets, financial projections, net worth statements of promoters, KYC documents, etc. as per the check list as may be modified from time to time.
- (ii) Eligibility under the credit screen stipulated by SIDBI
- (iii) If application is considered, SIDBI shall issue a Letter of Intent (LoI) to the customer which shall contain the amount and terms and conditions of sanction. A copy of the LoI will be marked to IIA.
Notwithstanding the aforesaid, SIDBI shall have the right to reject any application from a MSME at its sole discretion which shall be final and binding on the parties.



1C.2 Disbursement process – As and when finance is required, customer will submit a request in prescribed format to IIA which would forward the disbursement requests with Performa invoices and CA certificate certifying raising and utilization of promoter's contribution, as stipulated by SIDBI.

1C.3 Monitoring – IIA would be responsible for following responsibilities for the MSMEs covered under the arrangement:

IIA would certify implementation of the project / installation by individual units on behalf of the borrowers in the Standard formats provided by SIDBI.

Based on information available from SIDBI, IIA would follow up with units for dues, annual financial statements and other regular returns like Balance Confirmation Certificates, Acknowledgement of Debt, etc.

IIA shall provide early warning signals to SIDBI based on market information in respect of any borrower unit.

IIA shall co-ordinate visits by SIDBI officials to borrower MSMEs, as and when required by SIDBI officials.

The operations / processes under this arrangement being carried out by IIA would be subject to audit by Auditors appointment in consultation with SIDBI.

1C.4 Other responsibilities – IIA shall be responsible for maintaining good corporate governance levels for the arrangement. It shall deploy appropriately qualified personnel for facilitating the arrangement.

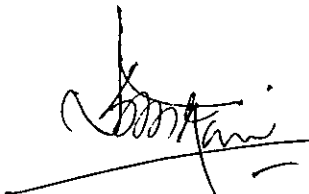
1D. FEES PAYABLE TO / CHARGEABLE BY IIA

1D.1 SIDBI shall charge upfront fee up to 1% of the amount sanctioned in each case and IIA shall be paid 50% of it or 0.5% by SIDBI after deducting TDS /Service Tax as the case may be.

1D.2 IIA would also be paid 0.5% of the loan amount after the full normal repayment (without OTS / Sacrifice of income) of the loan towards various costs incurred by IIA under the arrangement.

1D.3 Service fee payable to IIA by SIDBI shall be subject to applicable tax deduction at source as per the applicable Laws.

1D.4 Service taxes, if any, shall be extra, as applicable.



2. GENERAL

2.1 Any notice by SIDBI to IIA and vice versa shall be in writing and posted to the last known address by registered post / courier service / fax / hand delivered. Delivery by any of the above modes would be considered adequate.

2.2 The Parties mutually agree that in matters or situations not governed by this arrangement the parties may mutually decide upon such matters / situations and shall make provision for the same by exchange of consent letters, such consent letters becoming part and parcel of this arrangement.

2.3 IIA and SIDBI will jointly promote the arrangement to create maximum awareness about this arrangement in the MSME sector. However, IIA shall not publish and circulate any publicity material / brochure in connection with this arrangement without prior intimation of SIDBI.

3. VALIDITY PERIOD

This MoU comes into effect from the date hereinabove mentioned and shall remain valid for one year or till the date of validity of registration of IIA whichever is earlier. The same could be extended for further period, as may be mutually agreed.

However, in respect of all other aspects, the MoU shall be valid till all the loans provided to member MSME borrowers covered under the arrangement have been fully liquidated.

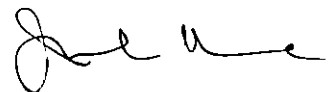
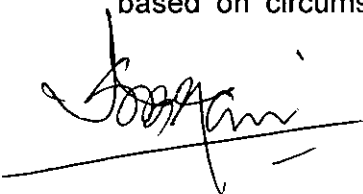
4. TERMINATION

4.1 Either party may terminate this MoU even without breach, by giving 60 days notice in writing but such termination will not affect the obligations and rights of both SIDBI and IIA in respect of the MSMEs which are provided financial assistance up to the date of termination and notwithstanding the termination, the said obligations as contained in this agreement shall be binding as if the arrangement is in force till all the obligations are fulfilled or all the dues of SIDBI are repaid by the member / borrowers.

4.2 During the tenure of this MoU if either party gets merged with any third party a new entity, all terms and condition and obligations contained in this MoU shall remain valid and binding on the new entity unless the parties mutually agree to terminate the MoU by issuing notice in terms of the termination clause of the MoU.

5. FORCE MAJEURE / ACTS OF GOD

This MoU is subject to force majeure situations. It shall be subject to inability based on circumstances beyond the control and power of contracting parties,



such as civil commotion, riots, war, hacking, unauthorized access, spam, etc. which may result in the vagaries of the general financial markets.

6. CONFIDENTIALITY

Neither party shall be entitled to use either party's trade-mark / logo except for common co-branded brochures, etc. with prior consent in writing.

The IIA and SIDBI agrees that it shall not, at any time or under any circumstances, without the written consent of the other party, directly or indirectly communicate or disclose to any person (other than their employees, agents advisors, auditors and representatives) about this MoU and any information, data, relating to the borrowers to any third person, except during cases highlighted below:

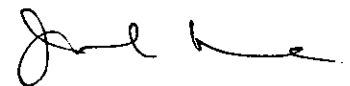
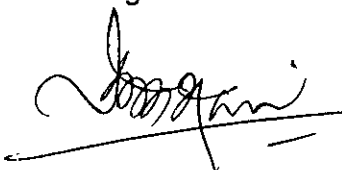
- a) Information already in the possession of the third party
- b) Information which is or otherwise becomes generally available to the public.
- c) Information, which is reasonably required to be disclosed by a party to protect its interest in connection with any violation, legal proceeding provided that the party so required to disclose such information, shall immediately intimate the other party of the same.
- d) Information that is required to be disclosed by law or by the applicable regulations or policies of any regulatory agency of competent jurisdiction.

The parties also agree that, subject to the aforesaid clause, they will take due care and exercise prudence prior to releasing any press statements or other publicity regarding the MoU or the transactions contemplated by this MoU.

The provisions of this clause herein above pertaining to the said confidential information shall survive the termination of this MoU. The obligations of the Parties reflecting disclosure and confidentiality shall continue to be binding and applicable without limit in point in time except and until such information enters the public domain.

7. INDEMNITY TO SIDBI FROM ACTS OF IIA

7.1 SIDBI shall not be dragged into any disputes, (i) amongst the members of IIA, (ii) between IIA and its members in respect of any dealings of IIA with its members. SIDBI shall also be insulated from any act of fraud. IIA shall ensure to inform about the same to its members / stipulate such condition in the agreements with its members if any.



7.2 SIDBI shall be indemnified from any act of negligence, misbehavior, misinformation in respect of the dealing of IIA with its member. IIA agrees and undertakes from time to time and at all times hereafter to effectively save, defend, keep harmless and indemnified from and against all loss, actions, liabilities, claims, damages, demands, costs, charges, expenses and all other monies which may be made, taken, incurred, sustained or suffered by SIDBI, its officials, employees or agents whether directly or by the reason of any action taken by any member of IIA in respect of any dealing by IIA with its member in terms of this MoU.

7.3 The indemnity provisions herein contained shall survive the expiry or termination of this MoU.

8. DISPUTE RESOLUTION / ARBITRATION

8.1 In the event of any dispute between the parties in connection with this MoU, the authorized executives of both sides shall co-ordinate to settle the dispute.

8.2 In the event the concerned Parties are unable to resolve the referred dispute fully and finally in accordance with 8.1 above, then the same shall be settled as follows:

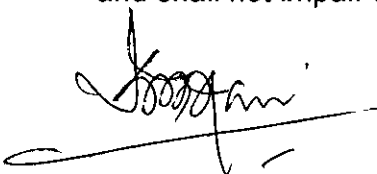
8.2.1 Any dispute arising out of this MoU shall be settled through arbitration as laid down under the Arbitration and Conciliation Act, 1996 or any re-enactment or modification thereof. The arbitration proceedings shall be conducted in Central Zone Office of SIDBI at Lucknow. All proceedings shall be conducted in English and a daily transcript in English shall be prepared.

It is hereby agreed between the parties that Chief General Manager / General Manager of SIDBI in In-charge of Central Zonal Office of SIDBI at Lucknow shall be the sole Arbitrator

The arbitration award given by such Sole Arbitrator shall be final and binding on the disputant parties. The costs of arbitration shall be determined and specified by the Arbitrator. Till such time as the Sole Arbitrator passes the award, each party shall bear its respective costs and shall bear the costs of the arbitration equally.

9. SEVERABILITY

It is expressly agreed and declared that if for any reason whatsoever after execution hereof a court of competent jurisdiction holds any provision hereof to be illegal, void or unenforceable, such provision shall be of no force and effect, but the illegality or unenforceability of such provision shall have no effect upon and shall not impair the enforceability of any other provisions of this MoU.



10. STATUTORY COMPLIANCE

SIDBI and IIA agree that all services rendered and operations conducted pursuant to this MoU shall be in compliance with all legislation, statutes, ordinances, regulations, administrative rulings or requirements of law.

11. ASSIGNMENT

Neither party shall be entitled to assign any rights under this arrangement or the rights, benefits and / or obligations arising out of this MoU to any person, partly or fully, without prior written consent of the other party.

12. AMENDMENT / WAIVER

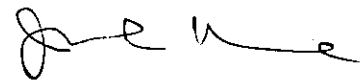
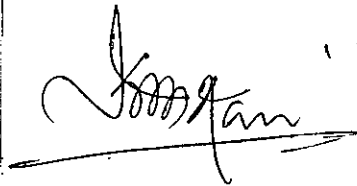
In case both the parties mutually agree, decide to amend and / or waive any of the terms / conditions as stated in this arrangement during its subsistence, the same shall be either carried out by entering into a supplemental understanding or by exchange of letters, in such an event the said document / letter shall be read in conjunction with this MoU and except for such conditions as contained herein shall be applicable mutatis mutandis.

13. NON EXCLUSIVITY

Nothing in this MoU shall mean or shall be construed to mean that either SIDBI or IIA is at any time precluded from having similar arrangements with any other person or third party, subject always to maintaining confidentiality obligations stated herein.

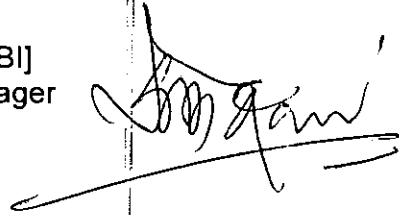
14. OTHER TERMS

The parties hereto agree and confirm that they are duly incorporated and the signatories to the MoU are duly empowered and authorized and shall be binding on the parties. Both parties confirm that they are competent to enter into such a MoU under the respective laws. This MoU shall be effective as on the date of execution and shall continue in full force unless terminated or as provided hereinbefore.

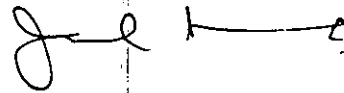


In witness whereof this Memorandum of Understanding is executed on the 9th day of November 2011 at Lucknow.

Signed and delivered by
Small Industries Development Bank of India [SIDBI]
By the hand of Shri K.M.Nair, Chief General Manager
The authorized official.

A handwritten signature in black ink, appearing to read 'K.M. Nair', with a long horizontal line underneath it.

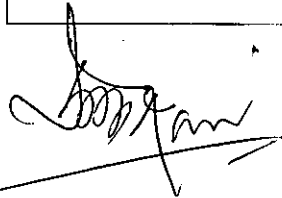
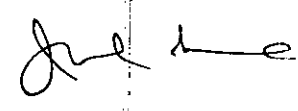
Signed and delivered by
Indian Industries Association (IIA)
By the hand of Shri Jugal Kishore, President.
The authorized official.

A handwritten signature in black ink, appearing to read 'Jugal Kishore', with a horizontal line underneath it.

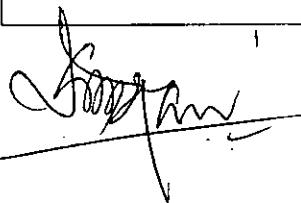
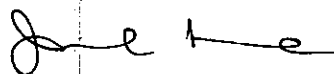
Credit Delivery arrangement for MSMEs between SIDBI & IIA

Terms of the arrangement

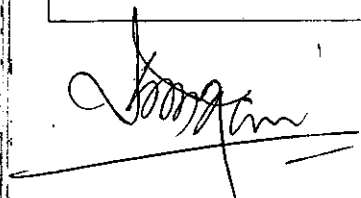
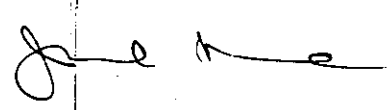
A. FINANCIAL TERMS OF ARRANGEMENT	
Eligible borrowers	<p>Micro, Small & Medium Enterprises who (or their associate concern or any unit in the group or under same management) are</p> <ul style="list-style-type: none"> (i) Members of IIA as on date of application. (ii) In existence for a minimum period of 3 years. (iii) Having net profit for last 2 years (iv) Having Minimum Credit Rating of CR4 or equivalent as per SIDBI's norms. (v) 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 ₹50 lakh. (vi) Having No default / overdues and have good credit track record. (vii) Not in RBI / CIBIL defaulter / caution list (viii) KYC norms compliant (ix) Having no statutory dues. Cases under protest / litigation shall be considered on merit. (x) Asset coverage of 1.25 and Promoter's contribution of 20%. (xi) Having maximum overall DER (including proposed loan) of 2.5:1 for the concern. (xii) Having factory in its name or the promoter should have residence in his own or spouse name.
Eligible assets for financing	<p>Capital assets mainly plant, machinery and other equipments bought by the MSMEs. The cost inclusive of all taxes. It may include delivery vehicles etc. required for business</p>

Commitment period (period for deployment)	12 months from the date of sanction, after which it will expire. (In case disbursement is not drawn in 6 months, the sanctioned limit would be reviewed)
Individual limit	Upto ₹ 50 lakh (Rupees Fifty Lakh only)
Interest rate	At SIDBI PLR [floating] payable monthly. SIDBI reserves the right to review the rate of interest from time to time. However, where the assets / company is eligible for lower interest rates, the same may be given.
Liquidated damages	2% p.a. over and above the stipulated rate payable to SIDBI, on defaulted amount.
Upfront fee	1% of the assistance sanctioned (plus service tax). Upfront fee would be collected at the time of sanction as also at the time of renewal of limits. 50% of the upfront fee as above shall be passed on to IIA after deduction of applicable TDS / Service Tax.
Tenure of loans	Upto 60 (sixty) months from disbursement based on revenue projections of the MSME. The repayment schedule could be on EMI basis and staggered / ballooned to match the projected cash flow of the MSME with three months moratorium for loan. Overall tenure for the EMI's of future tranches, shall remain within the sanctioned tenure
Security from borrowers	1 st charge on assets financed Personal guarantee of all the promoters PDCs from borrowers CGTMSE cover (Optional)
Sanction process	MSME would submit application forms (in CART format) through IIA along with all documents as per SIDBI check list. IIA shall forward the same to SIDBI along with the forwarding letter, document checklist, and eligibility

	<p>compliance.</p> <p>SIDBI may seek additional information as may be required from the units either directly or through the IIA. SIDBI official may visit the units premises before sanction of assistance IIA would facilitate such visits and coordinate them.</p> <p>A limit based on internal credit criterion of SIDBI would be set on each member applicant MSME.</p> <p>The sanction would be communicated to the borrowers and a copy of the sanction note would be provided to IIA.</p>
Existing bankers of the borrowers	<p>Opinion of the existing banker(s) of the borrower would be sought as per SIDBI's guidelines.</p> <p>Existing bankers of the borrower units would be kept informed about the sanction of facility by SIDBI as also creation of charge on assets financed by SIDBI. There would be sharing of information with the other bankers as per RBI guidelines banking practice.</p>
Loan documentation	<p>After sanction, legal documentation would be carried out in the formats approved by SIDBI.</p>
Disbursement mechanism	<ul style="list-style-type: none"> ➤ When member MSME who is having sanctioned limit requires disbursement, it would approach SIDBI through IIA for disbursement along with proforma invoice of the asset proposed to be acquired. Capital expenditure incurred during the current financial year prior to the date of application could also be covered under the limit. ➤ A standard disbursement request sheet would be designed which would be forwarded to SIDBI through the IIA at its earliest. CA certificate giving details of the promoter's contribution raised, if any, would

	also accompany the disbursement request. ➤ Disbursement would normally be drawn in maximum 3 tranches.
Disbursement Amount	SIDBI's disbursement will be released in the name of the asset supplier, wherever possible. Otherwise it would be disbursed in their WC / Current account of the units under advise to their bankers.

