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SS-CDP

## SS-CDP

### Guidelines of State Sponsored Cluster Development Programme (SS-CDP)

#### 1. Background :

Cluster Centric approach has been recognized as an effective model for MSME Development and is spelt out in the Industrial Policy of the State Government. Currently the MSE CDP of Government of India which is being implemented in the State mostly caters to big projects involving, project cost up to 15 crore. In order to support the growth of smaller units especially in Nano Household sector, and units setup under PMEGP Scheme, a new State Sponsored Scheme is introduced. The scheme envisages setting up of CFCs for Nano Household and PMEGP unit clusters. There will be two models of cost sharing under the scheme:

- 1) Total project cost of CFC limited to Rs.1 Crore. The beneficiary contribution is 5 %.Balance 95% of the total project cost will be shared equally by State IndustriesDepartment and LSGD.
- 2) Project Cost of CFC limited to Rs.50.00 lakh. The beneficiary contribution is 5%. Balance 95% will be fully supported by State Government.

#### 2. A cluster:

A cluster is a group of enterprises located within an identifiable and as far as practicable, contiguous area and producing same / similar products / services.

The essential characteristics of enterprises in a cluster are

Similarity or complementarily in the methods of production, quality control and testing, energy consumption, pollution control, etc

Similar level of technology and marketing strategies / practices

Similar channels for communication among the members of the cluster

Common challenges and opportunities.

#### 3. Objectives of the Scheme:

To support the sustainability and growth of MSEs in nano household and PMEG units segment by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.

To build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc.

) To create/upgrade infrastructural facilities in the new/existing industrial areas/ clusters of MSEs, including setting up of Flatted Factory Complexes.

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) To set up common facility centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc.)

3.1 Definition for nano household units: A nano household unit is defined as one in which the fixed capital investment is Rs. 5 lakh or less in both manufacturing and units engaged in job work and should be in white category or green category as per pollution control board norms with connected load of 5HP.

#### 4. Components:

The admissible Components /activities under the state sponsored Cluster Development Programme are:

- (i) **Diagnostic Study Reports:** To map the business processes in the cluster and propose remedial measures, with a validated action plan.
- (ii) **Soft Interventions:** Technical assistance, capacity building, exposure visits, market development, trust building, etc for the cluster units.
- (iii) **Detailed Project Report:** To prepare a technical feasible and financially viable project report for setting up of a common facility centre for cluster of MSE units
- (iv) **Hard Intervention/ Setting up of Common Facility Centers (CFCs):** Creation of tangible "assets" as Common Facility Centers (CFCs) like Common Production/Processing Centre (for balancing/correcting/improving production line that cannot be undertaken by individual units), Design Centres, Testing Facilities, Training Centre, R&D Centres, Effluent Treatment Plant, Marketing Display/Selling Centre, Common Logistics Centre, Common Raw Material Bank/Sales Depot, etc. The State Government grant will be restricted to 95% of the cost of project of maximum Rs 1.00 crore.

#### 5. Strategy and Approach:

Given the diverse nature of the MSEs in terms of both geographical location and sectoral composition, the SS-CDP scheme aims at addressing the needs of the industries, through well defined clusters and geographical areas. This will enable achieving the economies of scale in terms of deployment of resources as well as focusing on the specific needs of similar industries. The capacity building of associations, setting up of special purpose vehicles (SPVs), consortia, etc. which are integral part of the scheme would enable the MSEs to leverage their resources and also to have better access to public resources, linkages to credit and enhance their marketing competitiveness.

**6. Diagnostic Study:**

The first and foremost activity in the cluster development process is to conduct a diagnostic study. The objective of conducting diagnostic study in a cluster is to map all the business processes of the cluster units viz. manufacturing processes, technology, marketing, quality control, testing, purchase, outsourcing, etc to find out its strengths, weaknesses, threats and opportunities (SWOT), problems and impediments, suggestions and a well drawn action plan for enhancing competitiveness of the units of the cluster and to position the cluster on a self sustaining trajectory of growth. Diagnostic Study Report (DSR) is very important document and the study should be conducted with special attention. The Study should focus on enhanced competitiveness, technology improvement, adoption of best manufacturing practices, marketing of products, employment generation, etc. There has to be direct linkages between the problems highlighted in the report and the measures suggested for improvement.

- ❖ The DSR should preferably be prepared by the end users and other agencies should only facilitate in preparation of reports. In case the DSR is prepared by other expert agencies other than end users, these reports must be thoroughly discussed with and vetted by the end users and concerned District Industries Centre. Such agencies should have relevant expertise in cluster development.
- ❖ Specific needs of the cluster regarding IPRs, Technology Upgradation, Information and Communication Technologies (ICT), Enterprise Resource Planning (ERP), energy efficiency, lean manufacturing, technology benchmarking (international/ national), market potential assessment, skill up-gradation/ certification system, design development, comparative study with other clusters, twinning of clusters, need to improve safety, health, business literacy, welfare of workforce by the enterprises and their common bodies, social upliftment, etc. should be examined and included in the DSR.
- ❖ State Government grant of maximum Rs 20,000/ will be provided for preparation of DSR for one cluster. The cost includes the expenses towards visits to cluster, compilation of data, validation of action plan, hiring of consultant, special studies (if reqd), printing & stationery, etc. 50% of the amount sanctioned will be released after the approval. Balance 50% will be released only after acceptance of report.
- ❖ DSR for one cluster should be prepared within a period of 3 months, unless extended with the approval of the Government.

**7. Soft Interventions:**

- Soft activities under the programme would consist of activities which lead to creation of general awareness, counselling, motivation and trust building, exposure visits, market development including exports, participation in seminars, workshops and training programmes on technology upgradation, etc. These interventions bring about general attitudinal changes necessary to initiate improvement in the existing style of working of the MSEs in the cluster. It is necessary to prepare a Diagnostic Study Report (DSR) including validated action plan, performance indicators/milestones to evaluate the project, before undertaking Soft Interventions. Activities are undertaken as per approved action plan included in DSR.
- The critical mass in a cluster for effectively realising the demonstrative impact of soft interventions should be maximum but not less than 20 units participating in the cluster development activities.
- Maximum limit for project cost would be Rs 2.00 lakh per cluster. Indicative details of activities are given in Annex 1. Government grant for the soft interventions will be 90% of the sanctioned amount of the project cost.
- The share of the cluster beneficiaries should be as high as possible but not less than 5 per cent of the total cost of Soft Interventions.
- Funds will be released after getting commitment from the SPV that required share of the cost of interventions in the cluster is contributed by the cluster actors and other institutions/stakeholders. Funds will be released in two/three instalments depending upon the implementation plan, requirements of funds.
- The duration of soft interventions will be maximum 6 months, unless extended with the approval of Steering Committee.

**8. Detailed Project Report (DPR):**

A State grant of maximum Rs 1.00 lakh will be provided for preparation of a technical feasible and financially viable project report for setting up of a common facility centre for cluster of MSE units. 50% of the amount sanctioned will be released after the approval. Balance 50% will be released only after acceptance of report.

- a) The DPR should include financial analysis like internal rate of return, break-even point, debt-service coverage ratio, sensitivity analysis, etc., using basic templates such as projected profit & loss account, projected balance sheet etc. The indicative format for preparation of DPR is given at Annex 2.
- b) DPR should be appraised by a bank (if bank financing is involved)/independent Technical Consultancy Organization/ SIDBI.

**9. Hard Interventions (setting up of CFCs):**

Hard Interventions under the programme will consist of creation of tangible “assets” as Common Facility Centers (CFCs) like Common Production/Processing Centre (for balancing/correcting/improving production line that cannot be undertaken by individual units), Design Centres, Testing Facilities, Training Centre, R&D Centres, Effluent Treatment Plant, Marketing Display/Selling Centre, Common Logistics Centre, Common Raw Material Bank/Sales Depot, etc.

- a) There will be two models of cost sharing under the scheme:
  - 1) Total project cost of CFC limited to Rs.1 Crore. The beneficiary contribution is 5 %. Balance 95% of the total project cost will be shared equally by State Industries Department and LSGD.
  - 2) Project Cost of CFC limited to Rs.50.00 lakh. The beneficiary contribution is 5%. Balance 95% will be fully supported by State Government.

**10. Implementation Agencies:**

Activity	Implementing Agency
Diagnostic study	• Directorate of Industries & Commerce / District Industries Centre
Soft Interventions	• National and international institutions engaged in development of the MSE sector.
Setting up of CFC	• Any other institution/agency approved by the Industries Department, Government of Kerala

## 11. Project Approval:

The proposals under the scheme will be considered for approval by the State Level Steering Committee of the SS-CDP. Constitution of the State Level Steering Committee will be:

- i. Principal Secretary (Industries) - Chairman
- ii. Director of Industries & Commerce
- iii. Director of MSME -DI
- iv. Representative of Secretary (Finance)
- v. Chief, Industry Infrastructure Planning Board
- vi. General Manager of DIC Concerned
- vii. Chief Executive of Implementing Agency –KBIP

Proposals for DSR, DPR and Soft Interventions will be approved in one stage only.

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Hard interventions (CFC) and infrastructure development projects will be approved in two stages: In-principle approval and final approval.

In-principle approval: All proposals should be sent to the office of the Director of Industries & Commerce through concerned District Industries Centre. Director of Industries & Commerce will place the proposal before the State Level Steering Committee Chaired by the Principal Secretary (Industries) for approval. In-principle approval shall be valid for a period of 6 months, and before that it is expected that the project would be ready for final approval. In case, final proposal is not received in 6 months, it will automatically lapse, unless it is specifically extended by the State level steering committee.

Final Approval: The projects which have been accorded in-principle approval, shall be accorded final approval on fulfilment of following conditions:

### Common Facility Centre (CFC)

Formation of SPV and Trust building. Role and functions of the SPV should be defined.

Land procured and registered / Lease Deed in the name of SPV

Submission of appraised Detailed Project Report (DPR).

Details of the share holding of the SPV

Project Specific account in Schedule A bank

## 12. Monitoring and Evaluation:

The State level Steering Committee will be the apex body for coordinating and overseeing the progress of the projects.

A Purchase committee at state level with Director of Industries & Commerce as Chairman will monitor the activities and issue necessary sanctions for the procurement of fixed assets.

State Level Purchase Committee will be:

- i. Director of Industries & Commerce - Chairman
- ii. Director of MSME -DI
- iii. General Manager of DIC Concerned
- iv. Chief Executive of Implementing Agency –KBIP
- v. MD / CEO of the cluster consortium / society / Assn
- vi. Technical Expert of the Cluster /SPV

In case of projects implemented by the District Industries Centre / KBIP and SPVs, monitoring of the projects will be the responsibility of the KBIP / District Industries Centre concerned to ensure satisfactory and time-bound implementation of the activities. Each District Industries Centre will also be required to constitute a Project Steering Committee under the chairmanship of General Manager of DIC and consisting of representatives of all stakeholders for this purpose.

### Miscellaneous Provisions

Monitoring and Management Expenses:

Project monitoring and management @ 2 % of the total budget outlay for the sanctioned funds will be utilized, mainly at the office of Director of Industries & Commerce for

- i. Preparation of panels of Project Management Service Providers (PMS) / experts/ expert agencies for preparation of DSRs, DPRs, agencies involved in cluster development, etc
- ii. Development of customized software for data management, specialized reports, study materials and monitoring & evaluation
- iii. SS-CDP related communication and stationery expenses
- iv. Travel/ exposure visits of the cluster cell officials
- v. Organizing of trainings, workshops, meetings including steering committee meetings
- vi. Purchase of office automation equipment like photocopier, computer, maintenance etc
- vii. Outsourcing of data management services
- viii. Other related expenses with the approval of State level steering Committee.

Annexure- I (/images/Schemes/SS-CDP-Annexure1.pdf)

Annexure- II (/images/Schemes/SS-CDP-Annexure2.pdf)

Annexure- III (/images/Schemes/SS-CDP-annexure3.pdf)

Annexure- IV

(/images/Schemes/SS-CDP-annexure4.pdf)

(/images/Schemes/SS-CDP-annexure4.pdf)

Organisation Structure  
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Grievance Redressal  
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Industrial Facilitators  
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Right To Information  
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Establishment Matters  
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Notice Board  
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Visitors Counter  
(http://vinaora.com/)

KIED  
(http://kied.info/)


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CFSC  
(http://cfsc.org.in/)

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Right To Service  
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