"Small Scale Industrial Unit" means any industrial undertaking in respect of which an affidavit has been furnished by the owners or other parties entitled to act for that undertaking or a certificate has been furnished by the credit institution seeking guarantee to the effect that the investment in plant and machinery is not in excess of ten lakhs of rupees. The original cost means the original price paid without deducting depreciation. The investment in plant and machinery already made as well as proposed to be made must be added together to ensure that the aggregate does not exceed Rs. 10.11 lacs.

For computing a unit's investment in plant and machinery, the following items are to be taken into account:

(i) Original cost of plant and machinery (i.e. original price paid by the owner irrespective of whether the plant and machinery are new or secondhand.

(ii) Cost/Original price of plant and machinery taken on lease or rental basis

(iii) Original cost of all productive equipment e.g. tools, jigs, which aid industrial activity of the unit.
(iv) Electrical installations (i.e. starters, transformers, cables, permanent wiring)

(v) Fishing trawlers and insulated fish vans (in the case of units engaged in processing of fish).

(vi) Insulation of cold storage plants, processing tables, and storage racks (in the case of cold storage units).

(vii) Marine insurance premium paid on import of machinery and octroi duty paid on machinery.

(viii) Original price of plant and machinery taken on lease or on hire purchase basis from M.S.I.C. etc.

(ix) Import duty on machinery, if any, and shipping charges to the extent by the owners, customs clearance charges and sales tax.

Items to be excluded

(i) Cost of spare parts, consumable stores, dies, moulds, etc.

(ii) Cost of installation of plant and machinery and charges paid for technical know-how for such erection.

(iii) In the case of imported machinery, miscellaneous expenses like transport charges from port to the site of the factory, demurrage paid at the port and premium, if any, paid for obtaining import entitlements.
(iv) The price paid for acquiring import licences issued under the National Defence Remittance Scheme (October 1965-June 1966).

(v) Bank charges and service charges paid to the National Small Industries Corpn. Ltd. (where they are not capitalised).

(vi) Interest paid on machinery taken on hire purchase basis and administrative charges and service charges paid to National Small Industries Corporation Ltd. (provided the unit in question undertakes not to capitalise the same and produce an auditors certificate to the effect that it would be permissible for the unit to do so).

(vii) The cost of deep-freeze equipment at retail points (in the case of ice-cream manufacturing units).

(viii) The transportation cost, loading and unloading charges in the cases of indigenous plant and machinery.

(ix) Cylinders used for distribution of gas (in case of units engaged in manufacture of gas).

Note: The investment under the head plant and machinery should include the original cost of every productive item acquired by the industrial unit irrespective of the manner in which its cost has been presented in its books. Once a unit acquires plant and machinery of the total original
cost exceeding Re. 10.00 lacs, it cannot qualify as a small scale unit even if the cost is subsequently reduced through either disposal of a part of the plant or scrapping or keeping machinery idle due to the closure of a particular line of manufacture. However, if an industrial unit, as a part of its programme of modernisation or replacement, acquires a new plant or machinery or other productive equipment and in the process either disposes of any of its existing items of plant and machinery etc. or writes off their value as they have become unserviceable or obsolete, the unit will be eligible for guarantee facilities so long as the aggregate value of its plant and machinery both before and after modernisation does not exceed Rs. 10.00 lacs.

A credit institution assisting small scale industrial units is required to obtain and keep on record an affidavit or other documentary evidence from the borrowing unit regarding the size and also satisfy itself by other means regarding the eligibility of the unit. As soon as a unit ceases to be in the small scale sector, with the value of its plant and machinery through additions exceeding Rs. 10.00 lacs, the credit institution should notify this to the guarantee organisation. It can continue the credit facilities to the unit
without the guarantee cover. If, however, it is unable to dispense with the guarantee cover, it can get cover for the outstanding balance before the unit ceased to be in the small scale sector. In that case it should not grant any further assistance to the unit in the existing accounts or in any new account.

Definition of Ancillary Industries:

Ancillary Industries are defined as "undertakings, having investments in plant and machinery not exceeding Rs. 15 lacs and which are engaged in the manufacture of parts, components, sub-assemblies, toolings and intermediates or units which are engaged in rendering of services. Apart from satisfying above conditions, an undertaking can be considered ancillary only if it supplies 50% of its production/services to other units for production of other articles, provided that no such undertaking shall be a subsidiary of or owned or controlled by, any other undertaking."