

2013



FUNDING GUIDELINES

[NSDC FUNDING GUIDELINES]

This manual contains the funding guidelines which guide the way for submission and evaluation of business proposals for NSDC.

Last updated on 28th February 2013 based on the approval given by NSDC Board on 11th January 2013

Disclaimer

1. The various clauses/sub-clauses of this document have been documented based on the approval given by NSDC Board on 11th January 2013. Authority to change/modify/remove/add any clause/sub-clause of this document lies with NSDC Board.
2. The various clauses/sub-clauses of this document including but not limited to the no. of persons to be trained in 10 years; extent of NSDC funding, extent of promoter's contribution; nature/mode of NSDC funding; moratorium period; repayment period; interest rate; collateral; employability etc. will be adhered to in letter and spirit. Any proposed deviation/exception related to any clause/sub-clause in case of any proposal submitted to NSDC shall have to be approved by NSDC Board.

Introduction

The National Skill Development Corporation ('NSDC'), a Section 25 Company, has been set up under the Prime Minister's National Council on Skill Development with the primary mandate of enhancing, supporting and coordinating private sector initiatives for skill development. In the national target of skilling 500 million people in India by 2022, NSDC, through fostering private sector initiatives, aims to meet 30 percent of the target.

To fulfill its objectives, NSDC solicits and funds proposals that have sustainable business models over a 10 year period and beyond. Proposals need to be submitted in prescribed formats and will be evaluated as per the tenets of 'Financial and Procurement Manual' (available on NSDC website).

The proposals submitted should be robust with scalable and sustainable business models catering to sectors with huge unmet needs. Ideally, the business models should be serving high growth sectors, unorganized sectors, or training in developing the skill ecosystem. Proposals must be outcome oriented and should focus on employability through placement in industry and/ or self-employment opportunities.

NSDC also solicits proposals under the 'Innovation' category. Proposals under these categories should be intervening in the ecosystem with innovative ideas such as machinery, technology etc. that would have a 'multiplier effect' in the skill development space. This document contains comprehensive guidelines under which the proposals under different categories (Skilling, Sector Skills Councils and Innovation), should be submitted. Please note that proposals will be evaluated under the tenets of the Procurement and Financial Guidelines Manual.

I. Funding Guidelines for Proposals

The Funding Guidelines are aligned to the philosophy that the business plans and viabilities thereof will be different for **'for-profit'** projects/proposals and **'not-for-profit'** projects/proposals. Hence, while certain guidelines will be common for both kinds of projects, other guidelines will specific to the nature of the entity proposing the project.

The following table details the guidelines for different parameters.

S. No.	Parameter	Guideline for 'for-profit' projects/proposals	Guideline for 'not-for-profit' projects/proposals
1.	Proposal & Business Model submission	<p>The proposal should be submitted as per the requirements of the Financial & Procurement manual.</p> <p>The Business model should be for 10 years, clearly detailing out a <u>sustainable and viable business model</u>.</p> <p>The proposal will be examined by the tenets of the Financial & procurement manual.</p> <p>The proposal from erstwhile employee(s) of a previously approved NSDC project/organization will be considered after a minimum of 2 years from the date of such employee(s) being relieved from that previous project/organization.</p>	As for 'For profit' proposals
2	No. of persons trained	Minimum 50,000 people over 10 years	Minimum of 50,000 people over 10 years.
3	Use of funds	<p>NSDC will not the fund creation of physical infrastructure and/ or any immovable assets such as land, building.</p> <p>The funding sought from NSDC should be channelized towards core skill development activities such as training, development of industry utilities such as training the trainers, content</p>	As for 'For profit' proposals

S. No.	Parameter	Guideline for 'for-profit' projects/proposals	Guideline for 'not-for-profit' projects/proposals
		development, technology, IP, training equipment and machinery. Out of this a significant proportion should be devoted to training and development of skilled human resource. Hence funding could be for Capital Expenditure and Operating Expenditure.	
4	Extent of NSDC Funding	Funding will be upto 75% of the Investment requirement	Funding will be upto 85% of the Investment requirement
5	Promoter Contribution	<p>Minimum 25% of the Investment requirement. Promoter Contribution will be in the form of Equity. In some cases, Promoter contribution may also come in the form of revenue or capital grants.</p> <p>This equity may be contributed through cash, kind. This must get reflected in the balance sheet. Promoter contribution may come in through issue of Fresh Equity or Preference Shares. If the promoter contribution comes in through unsecured loans or interest free advance, it must remain committed to the project for 10 years or repayment of loan to NSDC is done.</p>	<p>Minimum 15% of the Investment requirement. Since the objective of Not for profits is more social, any such applicant may show their contribution in cash or kind. This may be in the form of grants received from other organisations. This may or may not get reflected in the Balance Sheet.</p>
6	Nature/Mode of Funding	<p>NSDC may provide funding in the form of Loan, equity, preference shares, debentures, grant or Market development Assistance (MDA) or any other financial instrument. The proposal for the same must be proposed by the Proposal owner and the need for the same will be examined by NSDC as per the process laid out in the Financial and Procurement process.</p> <p>NSDC may invest in the equity of the project company based on the following investment criteria:</p>	<p>NSDC will prefer loan funding for not for profits.</p> <p>Funds may be approved in the form of a grant in very select cases after examining the need for the same and in unviable sector where there is highest risk to cash flows. The PEC, PAC may recommend a lower rate of interest instead of a grant, after examining the business model and projected cash flows.</p> <p>It may be noted that NSDC funding</p>

S. No.	Parameter	Guideline for 'for-profit' projects/proposals	Guideline for 'not-for-profit' projects/proposals
		<ol style="list-style-type: none"> 1. Talented management team with a proven track record of creating stable processes and profitable business 2. Products and services with a sustainable competitive advantage in target market 3. Significant value enhancement prospects by means of business growth, improving market position 4. Clear strategy for value capture/exit 5. The promoter is operating in a relatively less viable segment with less certain cash flows <p>Kindly note that NSDC will invest in the equity of the project company only if it is involved exclusively in providing skill development as per the mandate by Central Government.</p> <p>Please also refer to the Investment Management Agreement available at http://www.nsdcindia.org/pdf/draft-ia.pdf for all other matters like Reserve matters, exit clauses etc.</p> <p>Following points needs to be noted in case of equity investment:</p> <ul style="list-style-type: none"> • Equity from NSDC shall be valued at par. • It is advisable for NSDC's equity stake to be up to a maximum of 27% • NSDC retains the right of first offer to sell in case the proposal owner/promoter decides to sell his (her) stake to another investor. <p>For clearly profitable/for-profit projects without an established track record</p>	<p>model may have a mix of maximum of 10% grant, 27% equity and rest as loan/ MDA subject to NSDC funding not exceeding 85% of the total cost of the project.</p>

S. No.	Parameter	Guideline for 'for-profit' projects/proposals	Guideline for 'not-for-profit' projects/proposals
		<p>where the proposal owner does not have a clear path for value capture/exit, NSDC may fund such projects in the form of loan.</p> <p>Grant funding is exception and may be considered only in select cases where:</p> <ul style="list-style-type: none"> • The target sector/segment is unviable • Industry utilities such as content, certification & assessment framework etc. are being created and NSDC owns the IP <p>It may be noted that NSDC funding model may have a mix of maximum of 10% grant, 27% equity and rest as loan/MDA subject to NSDC funding not exceeding 75% of the total cost of the project.</p> <p>NSDC may provide funding as Market Development Assistance (MDA) to promote the skills development market</p>	
7	Moratorium Period	<p>3 years. The moratorium period could be for interest and principal repayment. During the moratorium period, interest will be accrued.</p> <p>If the moratorium period extends beyond 3 years, the PEC must examine the need for the same and if recommended to the PAC, it must cite the reasons for doing so. In the past cases where funding has been approved, it has been observed that projects where such exceptions occur are :</p> <ul style="list-style-type: none"> • Projects requiring a higher Capital Investment due to the nature of sector they are skilling in- e.g. Manufacturing, Engineering etc. 	As for For profit proposals

S. No.	Parameter	Guideline for 'for-profit' projects/proposals	Guideline for 'not-for-profit' projects/proposals
		<ul style="list-style-type: none"> Projects which are larger in scale (training more than 3 million in 10 years) 	
8	Debt Funding – Tenor and Rates	<p>Debt should be repaid within 10 years or earlier (including moratorium period, if any). Interest Rate is 6% Simple interest rate to be charged during the first 3 years of moratorium period. In case moratorium period extends beyond 3 years (<i>if deviation is allowed by NSDC</i>), interest rate would be compounded on quarterly basis. The compounding of interest would be done only for the period over and above the period of 3 years.</p> <p>Any deviations to be approved by NSDC</p>	<p>Debt should be repaid within 10 years or earlier (including moratorium period, if any). Interest Rate is 6% Simple interest rate to be charged during the first 3 years of moratorium period. In case moratorium period extends beyond 3 years (<i>subject to approval of NSDC Board</i>), interest rate would be compounded on quarterly basis. The compounding of interest would be done only for the period over and above the period of 3 years.</p> <p>Any exceptions to be approved by NSDC</p>
9	Seats in the Board of Directors	<p>Where NSDC funding is in the form of Debt, NSDC retains the option to take a seat on the Board of Directors Where NSDC funding is in the form of Equity:</p> <ul style="list-style-type: none"> < 10% stake, 1 Board seat taken > 10% stake , 2 Board seats taken However, NSDC Director/s will NOT have any management responsibility 	NSDC may seek one/two seats on the Board of Directors in the entity owning proposals/projects funded by it
10	Collateral	<p>The following is the recommended Hierarchy of Collateral</p> <ol style="list-style-type: none"> 1. First charge on assets of the project funded by NSDC 2. First charge on cash flows of the project funded by NSDC 3. Promoter shareholders to pledge 	<p>The following is the recommended Hierarchy of Collateral:</p> <ol style="list-style-type: none"> 1. First charge on assets of the project funded by NSDC 2. First charge on cash flows of the project funded by NSDC 3. NSDC to also take a Charge

S. No.	Parameter	Guideline for 'for-profit' projects/proposals	Guideline for 'not-for-profit' projects/proposals
		<p>equity shares of the Project Implementing Company (constituting 51% of the total equity) to NSDC</p> <ol style="list-style-type: none"> 4. NSDC to also take a Charge on the Intellectual Property of the project (e.g.- Content, Innovation technology etc.) till the loan is repaid. Intellectual Property of the project (e.g., Content, Innovation technology etc.) will vest in NSDC in case of default in payment of agreed financial obligations. Proposal owners must apply for copyright at the earliest. 5. In the case of very risky projects, the PAC may recommend a Hard Collateral coverage (e.g.-Bank Guarantee, Title deeds of Land/ property, Fixed deposits etc.), minimum of 5% of the Loan amount. The collateral, so specified, will rest with NSDC till the Loan is repaid. 6. Corporate Guarantee in case of proposals from Large established Corporates 7. Personal Guarantee from Entrepreneurial led models <p>The securities and collaterals mentioned at 1, 2, 3 & 4 are mandatory.</p> <p>Collateral will be reviewed every year during the tenure of the agreement.</p>	<p>on the Intellectual Property of the project (e.g.- Content, Innovation technology etc.) till the loan is repaid. Intellectual Property of the project (e.g., Content, Innovation technology etc.) will vest in NSDC in case of default in payment of agreed financial obligations. Proposal owners must apply for copyright at the earliest</p> <ol style="list-style-type: none"> 4. Pledge letters to be taken 5. In the case of very risky projects, the PAC may recommend a Hard Collateral coverage (e.g.-Bank Guarantee, Title deeds of Land/ property, Fixed deposits etc.), minimum of 5% of the Loan amount. The collateral, so specified, will rest with NSDC till the Loan is repaid. 6. Corporate Guarantee in case of proposals from Large established Corporates 7. Personal Guarantee from Entrepreneurial led models <p>The securities and collaterals mentioned at 1, 2, 3 & 4 are mandatory.</p> <p>Collateral will be reviewed every year during the tenure of the agreement.</p>

S. No.	Parameter	Guideline for 'for-profit' projects/proposals	Guideline for 'not-for-profit' projects/proposals
11	Employability	<p>NSDC's mandate is for creating employability. Hence, Employability can be defined as follows:</p> <ol style="list-style-type: none"> 1. In the case of fresh skilling, 70% guaranteed employment. In the case of up skilling, the nature of upskilling as proposed will be examined as per the tenets of the procurement manual. Industry endorsement for the same will be needed as a part of the proposal. 2. In the case of self-employability, self-certification by person being skilled. Any other to be suggested on a case to case basis. <p>The employment verification will be carried out as per the requirements of the Monitoring policy, available on the NSDC website.</p>	As for For Profit proposals
12	Corporate Entity owning the proposal	Proposal should have a clearly defined project owner, a clear corporate structure and management team, and an implementation and roll-out plan. Details for first plan year should also be provided.	Proposal should have a clearly defined project owner, a clear corporate structure and management team, and an implementation and roll-out plan. Details for first plan year should also be provided.
13	Leverage existing infrastructure and content	Proposal should leverage existing infrastructure – land/building/etc. Proposal should leverage on existing training content/modules, if applicable, and rely on third party assessment and certification, or leverage on capabilities of parties suggested by NSDC from time to time.	Proposal should leverage existing infrastructure – land/building/etc. Proposal should leverage on existing training content/modules, if applicable, and rely on third party assessment and certification, or leverage on capabilities of parties suggested by NSDC from time to time.
14	Linkages	Proposal should focus on linkages with industry for training and placement.	Proposal should focus on linkages with industry for training and placement.

II. Funding Guidelines for Sector Skills Councils

The National Skill Development Policy 2009 mandates NSDC to constitute Sector Skill Councils with the following objectives:

- a) Identification of skill development needs including preparing a catalogue of types of skills, range and depth of skills to facilitate individuals to choose from them.
- b) Development of a sector skill development plan and maintain skill inventory.
- c) Determining skills/competency standards and qualifications.
- d) Standardization of affiliation and accreditation process.
- e) Participation in Affiliation, accreditation, examination and certification.
- f) Plan and execute Training of Trainers.
- g) Promotion of academies of excellence.
- h) Establishment of a well-structured sector specific Labour Market Information System (LMIS) to assist planning and delivery of training.

Each Sector Skill Council should have a fair representation from Industry bodies, associations, academicians and Government nominees. The SSC Proposal should endeavour to address the current and future skill needs of an Industry Sector, including but not restricted to, Sub Para (a) to (h) above.

The following table details the guidelines for different parameters.

S. No.	Parameter	Guideline for Sector Skills Councils
1	Proposal & Business Model submission	The proposal should be submitted as per the templates available on the NSDC website. The proposal submitted should have a clear cut strategy to achieve the objectives of the Sector Skills Council as mandated by the National Skills Policy 2009.
2	Nature/Mode of Funding	NSDC may provide a funding of upto Rs 5 crore in the form of grant for the first 3 years of operation of the SSC. Any further funding, if required. Additional funding may be granted or be made available in the form of a loan (0-6%), depending on the case.
3	Industry Contribution	Rs 50 lakhs.
4	Viability of Business Model	While viability and sustainability of the business model of a SSC remain an important part of the evaluation, it should be accepted that most SSC plans may not be able envisage a clear revenue model. In the short term, SSCs will need to be funded through grants. (SSCs across the world are government funded)
5	Collateral	Collateral is applicable in case there is a loan component in total funding sought from NSDC <ol style="list-style-type: none"> 1. First charge on all assets of the project funded by NSDC 2. First charge on cash flows of the project funded by NSDC
6	Submission of Detailed project report (DPR)	All SSCs must necessarily submit a detailed project report (DPR) at the end of 3 years to NSDC. NSDC will then evaluate the progress and achievement of the SSC; and also examine the need of further funding. The principles of further funding will need to be discussed at the time of submission of the DPR.
7	Governing council/Governing Board	The Governing Council/Governing Board of the SSC must have : <ol style="list-style-type: none"> 1. Adequate Industry Representation 2. Representation from concerned Ministry 3. Representation from Academia 4. Representation from NSDC 5. Any other , as deemed fit, for a particular industry sector

III. Funding Guidelines for Product Innovation:

Among the challenges that India faces, tapping its demographic dividend is the parameter of scale and the presence of a large (almost 93%) population in the unorganized sector. Coupled with this is also the large number of school leavers whose inability to read and write hampers their ability to learn. Hence, NSDC actively solicits proposals that target innovations which could deal with some of these challenges. To fulfill its objectives as a catalyst in the skill development arena, NSDC is looking for proposals that are innovative in approach and can have a disruptive effect on any part of the skilling value chain. NSDC will examine each proposal individually to establish the effect of the proposed innovation. The innovation can be a technology, machinery, pedagogy etc. that may change the way skilling is delivered.

The following table details the guidelines for different parameters.

S. No.	Parameter	Guideline for Product Innovation
1	Proposal & Business Model submission	The proposal must be submitted as per 'Innovation' template (available on the website)
2	Nature/Mode of Funding	Loan at 6% interest rate In case there is a need for grant, then the IP of the product created will rest jointly with NSDC and proposal owner.
3	Promoter contribution	25%
4	Impact of the Innovation	The proposal must clearly state the impact of the innovation on the skilling market. Please also refer to Point No 5
5	Collateral	As per Collateral requirements for skilling, for profit proposals (Refer Page 7 & 8 of this document)
6	Number of people trained & Employability	Due to the nature of the proposal, there may not be a specific number of people that are directly skilled or creation of direct employability.

IV. Sectors to be funded

The priority sectors targeted for funding are:

S.No.	Industry/Services	Skill Gaps in demand
1	Automobile/auto component	Machinist, welders, operators, painters etc. Drivers, Sales, Servicing, Repair, Financial Services sales, Insurers/Valuers etc.
2	Electronics hardware	Computers, Telecom, and Consumer Electronics Manufacturing, Sales, Servicing/After Sales Support of electronics goods
3	Textiles & garments	Power loom operators, Apparel Manufacturing, Fashion Design, QA, Knitwear manufacturing, sewing machine operators.
4	Leather/ Leather goods	Tanning, Cutting, Clicking, Stitching, Lasting, Finishing etc
5	Chemicals & pharmaceuticals	Chemicals: Industrial and Chemical Manufacturing, Process Attendant, Manufacturing Assistant, Lab Attendant, Equipment Operator, Sales. Pharmaceuticals: Operators, Sales
6	Gems and jewellery	Jewellery Fabrication, Grading, Faceting, Polishing, Cutting etc.
7	Building & construction	Crane Operators, Electricians, Welders, Masons, Plumbers, Carpenters, Painters, etc.
8	Food processing/ Cold Chain/ Refrigeration	Operators/Workers, Packaging and assembly line workers, skills specific to Food Grain Milling, Bakery, Dairy products, Meat and Poultry Processing, Fish Processing, Fruit and Vegetables and Edible Oils
9	Handlooms & handicrafts	Resident skill artisans etc.
10	Building hardware and construction material	Cement: mining, blending, OHS, process compliance, machine operation, PLC etc Steel: mining, process compliance, crane operation, machine operation, maintenance Construction Equipment: manufacturing, equipment operation, maintenance, after-sales support, crane/hoist/dumper/forklift/ aerial ropeway operation
11	IT or software services	IT – Software Engineering, Maintenance and Application Development, End-to-End Solutions, Infrastructure Management, Testing, etc.
12	ITES – BPO services	ITES – BPO, KPO – Legal, Medical, STM, Analytics and Research
13	Tourism hospitality and travel trade	Front office staff, F&B Services and Kitchen and Housekeeping staff, Ticketing and Sales, Tour Guides,
14	Transportation & logistics/ warehousing/ packaging	Road Transport (Truck drivers), Warehousing (Loading supervisors, Warehouse Managers, Warehouse Supervisors), Air Transport skills (Pilots, Aircraft Maintenance, Air Traffic Control, Instructors, Safety and Security)

S.No.	Industry/Services	Skill Gaps in demand
15	Organised retail	Shop floor executives, back-store operations, merchandising
16	Real estate services	Front office coordinator, client management etc.
17	Media/ Entertainment/ Broadcasting / Content creation/ Animation	Cinematographers, Editing, Script writers, Artists, Sound designers/ editors Animation Pre-Production, Animators, Game Design, Game Developer, Radio Jockeys, Digital Camera Photography, Videography
18	Healthcare services	Doctors, Nurses, Technicians and Paramedics
19	Banking/ Insurance/ Finance	Financial Intermediaries (including Direct Selling Agents), Banking and Insurance (including agents), NBFC, Mutual Funds
20	Education/ Skill development services	School teachers, teachers in higher education, trainers for technical and vocational training (especially modular skills training)
21	Unorganised sector	<i>Unorganised/Informal sector:</i> The unorganised sector consists of all unincorporated private enterprises owned by individuals or households engaged in the sale and production of goods and services operated on a proprietary or partnership basis and with less than ten total workers. <i>Unorganised/Informal employment:</i> Unorganised workers consist of those working in the unorganised enterprises or households, excluding regular workers with social security benefits, and the workers in the formal sector without any employment/ social security benefits provided by the employers.
22	Infrastructure Sector	Architect/designer, Draftsman, Supervisor/Foreman, Surveyor, Mason, Carpenter, Plumber, Electrician, Bar Bender/Binder, Blacksmith, Welder, Machine Operator, Machine Driver, Painter, Glazier, Fitter, Erection Gang, Engineer, Grinder, Radiographer, Rigger, Gas Cutter, Store Keeper

These sectors and target skills are illustrative and not exhaustive.