

GUIDANCE NOTE
FOR
DEVELOPMENT OF PROPOSAL AND DETAILED PROJECT REPORT
SFURTI, MINISTRY OF MSME
MAY 2021

This document has been developed to guide and support the Nodal Agencies as they facilitate the development of Cluster Proposals and the Detailed Project Reports to be submitted under SFURTI Scheme. It is hoped that while this will hasten the process of project approvals on the one hand, it will also enhance the speed and quality of implementation.

Please note that all Cluster Proposals and the Detailed Project Reports need to be developed within the framework of the scheme guidelines and directives from the Ministry of MSME. This document has also been prepared keeping the same in view. In case of any confusion whatsoever, please consult with the Ministry for clarifications.

Approach to Proposal Appraisal

- To identify good cluster projects that can be implemented efficiently and effectively so that actual sustainable benefits to artisans/beneficiaries can be assured by the end of the project duration
 - What we will be looking for
 - Clear link between "*present situation of the cluster - opportunity/challenges – nature and scale of interventions – costs - benefits to artisans - capacity of agencies*"
 - Brownfield projects – traditional clusters where some initial work like organizing artisans, product development, marketing initiatives, etc has been done and the cluster is ready for an investment like SFURTI. This will ensure chances of success of the projects.
 - Compliance of guidelines and of directions issued by the Ministry from time-to-time
 - Inclusion of elements of SFURTI Model Clusters (page 23)
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Structure of Detailed Project Report

Part A – Diagnostic

1. Cluster Profile
2. Cluster Value Chain Mapping
3. Market Assessment and Market Demand Analysis
4. Profile of Implementation Agency
5. Profile of Technical Agency
6. Profile of Nodal Agency

Part B – Analysis and Planning

7. Need Gap Analysis
8. Project Concept and Strategy Framework

Part C – Detailed Intervention Plan

9. Project Interventions
 - a) Hard Interventions
 - b) Soft Interventions
10. Project Cost and Means of Finance
11. Plan for Convergence of Initiatives
12. Enhanced Project Cost and Means of Finance
13. Project Timeline
14. Proposed Implementation Framework

Part D – Business Plan and Expected Impact

15. Detailed Business Plan
16. Sustainability Plan for the SPV
17. Expected Impact

Part E - Mandatory Documents

A 1. Cluster Profile

- Cluster Mapping
 - Blocks/districts in which the activity exists
 - Different activities related to the cluster
 - Brief description of stakeholders of the cluster – within cluster and outside
 - Overall socio-economic conditions of the region
 - Proposed village/location of the cluster
 - List of village/towns included in the cluster, together with number of artisans in each
 - Location of villages/town of the cluster, with respect to CFC location
- Artisan Profile
 - Numbers
 - Poverty status
 - Caste
 - Gender
 - Skill levels
- Product Profile
 - Brief description of the activity/trade as it exists today (detailed description in cluster value chain)
 - Types of products, with prices, volumes
 - Engagement of artisans with respect to different products/production process together
- Prior interventions – social and enterprise/cluster development interventions in the cluster by any agency
- Any SFURTI interventions in the same cluster/product within or in a nearby district
- Use of diagrams/flow charts/maps will be appreciated
- Sample table

Profile of Artisans									
SN	Village/block	Details of artisans/farmers						Key products	Average monthly Income
		Total	Male	Female	SC	ST	OBC		

A 2. Value Chain Mapping (of existing products)

- Value chain analysis
 - Value chain diagram together with value addition at all levels
 - Location of different artisan groups in this chain, together with the incomes they derive
 - Source of raw material
 - Existing product variety and share
 - Processing /manufacturing process & Technology
 - Mapping of existing infrastructure, Business service providers, Govt and financial institutions
 - Use of diagrams/flow charts/maps will be appreciated.

Product Value chain (sample)

Value Chain Mapping (to be done each major product)				
Stage of production process	Cost	Cumulative Cost	Whether Artisans Involved (Y/N)	Whether done within cluster or outside
Raw material	10	10		
Cutting	2	12		
Sorting	3	15		
Mixing	3	17		
Machining	5	22		
Polishing	2	24		
Packaging	3	27		
Transportation	3	30		
Total	30			
5% labour and electricity	1.5	31.5		
Selling price (10% profit)	3.15	34.65		

Current Manufacturing Process:

Current Manufacturing Processes Within Cluster					
SN	Name of Product	Name of processes	Details of process	Machines used in process	Remarks

A 3. Market Assessment and Market Demand Analysis

- Existing Market
 - Product wise markets with volumes
 - Channels and respective shares
 - Domestic
 - Export
 - B2C or B2B
 - E-commerce
- Branding and marketing by different players

Sales of Existing Products										
SN	Product name	Total Annual production in cluster (QTY)	Total Annual Sales (in Lakhs)	Channel						
				Local	Within state	Domestic	Export	B2B	B2C	E-Com

A 4. Profile of Implementation Agency

- Governance
 - Registration (check validity)
 - NGO Darpan certificate
 - List of Current Board Members and their experience and qualifications
 - Network organisations and individuals who contribute time
 - IA should not be blacklisted by social Justice Dept. or any other government department
 - Advisory Group if any
- Work Experience (major projects and those which are relevant for this Project)
 - In the proposed cluster
 - In the proposed sector
 - Other Experience

Work Experience of IA (Within and outside cluster)							
Name of the activity	Sector	Cluster/Villages	Number of beneficiaries impacted	Donor Agency	Year	Duration of Activity	Expenditure (Rs. in lakhs)

- Human Resources
 - Profile of full-time staff including qualifications and experience
 - Staff proposed to work on the proposed project
 - Likely CDE

Full-Time Employees at IA								
Name	Qualification	Total years of working experience	Relevant experience					Proposed role in SFURTI, if any
			Name of the Company	Year	Designation	Location of Activity/Assignment	Details of Assignment undertaken	

- Size of the organisation
 - Total expenditure in each of the last three year, broken down according to sectors/projects

IA Expenditure in Last 3 Years

S.No	2020-21		2020-19		2019-18	
	Name of the project	Expenditure (in INR Lakhs)	Name of the project	Expenditure (in INR Lakhs)	Name of the project	Expenditure (in INR Lakhs)
1						

A 5. Profile of Technical Agency

- Governance
 - Registration (check validity)
 - List of Current Board Members and their experience and qualifications
 - Network organisations and individuals who contribute time
 - Advisory Group if any
- Work Experience
 - In the proposed sector
 - In the proposed cluster region
 - SFURTI Experience (NAs, Projects, Status of Projects, Role played)
 - Other Relevant Experience

Work Experience of TA (Within and outside cluster)							
Name of the activity	Sector	Cluster/Villages	Number of beneficiaries impacted	Donor Agency	Year	Duration of Activity	Expenditure (Rs. in lakhs)

Experience of TA in SFURTI						
Name of the cluster	Sector	State and District	Nodal Agency	Year of approval	Year of Completion	Number of beneficiaries Impacted

- Human Resources
 - Profile of full-time staff including qualifications and experience

Full-time Staff at TA								
Name	Qualification	Total years of working experience	Relevant experience					Proposed to work in SFURTI (Yes/No)
			Name of the Company	Year	Designation	Location of Activity/Assignment	Details of Assignment undertaken	

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- Team proposed to work on the proposed project (nodal person, full time and part time)
- Size of the organisation
 - Total expenditure in each of the last three year, broken down according to sectors/projects

TA Expenditure in Last 3 years						
SNo	2020-21		2020-19		2019-18	
	Name of the project	Expenditure (in INR Lakhs)	Name of the project	Expenditure (in INR Lakhs)	Name of the project	Expenditure (in INR Lakhs)
1						

A 6. Profile of Nodal Agency

- Governance
 - Registration (check validity)
 - List of Current Board Members and their experience and qualifications
 - Network organisations and individuals who contribute time
 - Advisory Group if any
- Work Experience
 - SFURTI Experience (, Projects, Status of Projects, Role played)

SFURTI Experience of NA							
Name of the cluster	Sector	State and District	Year of approval	Status (Ongoing/Completed)		Number of beneficiaries Impacted	Total Grant Support
				Ongoing	Completed (Mention year)		

- Other experience in the proposed sector
 - Other experience in the proposed cluster region
 - Other Relevant Experience
- Human Resources
 - Staff proposed to work on the proposed project (nodal person, full-time and part time)

Full-Time Staff at NA									
Name	Qualification	Total years of working experience	Relevant experience					Proposed to work in SFURTI	
			Name of the Company	Year/Duration	Designation	Location of Activity/Assignment	Details of Assignment undertaken	(Yes/No)	If yes, Designation in the project

- Proposed Nodal Officer for the Project
- Size of the organisation
 - Total expenditure in each of the last three year, broken down according to sectors/projects

NA Expenditure in Last 3 years						
SNo	2020-21		2020-19		2019-18	
	Name of the project	Expenditure (in INR Lakhs)	Name of the project	Expenditure (in INR Lakhs)	Name of the project	Expenditure (in INR Lakhs)
1						

B 7. Need Gap Analysis

- Possible Areas of Need Gap specific to the cluster (not an exhaustive list)
 - Income of Artisans
 - Manufacturing process
 - Technology
 - Infrastructure
 - Product Design
 - Quality
 - Productivity
 - Skill
 - Access to Market
 - Branding and marketing
 - Any other
- Should be compared with situation in similar clusters/industries/regions

B 8. Project Concept and Strategy Framework

- What is the intervention model? Use diagram/flowchart/table to supplement narrative explanation.
 - Some key questions while framing this section:
 - At which point of the value chain are we intervening? How? What changes will happen at the cluster and what are the challenges being addressed?
 - What is the plan for ensuring that the income of artisans goes up?
 - Are we addressing the needs/gaps identified?
 - What type of existing and new products will be produced and marketed, in what volumes?
 - Do we have the physical/financial/intellectual resources for this plan?
 - Is the plan aligned to scheme guidelines?
 - What is the plan to empower the SPV and transition of responsibilities from IA/TA to SPV?
 - The uniqueness of the Cluster Products/Artisans/Region may be highlighted here
 - All key collaborations with technical, design and marketing organisations may be mentioned here
 - Any precedence of similar interventions by either IA/TA/NA or by any other agency in any other similar cluster may be cited here as well.
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C 9. Project Interventions

- Scheme supports two categories of interventions – Soft Interventions (SI) and Hard Interventions (HI)
- Each Intervention must flow from the Project Concept and Strategy Framework described earlier
- Each intervention type must be clearly justified, whether SI or HI
- Budget for each intervention category must be as per Scheme guidelines
- Soft Interventions
 - Soft interventions must be planned for the entire duration of the project life-cycle and may be conceptualised around 3 broad phases – Implementation Phase, Business Establishment Phase and Handover Phase. *See format attached as annexure 5.*
 - Relevant and cost effectiveness
 - Use Digital medium wherever feasible
 - Use diverse processes
 - Focus equally on technology, marketing, management and leadership development of all relevant stakeholders
 - Special focus to be given on capacity building of SPV leader and members for handover readiness
 - 6-month specific plan and 30 month tentative plan must be appended in the proposals
- Hard Interventions
 - Need for *types and numbers/size of machines* should be clearly justified and must be based on production process and planning, scale of operations, proposed income enhancement of artisans, etc. *Format attached as annexure 1 to this note to be used.*
 - Cost of machines should be as competitive as possible
 - *Size and type of CFC Building* must be commensurate with cluster type/number of artisans, machines to be installed, production process. *Formats attached as annexure 2 to this note may be used to explain.*
 - Detailed layout of CFC building and machines, based on process flow chart, must be provided.
 - 3 Quotations for at least all major machineries (where total cost is above Rs.5 lakhs) and building and 1 quotation for all other machines
 - Funds sought for Raw Material Bank, if any, must be backed by proper justification, calculations and assumptions
 - The budget must be aligned to quotations. Variations from quotations need to be explained/justified.
 - CFC building - 30-35%, RMB- 15-20% Machinery- 50-60% (Approx. Estimations. Need based justifications to be given in case of increase or decrease.)
 - 6-month specific plan of implementation and 30-month tentative plan of utilisation must be appended in the proposals
 - At least part of the energy requirements should be met by renewable sources - whichever is cheapest and most reliable - but only enough to cater to the requirements of the CFC.
 - Use of Lean, Industry 4.0, blockchain, etc wherever relevant

C 10. Project Cost and Means of Finance

- Summary table of all HI, SI and other components of the Schemes, as per guidelines and norms
- Clearly specify GoI contribution and IA/SPV Contribution

Type of Intervention	Total Amount (in INR Cr)	GOI Grant (in INR Cr)	IA/SPV Contribution (in INR Cr)	Percentage of Total Cost
SI				SI
HI				
- Raw Material Bank				$(RMB/HI)*100$
- Machinery				$(M/HI)*100$
- CFC Building				$(CFC/HI)*100$
- Total HI				
Implementation Agency Fees				
Technical Agency Fees				
Grand Total (SI+HI+IA Fees+TAFees)				

C 11. Plan for Convergence of Initiatives

- This is a critical aspect which has a direct bearing on the sustainability of the project and must be explored.
- Many opportunities for convergence exist – Schemes of Ministry of MSME, Other Schemes/initiatives of Central Government, Schemes of State Government, Other Government Bodies, Corporate Organisations, Private Research Organisations, Experienced Non- Government Organisations, Industry Associations, among others
- Collaborations must be built with the best academic institutions of the region
- This can not only provide additional financial resources, various other resources can be accessed through convergence – marketing, technical, design, etc
- Other benefits are proposed for artisans must be mentioned here, such as – Artisan Card, Life Insurance, Health Insurance, Product Insurance etc
- Some elements of model clusters may be included through convergence

Convergence Plan				
Name of the Scheme/Initiative	Funding Agency	Amount (in INR Lakhs)	Nature of activity	Thematic Area

C 12. Enhanced Project Cost and Means of Finance

- Add the components and likely funds to be mobilised through convergence to the table in C2, in order to create a picture of what is the likely total scope and cost of the project

Name of the Scheme/Initiative	Amount (in INR lakhs)
A	
B	
C	
SFURTI	
Total Enhanced project cost	

C 13. Project Timeline

- 6 month timeline for making cluster functional
- 30 month timeline for establishing the business enterprise and handing it over to the SPV
- Strategies adopted to meet these timelines

6 month timeline

Name of the Activity	M1	M2	M3	M4	M5	M6
A						
B						
C						
D						
E						

30 month timeline

Name of the Activity	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
A										
B										
C										
D										
E										

C 14. Proposed Implementation Framework

- Proposed Roles of NA/TA/IA/SPV/CDE/Others must be clearly mentioned, covering all functions, together with the names, experience and qualifications of persons who will have key responsibilities, preferably in tabular format.
 - NA must nominate a nodal person from among its full-time team members to service the project; one individual should not be appointed as nodal person for more than 10-12 clusters under implementation at a given point in time. A nodal person must be appointed by the NA for each project and her/his name must be mentioned in here, together with the proposed frequency of visits to the cluster.
 - TA must nominate a nodal person from among its full time team members to service the project; one individual should not be appointed as nodal person for more than 3-4 clusters under implementation at a given point in time. Nodal person or any other specialists must visit the cluster monthly or more during the functionalisation phase (6 months) and at least once in a quarter in the subsequent 30 months.
 - If any sectoral experts are to be brought on board on a consultancy basis, those should be mentioned as well.
 - Minimum experience and qualifications of the CDE must be mentioned here
 - An advisory body must be created for the cluster, comprising of local industry representatives, academia, financial sector, and other local experts, to guide and support the cluster during and the beyond the project.
 - Monitoring and evaluation arrangement
 - MIS reports
 - Physical verification
 - Other means
 - Reporting to Ministry
 - Monthly Progress Report (in prescribed format on portal)
 - 6-monthly narrative report
 - Project Functionalisation Report (in prescribed format on portal)
 - Project Handover Report (in prescribed format on portal)
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D 15. Detailed Business Plan

- The Business Plan of the SPV must comprise of the following sections:
 - Detailed Product-wise Marketing and Sales Plan narrative explanation, leading to sales figures, for 5 years (Annexure 3)
 - Detailed Product-wise Production Plan narrative explanation, leading to direct costs, for 5 years (Annexure 4)
 - All Other Costs narrative explanation, leading to indirect costs, for 5 years
 - Receipts and Payments
 - Income and Expenditure
 - Profitability Ratios – BEP/NPV/IRR, together with assumptions
- Please note that the revenue/turnover figures must be commensurate with the Gol assistance sought

D 16. SPV Sustainability Plan

- SPV must be formed as per guidelines and documentary evidence must be provided for the same
 - Min 33% representation of artisans in the Governing body/Managing Committee, with documentary evidence demonstrating the same
 - Graduated handover plan with milestones
 - Governance systems, norms and capacity building of leaders and members
 - Social sustainability strategies
 - Business sustainability strategies
 - Ensuring access to finance beyond project
 - Accessing other government benefits/subsidies beyond project duration
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D 17. Expected Impact on Artisans

- Impact on income and other aspects of lives of artisans must be clearly articulated and explained.
 - There should be substantial rise in incomes of artisans, commensurate with cost of this project
 - The Incomes should be justified and explained clearly and should be linked to the Detailed Business Plan
 - A comparative table depicting existing income and expected incomes in the next five years, with a breakdown of the increase in income – higher wages, higher volume of work, profit from the SPV, lower costs, etc.

E - Mandatory Documents

- Land
 - Leased Land
 - minimum 15 years in the name of IA/SPV and not in the name of any individual, where the use of land for CFC purposes is accepted by the lessor
 - Ownership document of the lessor
 - Wherever the lease is not registered and only notarised, an undertaking of commitment for registration of lease as soon as project is approved must be provided.
 - Owned land – should be in the name IA/SPV with clear ownership documents
 - Clear documentation of Non-agriculture nature of the land or NoC, in both cases
 - Undertaking by IA/TA/NA that the land is not disputed in any way
- IA
 - Registration certificate
 - Last 3 years audited financial statements
 - ITR returns for last 3 years
 - Annual Report of last 3 years
 - Validity of registration
 - NGO Darpan Registration in case of Society/Trust/NGO
- Endorsement letter from the NA (letterhead and stamped), including approval resolution by PSC
- Status of dedicated bank account
- Artisans list
 - Names
 - Bank account
 - Aadhar ID
 - Phone Numbers
 - Village
 - Gender
 - Caste/community
- SPV
 - SPV Registration Certificate
 - List of Members of SPV Governing Body/Core Committee, either in MoA or a resolution, where artisans must be clearly mentioned
 - SPV By Laws
 - Artisan Cards of artisan representatives in the BoD
- Certificate from IA/TA/NA confirming that no funds have been sought for same artisans for same interventions.

General Notes

- There should be no internal inconsistencies within the proposal / DPR – names, numbers, amounts, etc
- All scanned documents must be clear and legible
- Use Calibri font, size 14 for headings and 11 for rest of the text
- Use tables/diagrams/flowcharts/photos to supplement the text explanation, wherever feasible

Elements of Model SFURTI Cluster

- Technology
 - Digitization
 - All production sub-processes and administrative processes managed electronically
 - IPTV/CCTV camera with remote online monitoring
 - No manual data recording and storage
 - Online MIS
 - Website/App
 - Industry 4.0
 - Machine networking through ICT, IOT and Cloud Computing.
 - Partial autonomous decisions if feasible.
 - Online monitoring
- Environment/People Friendly
 - Green technology
 - Renewable energy/ Solar plant
 - Zero pollution/ ETP
 - Rain water harvesting
 - Appropriate plantations
 - Energy efficient building and machines
 - Waste minimisation/utilisation
 - Good working conditions
 - Soft Intervention
 - Product, process, design
 - SPV leadership development
 - Managerial aspect
 - Continuous till 3 years
- Quality
 - Block chain for food processing and other clusters
 - Ensure trackability
 - QC test/checks
 - Time stamping and unique ledger share all across.
 - Mainstream, and can be Integrated with all capital market Ecosystems.
 - Certification
 - Quality certification
 - Zed Certification
 - Industry specific certifications
- Productivity
 - Lean Implementation
 - Implementation of 5S
 - Lean implantation certification
 - Training of artisan/team on lean concept
 - Lean capacity building starting from proposal stage

- Sustainable
 - Design interventions
 - Tie-up with design institutions such as NID
 - Development of new designs
 - Training of artisans
 - Market strengthening
 - Branding and marketing
 - Publicity through Hoardings
 - Tie-up with e-commerce
 - Institute connect
 - Export support
 - Connection with similar cluster
 - Tie-up with established sales chain brands
 - Balance between local and distant markets
 - Tourism friendly
 - Display of cluster products/art
 - Picture on the outside wall
 - Infrastructure
 - Building/campus in-sync with local conditions/culture

Annexure 1

Production Process – Machine Requirement		
Name of product	Production process	Name of machine/s
1	1.1	1.1.1
		1.1.2
	1.2	1.2.1
		1.2.2
2	2.1	2.1.1
		2.1.2
	2.2	2.2.1
		2.2.2

Total Machine Requirement and Costs								
SR No	Name Of The Machine (Cover each machine listed in table above)	Detailed Specification Of Machine (Make/Model/Manufacturer/Motor Power, Capacity, Material, Size etc)	Number of units of machine	Production Capacity per machine (per hour)	Place of Installation/usage (CFC/Artisan Home/Other)	Unit Price of Machine (Rs. including GST & Transportation)	Total Cost (Rs.)	Reference page for quotations
1								
2								
3								
4								

Annexure 3

Sales per Annum							
S.No	Name of Product	Marketing and Sales Promotion Strategy	Marketing Channel	Unit of Sales	Number of Units to be sold in the year	Unit Price (Rs.)	Total Sales (Rs.)
1							
2							
3							
4							
5							

A separate table would have to be made for all 5 years, and then consolidated into a single table

Annexure 4

Production per Annum								
S.No	Name of Product	Raw materials per unit of production (list each major raw material required for each product)	Cost of raw material per unit of production (Rs.)	Wages to artisans per unit of production (Rs.)	Other Direct Costs per unit of production (Rs.)	Total Unit Cost (Rs.)	Total Units to be Produced per year	Total Cost of Production (Rs.)
1								
2								
3								
4								
5								

A separate table would have to be made for all 5 years, and then consolidated into a single table

Annexure 5

Soft Intervention Plan								
S.No	Type of the program*	Subject**	Target Participant Category	Stage of the Project	Number of participants	Duration of the programs (days)	Mode of Program	Cost of the program (Rs.)
Implementation Phase								
Business Establishment Phase								
Handover Phase								

*Training, Awareness program, Exposure Visit, implementation of soft activity, branding/promotion

** Quality, Skill, Marketing, Finance, Research and Development, Environment, Occupational Health and Safety etc