

(To be executed on Stamp Paper of Appropriate Value)

**MEMORANDUM OF UNDERSTANDING AMONGST MINI CLUSTER (MC) FOR FORMATION
OF SPECIAL PURPOSE VEHICLE (SPV) / DISTINCT PROJECT GROUP (DPG)**

This Memorandum of Understanding is entered into on the _____ day of _____ 2014
at _____

AMONGST

1. _____ having its registered office at _____ (hereinafter referred to as the **First Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)
2. _____ having its registered office at _____ (hereinafter referred to as the **Second Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)
3. _____ having its registered office at _____ hereinafter referred to as the **Third Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)
4. _____ having its registered office at _____ (hereinafter referred to as the **Fourth Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)
5. _____ having its registered office at _____ (hereinafter referred to as the **Fifth Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)
6. . _____ having its registered office at _____ (hereinafter referred to as the **Sixth Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)
7. _____ having its registered office at _____ (hereinafter referred to as the **Seventh Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)
8. _____ having its registered office at _____ (hereinafter referred to as the **Eighth Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)
9. _____ having its registered office at _____ (hereinafter referred to as the **Ninth Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)
10. _____ having its registered office at _____ (hereinafter referred to as the **Tenth Part**, which expression shall, unless repugnant to the context include its successors and permitted assigns)

The above mentioned parties of the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eighth, Ninth and Tenth Part are collectively referred to as Parties and each is individually referred to as a Party.

WHEREAS

1. Purpose

The purpose of this MoU is to enable units who are signatories of this agreement to join together for implementation of Lean Manufacturing Competitiveness Scheme - *Up-scaled: Revised 2013* (herein after referred to as Scheme) of Ministry of Micro, Small and Medium Enterprises, (herein after referred to MSME) Government of India.

2. Reference

- a. Lean Manufacturing Competitiveness Scheme Guidelines of MSME, 2013.
- b. Empanelled list of Lean Manufacturing Consultants (LMCs).

3. Background

With the advent of Globalization, the competition in the manufacturing sector is ever increasing. In this competitive environment, the enterprises need to adopt efficient practice to sustain. While the big industries usually have dedicated funds and resources for innovation and efficiency, the small and medium enterprises have hardly any time or resource for this important but not so direct activity.

Hence, with the view to help these industries gain efficiency, the Ministry of Micro, Small and Medium enterprises has launched Lean Manufacturing Competitiveness Scheme. In this Scheme, ideally 10 MSMEs (minimum 6 units) producing similar products, and having similar production process, would come together.

4. Scope

This Memorandum of Understanding defines the term between the units for implementation of the Scheme in the Mini Cluster.

NOW IT IS HEREBY AGREED AS FOLLOWS:-

1. Consortium

1.1 The parties do hereby irrevocably constitute a consortium (the Consortiums) for the purpose of jointly participating in the implementation of the Scheme.

1.2 The parties hereby undertake to participate in the implementation process only through this consortium and not individually and/or through any other consortium constituted for this purpose, either directly or indirectly or through any of their Associates.

2. Covenants

The parties hereby undertake that in the event the consortium is declared to be selected, it shall incorporate a Special Purpose Vehicle / Distinct Project Group as per scheme guidelines for entering into a Joint Agreement for performing all its obligations as the participants in terms of the Joint Agreement for the purpose.

3. Role of the parties

- a. It is the collective and joint responsibility of all members of the Mini Cluster to carry out the Lean Manufacturing Competitiveness Scheme in their Mini Cluster. The members shall allocate the responsibility of implementing the Scheme to a team comprising of representation from all levels of the organization
- b. The units would adhere to Terms & Conditions of the Lean Manufacturing Competitiveness Scheme throughout the period of implementation.
- c. The units would co-operate and work in collaboration with the Lean Manufacturing Consultant for carrying out the diagnostic study of their process, and will provide all necessary inputs and information required by the LMC for the purpose.
- d. The units also undertake to implement the suggestions given by the LMC, and in case they are unable to do so in some of the conditions, explain the same in writing to the satisfaction of the Consultant, who may try to solve the problem and make fresh recommendation to improve the processes in the Industry.
- e. The units understand that the Government grant up to 80% of the cost is for a period of 18 month, and units agree to fund and implement the scheme at-least for one more year by themselves through this SPV / DPG.
- f. The units would report their progress from time to time as required by the Scheme. The failure to do so may result in delay/stopping of re-imbursement by National Monitoring & Implementing Unit (NMIU).

4. Monetary and Performance terms

- i. The units in the Mini Cluster will form a SPV / DPG for the purpose of the Scheme once the approval is accorded to the Mini Cluster.
- ii. The SPV / DPG then will search for a Lean Manufacturing Consultant from the Empanelled list, and will send the proposal for engagement of LMC to NMIU. The terms of reference for the LMC shall be as described in the Guidelines of the Scheme.
- iii. After the SSC sanctions the NMIU the appointment of the Consultant for the Mini Cluster, the units shall contribute an amount equal to 20% of the total fees of the Lean Manufacturing Consultant to an escrow account of the SPV / DPG.
- iv. An escrow account will be opened by SPV / DPG with two signatories to operate the account.
- v. The LMC shall conduct diagnostic study for the SPV / DPG and shall submit its first report with set of action items, along with the Invoice for the first stage.
- vi. The SPV / DPG shall pay the first installment of 20% of the fees from the funds contributed by the units.

- vii. NMIU in turn shall reimburse or credit the SPV / DPG the amount expended after verification of the actions taken by units on the recommendation of the LMC, the tasks performed by LMC and on basis of surprise checks conducted by NMIU.
- viii. From the next stage onwards, the SPV / DPG will have to submit a Utilization certificate along with the receipt from the LMC for the fees paid.
- ix. The Government grants for the Scheme shall be restricted to 80% of the Consultancy fees of LMC. The SPV / DPG needs to sign an undertaking to this effect before getting the first trench of reimbursements.

5. Monitoring Mechanism

The units would be required to submit through LMC their progress report from time to time to the NMIU in the prescribed format. Inability to submit progress report or inadequate progress may lead to suspension of the unit from the Mini-cluster, and no compensation for the amount initially paid would be given to such a unit.

6. Shareholding in the SPV / DPG

The parties agree that the proportion of shareholding among the parties in the SPV / DPG would be in the form of trustees.

7. Validity

This MOU shall be valid till the approval is accorded to the Mini Cluster by Screening and Steering Committee (SSC), after which the Mini- cluster would be converted into a Special Purpose Vehicle / Distinct Project Group.

IN WITNESS WHEREOF THE PARTIES ABOVE NAMED HAVE EXECUTED AND DELIVERED THIS AGREEMENT AS OF THE DATE FIRST ABOVE WRITTEN

SIGNED SEALED AND DELIVERED BY FIRST PART

WITNESS

1.

2

SIGNED SEALED AND DELIVERED BY SECOND PART

WITNESS

1.

2.

SIGNED SEALED AND DELIVERED BY THIRD PART

WITNESS

1.

2.

SIGNED SEALED AND DELIVERED BY FOURTH PART

WITNESS

1.

2.

SIGNED SEALED AND DELIVERED BY FIFTH PART

WITNESS

1.

2.

SIGNED SEALED AND DELIVERED BY SIXTH PART

WITNESS

1.

2.

SIGNED SEALED AND DELIVERED BY SEVENTH PART

WITNESS

1.

2.