

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3268

ANSWERED ON:13.08.2010

LENDING TO SMALL AND MEDIUM PHARMACEUTICAL UNITS

Bhadana Shri Avtar Singh

**Will the Minister of FINANCE be pleased to state:**

- (a): whether the Public Sector Banks restricted their lending to small and medium pharmaceutical units due to their low capital base which has a limitation of debt-equity ratio of 1:4;
- (b): if so, the details thereof;
- (c): whether the Government proposes to enhance the said ratio up to 1:10 in order to sustain the presence of SME Pharma sector in the country;
- (d): if so, the details thereof and if not, the reasons therefor; and
- (e): the steps taken/being taken by the Government in this direction?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (e): For financing the Micro, Small and Medium Enterprise (MSME) entities including the pharmaceutical units, banks generally follow Reserve Bank of India (RBI) guidelines based on recommendations of the Naik Committee, which provides for working capital finance corresponding to 20% of the projected turnover. While this corresponds to roughly 4:1 debt equity ratio, banks consider higher need based credit facilities where the working capital cycle period is longer, i.e. working capital cycle longer than 90 days to all MSME entities including pharmaceutical units.