

# MSME : The Growth Engine of India



*Parikh & Associates*  
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A Journey from Seed to Tree....

Small **Opportunities** are  
often the *beginning* of a  
**Great Enterprise**



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## Special Thanks to:

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# Atma Nirbhar



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# Foreword

India being a developing nation with second largest population in the world has many growth aspects. The country has great potential with abundance of resources rolled out across the geographical locations. If the resources are utilized optimally the results can be exceptionally good.

The history has witnessed the East India Company to Multinational and Global Companies setting up in India because of its huge consumable capacity. Since, last few years we have seen that efforts are being made to convert the unorganized sectors to an organized one. One of the prime sector which has shown tremendous response with potential growth is the MSME (Micro, Small and Medium Enterprises) Sector. In response to same, government has extended the hand to the MSMEs to grow by way of providing assistance, subsidies, reliefs, etc. Both Central and State governments have announced various support schemes for the MSME sector.

In the current scenario where the global economy is affected with the COVID-19 pandemic, various countries have started responding to this challenge by devising various mechanism which in turn help to boost and strengthen the economies. In same line, India has identified MSME as one of the growth engine for development and have come up with various incentives, facilities, online portals, finance support, etc. for such enterprises. One of the initiative was launch of CHAMPIONS portal by Hon'ble PM Narendra Modi on June 1, 2020. This portal has been inaugurated with the objective:

- 1) To help the MSMEs in this difficult situation in terms of finance, raw materials, labour, permissions, etc.
- 2) To help the MSMEs capturing new opportunities including manufacturing of medical items & accessories.
- 3) To identify the sparks, i.e., the bright MSMEs who can withstand at present and become national and international champions.

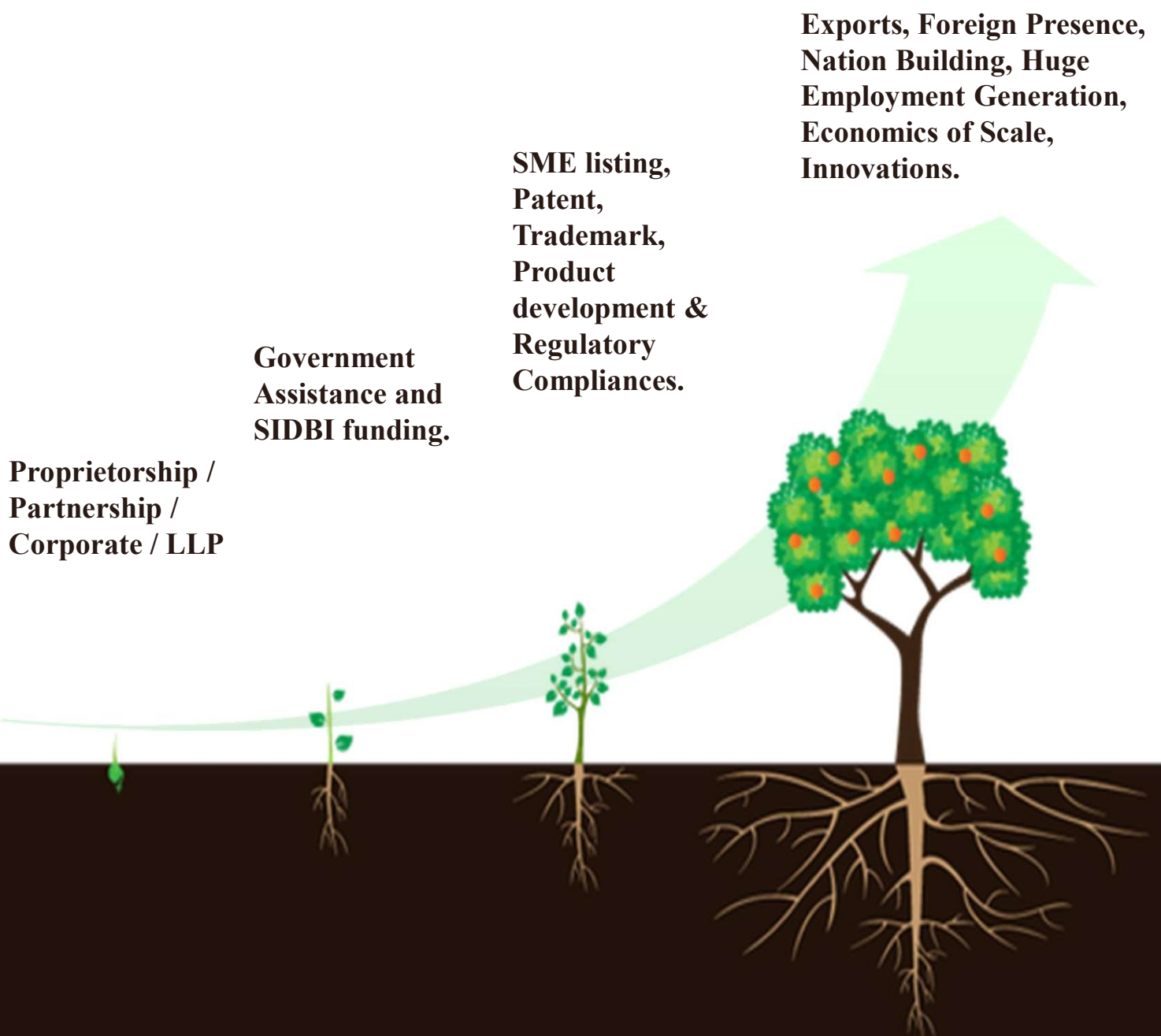
We hope that the joint efforts of the entrepreneurs and the government, India will witness a potential growth under MSME sector and help the country to be more self reliant. The development of MSME sector will also play a crucial role in making our local market vocal to the global market.

This document sets out the basic understanding of MSME, the registration process and the benefits available to manufacturing and service sector under MSME. The document sets out the formation, expansion, compliances, growth opportunities including the benefits available during the life cycle of the MSME. Benefits granted under various subsidy schemes are available in the period in which schemes are in force / active.

Hope the readers find it useful!

# MSME: the Growth Engine of India

## MSME – Life Cycle



# MSME Sector in India

- The Micro, Small & Medium Enterprises (MSMEs) have been contributing significantly to the expansion of entrepreneurial endeavors through business innovations. The MSMEs are widening their domain across sectors of the economy, producing diverse range of products and services to meet demands of domestic as well as global markets. As per the data available with Central Statistics Office (CSO), Ministry of Statistics & Program Implementation, the contribution of MSME Sector in country's Gross Value Added (GVA) and Gross Domestic Product (GDP) , at current prices for the last five years is as below:

(Figures in Rs. Crores)						
Year	MSME GVA	Growth (%)	Total GVA	Share of MSME in Gross value added(%)	Total GDP	Share of MSME in Gross domestic product (in %)
2011-12	26,22,574	-	81,06,946	32	87,36,329	30
2012-13	30,20,528	15	92,02,692	33	99,44,013	30
2013-14	33,89,922	12	1,03,63,153	33	1,12,33,522	30
2014-15	37,04,956	9	1,15,04,279	32	1,24,67,959	30
2015-16	40,25,595	9	1,25,66,646	32	1,37,64,037	29
2016-17	44,05,753	9	1,38,41,591	32	1,52,53,714	29

Source: Annual Report of Ministry of Micro, Small and Medium Enterprises

- As per the information published by CII (Confederation of Indian Economy) - India has presently around 63.4 Million units registered under MSME segment out of which around 31% of the Units have been registered under Manufacturing segment, 33% units under Service segment and balance under the segment of Trading.
- This sector is providing employments to the 120 million people in India which itself speaks its potential to grow.
- Out of total exports from the India in a year, 45% of the exports has been initiated by the MSME sector.
- Opportunity of employment, exports, manufacturing and delivery of goods and services are the essential fundamentals of this sector. A boost in this sector itself provide strength to the economy at large. Indian Government truly knows the potential of MSME sector and hence they are focusing on promoting MSMEs to provide a fuel for the growth of the economy.

# MSME Sector in India

The [MSMED Act](#) facilitates the promotion, development and also enhances the competitiveness of micro, small and medium enterprises and for matters connected therewith and incidental thereto.

## **Dimensions of the Schemes:**

- Credit Support
- Fiscal Support
- Support for Cluster Based Development
- Technologies and Quality Upgradation Support
- Marketing Support
- Supports for Entrepreneurial and Managerial Development
- Empowerment of Women Owned Enterprises
- Strengthening of Prime Minister's Rozgar Yojana (PMRY)
- Strengthening of Data Base for MSME Sector

# Introduction of MSME

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Definition of MSME

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Registration of MSME

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Activities not covered under MSME Registration

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## DEFINITION

### Definition of MSME

In accordance with the provision of Micro, Small & Medium Enterprises Development (MSMED) Act, 2006 the Micro, Small and Medium Enterprises (MSME) are classified in two Classes:

i. Manufacturing Enterprises:

The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule (provided in Appendix to the Act) to the Industries (Development and regulation) Act, 1951 or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use.

ii. Service Enterprises:

The enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.

On **1st June 2020**, Ministry of Micro, Small and Medium Enterprises has notified certain amendments. One of the major changes introduced is the change in the definition of MSME. The newly adopted definition comprises of an additional criterion of turnover. Also the separate limit for manufacturing and service sector is removed.

Revised (New) definition of MSME based on Investment **AND** Annual turnover for **both Manufacturing and Service sector** is as follow:

INVESTMENT & TURNOVER (INR)	STATUS
Investment <1Cr. & Turnover <5Cr.	Micro
Investment <10Cr. & Turnover <50 Cr.	Small
Investment <50Cr. & Turnover <250 Cr.	Medium

## REGISTRATION

### A - Registration of MSME

Section 8(1) of the Act casts responsibility on MSME units to file memorandum (registration) with the notified Authorities. It is pertinent to note here that section has made distinction among various enterprises as under:

Micro and small Enterprises Engaged in the manufacturing or service	Not Compulsory to file memorandum. It is Voluntary.
Medium Enterprises engaged in the service	-Same as above
Medium Enterprises engaged in the Manufacturing	Compulsory to file memorandum with notified Authority within 180 days.

If any person contravenes the above provision then penalty of Rs 1,000/- can be levied at first time. This penalty can be increased up to Rs 10,000/- on subsequent contravention. Notified Authority for this purpose is “DISTRICT INDUSTRIES CENTER” and memorandum is popularly known as “UDYOG AADHAR”.

## **B – Registration under Udyog Adhar of MSME**

- Based on the Hon'ble Prime Minister's suggestion in his '**Mann Ki Baat**' on **3.10.2014**, to simplify forms to enable ease of registration of MSME's, Ministry of MSME has notified a **simple one-page registration form** 'Udyog Aadhaar Memorandum' (UAM) on **18th September 2015**. The simplified one-page registration form UAM was made after consultations with the states and stakeholders, on the basis of recommendations made by the **Kamath Committee** on Financial Architecture and observations / approvals by Department Related Parliamentary Standing Committee, National Board for MSME and Advisory Committee for MSME, etc.

### **Where to register under Udyog Adhar**

- Visit Website <http://udyogaadhaar.gov.in>

### **Following details to be provided for online registration**

- (1) Aadhar Number
- (2) Name of Enterprise / Applicant
- (3) Social Category (i.e. General, SC,, ST & Others)
- (4) Gender
- (5) Physically Handicapped ?
- (6) Name of Enterprise
- (7) Type of Organization
- (8) PAN
- (9) Location of Plant
- (10) Office Address
- (11) Mobile Number
- (12) E-mail id
- (13) Date of commencement of business
- (14) Bank account number
- (15) IFSC Code
- (16) Main business activity of enterprise (i.e. Manufacturing / Service provider)
- (17) NIC Code
- (18) Number of Employees employed
- (19) Investment in plant & machinery
- (20) Submit the information

# What is the process for computation of Investment limits in Plant & Machinery or Equipment?

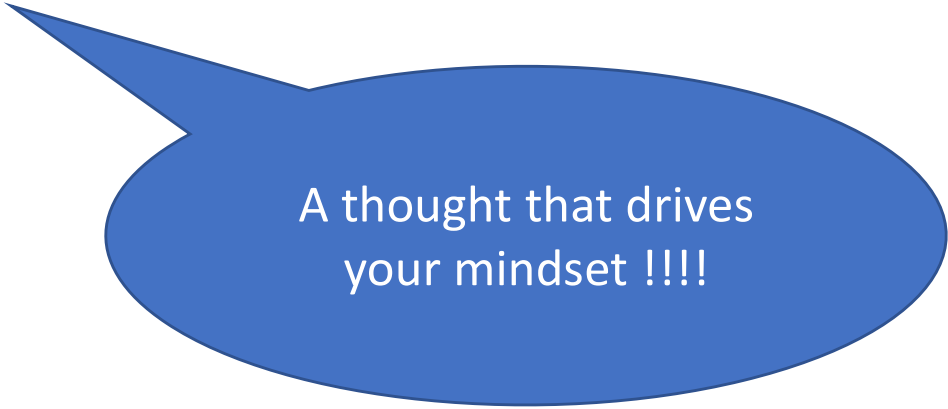
**Computation of Investment in Plant & Machinery:** *As per the Central Government vide notification S.O. 1722(E) dated 5th October 2006:*

- While calculating the investment in Plant & Machinery the original price is to be taken into account irrespective of whether the Plant & Machinery is new or old.
- The cost of below mentioned **11** items shall be **excluded** while computing investment in plant & Machinery:
  1. Equipment such as tools, jigs, dies, molds and spare parts for maintenance and the cost of consumables stores;
  2. Installation of plant and machinery;
  3. Research and development equipment and pollution controlled equipment;
  4. Power generation set and extra transformer installed by the enterprise as per regulations of the State Electricity Board;
  5. Bank charges and service charges paid to the National Small Industries Corporation or the State Small Industries Corporation;
  6. Procurement or installation of cables, wiring, bus bars, electrical control panels (not mounted on individual machines), oil circuit breakers or miniature circuit breakers which are necessary to be used for providing electrical power to the plant and machinery or for safety measures;
  7. Gas producer plants;
  8. Transportation charges (excluding sales-tax or value-added tax and excise duty) for indigenous machinery from the place of their manufacture to the site of the enterprise;
  9. Charges paid for technical know-how for erection of plant and machinery;
  10. Such storage tanks which store raw material and finished products and are not linked with the manufacturing process; and
  11. Firefighting equipment.

**In the case of imported machinery calculations, the following items shall be included:**

1. Import duty (excluding miscellaneous expenses such as transportation from the port to the site of the factory, demurrage paid at the port);
2. Shipping charges;
3. Customs clearance charges; and
4. Sales tax or value-added tax.
5. Further, investment in Land, Building, Vehicles, Furniture and fixtures, Office Equipment, etc shall not be considered in determining the threshold limit of plant and machinery or equipment as the case may be

# What are the benefits which an MSME derives post registration?



A thought that drives  
your mindset !!!!

- MSME enterprises can get finance facility from Banks without collateral requirements
- Preference in procuring Government tenders,
- Stamp duty and Octroi benefits,
- Concession in electricity bills
- Reservation policies to manufacturing/production sector enterprises
- Time-bound resolution of disputes with Buyers through conciliation and arbitration
- Reimbursement of ISO Certification Expenses

# Exclusions from MSME registration

## Activities not covered under MSME Act, 2006 for registration of Udyog Aadhaar Memorandum (UAM)

NIC Code	Activity
02	Forestry and logging
03	Fishing and aquaculture
45	Wholesale and retail trade and repair of motor vehicle and motorcycles
46	Wholesale trade except of motor vehicles and motor-cycles
47	Retail Trade Except of Motor Vehicles and motor-cycles
97	Activities of households as employees for domestic personnel
98	Undifferentiated goods and services producing activities of private households for own use
99	Activities of extraterritorial organization and bodies
01	Crop, animal production, hunting and related activities (Except below listed activities)

For following activities registration can be obtained even though they are under “01” category of NIC Codes:

NIC Code	Activity
01462	Production of Eggs
01463	Operation of poultry hatcheries
01492	Bee- keeping and production of honey and beeswax
01493	Raising of silk-worms, production of silk-worm cocoons
01612	Operation of agricultural irrigation equipment
01620	Support activities for animal production
01631	Preparation of crops of primary markets i.e. cleaning, trimming, grading disinfecting
01632	Cotton ginning, cleaning and bailing
01633	Preparation of tobacco leaves
01639	Other post-harvest crop activities, N.E.C
01640	Seed processing for propagation

# MSMEs in Manufacturing Sector

Brief about MSMEs in Manufacturing Sector

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Assistance from Central Government

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Assistance from Gujarat State Government

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Assistance from SIDBI

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# Brief about MSMEs in Manufacturing Sector

## Meaning of Manufacturing Enterprise

- The enterprises engaged in the manufacturing or production of goods pertaining to any industry specified in the first schedule to the Industries (Development and regulation) Act, 1951 or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use. The Manufacturing Enterprises are defined in terms of investment in Plant & Machinery.
- In India, by the end of financial year 2019-20, there are total **196.65 lakhs of enterprises** falling under the category of manufacturing which is approximately **31%** share of total MSME enterprises.
- Out of 196 lakhs enterprises, approximately 41% enterprises are registered in urban area and balance in rural area. Hence, this sector covers both urban and rural areas for its expansion.
- Out of total employment generation from MSME enterprises, approximately **32% employment** i.e. around 360 lakhs people are getting employment from manufacturing enterprises. Employment covers 52% of the population from rural area and balance from urban.
- On the other hand, MSME units contribute around 33.4% of total manufacturing output of the India and it **supports GDP of manufacturing sector by 6.11%.**



# Assistance from Central Government

## 1. Prime Minister's Employment Generation Programme (PMEGP)



### Eligibility

- Any individual, above 18 years of age.
- VIII standard pass for projects costing above INR 10 lakhs in the manufacturing sector.
- Only new projects are considered for sanction.



### Nature of Assistance

- Assistance is available in terms of specific % of Project / Unit Cost based on the location of the Enterprise as described in the table below, subject to maximum support of:
  - Manufacturing Sector - INR 25 lakhs.
  - Business/Service Sector - INR 10 lakhs.

General Category		Special Category	
Urban	Rural	Urban	Rural
15 %	25 %	25 %	35 %

## 2. Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTMSE)



### Eligibility

- Both existing and new enterprises are eligible under the scheme.



### Nature of Assistance

- Collateral free loan up to a limit of ₹ 100 lakhs is available for individual MSE on payment of guarantee fee to bank by the MSE.

## 3. Interest Subsidy Eligibility Certificate (ISEC)



### Eligibility

- The Khadi institutions, having valid Khadi Certificate and sanctioned Khadi programme. The Scheme supports only the Khadi and the polyvastra sector.



### Nature of Assistance

- Working Capital Finance at a concessional rate of 4% p.a.

## 4. Financial Support to MSMEs in ZED Certification Scheme

### Eligibility

- All manufacturing Micro, Small and Medium enterprises (MSME) having Udyog Adhar Memorandum.

### Nature of Assistance

- Micro enterprises: 80%
- Small enterprises: 60%
- Medium enterprises: 50%
- An additional subsidy of 5% is provided to MSMEs that are owned by women in the SC/ST category.
- An additional subsidy of 5% is provided to MSMEs located in northeast India and Jammu and Kashmir.

Type of Service	Percentage of Services		
	Micro Enterprise	Small Enterprise	Medium Enterprise
Assessment / Rating by credit rating agencies	80 %	60 %	50 %
Additional ZED rating for defense angle by empaneled credit rating agencies	80 %	60 %	50 %
Consultancy and Gap Analysis by QCI/NPC, MSME-TC, BEE, etc.	80 %	60 %	50 %
Re-Rating, Re-Assessment by Credit Rating Agencies	80 %	60 %	50 %

## 5. A Scheme for promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)

### Eligibility

- The Scheme aims to implement the Incubation and Commercialization of Business Ideas Programme through technical / research institutes, including those in the field of agro based industry. These would be designated as Knowledge Partners and would incubate new/existing technologies for their commercialization.

### Nature of Assistance

- One-time grant of 100% of cost of Plant & Machinery up to INR 100 lakhs.
- In case of setting up incubation centers, one- time grant of 50% of cost of Plant & Machinery up to INR 50 lakhs.

## 6. Credit Linked Capital Subsidy for Technology Upgradation

### Eligibility

- Any Micro or Small Enterprise (MSE).

### Nature of Assistance

- Facilitating technology upgradation by providing 15% up front capital subsidy to MSEs for additional investment up to ₹ 1 crore.

## 7. Entrepreneurial and Managerial Development of SMEs through Incubators

### Eligibility

- Any individual MSME with innovative idea ready for commercialization can apply to the host institution to obtain fund support.

### Nature of Assistance

- Funding support for setting up of 'Business Incubators (BI)':
- Upgradation of infrastructure: Rs 2.50 lakhs,
- Orientation / Training: Rs 1.28 lakhs,
- Administrative expenses: Rs 0.22 lakhs,
- Total assistance per BI : INR 66.50 lakhs.

## 8. Marketing Assistance Scheme

### Eligibility

- MSMEs, Industry Associations and other organizations related to MSME sector are eligible to apply.

### Nature of Assistance

- Net budgetary support for participation in international exhibition / trade fair support to an overall ceiling of Rs. 30 lakhs per event (40 lakhs for Latin America countries).
- Net budgetary support for participation in domestic exhibition / trade fair upto Rs. 15 lakhs per event subject to a maximum amount of Rs. 45 lakhs.

## 9. Financial support to MSMEs in ZED Certification (ZED)



### Eligibility

- To enable MSMEs to adopt Zero Defect manufacturing and assessment of their enterprises for ZED Certification (i.e. Bronze, Silver, Gold, Diamond & Platinum).



### Nature of Assistance

- Financial Assistance to MSME in form of reimbursement of expense for obtaining the National and International Certification.

## 10. Lean Manufacturing Competitiveness (Lean)



### Eligibility

- To increase the competitiveness of the MSME sector by the adoption of Lean Manufacturing techniques through Intervention in Mini Cluster having 4 to 10 MSMEs.



### Nature of Assistance

- Reimbursement of 80% of cost of lean manufacturing consultant by Government of India.
- Financial assistance to MSMEs up to INR 36.00 lakhs per mini cluster of 10 units.

## 11. Design Scheme for MSME Sector (Design)



### Eligibility

- To bring Indian manufacturing sector and design expertise/ design fraternity on to a common platform and to provide expert advice and cost-effective solution on real time design problems, resulting in new product development.



### Nature of Assistance

- Financial assistance to the MSMEs for engagement of design consultants for design intervention.
- Financial Assistance of INR 1.5 lakhs for final year student project done for MSMEs.

## 12. Support for entrepreneurial & Managerial development of MSMEs through Incubators



### Eligibility

- To promote knowledge based and technologically innovative ventures.



### Nature of Assistance

- Financial support to nurturing and developing ideas : Maximum up to INR 15 lakhs.
- Financial support for Plant & Machinery for deserving idea: Maximum up to INR 1 Crore
- Financial support for Seed capital for deserving ideas: Maximum up to INR 1 Crore.

### 13. Intellectual Property rights for MSMEs



#### Eligibility

- To enhance awareness of MSMEs on intellectual property rights like Trademark, Patents, Industrial designs, etc.



#### Nature of Assistance

- Financial Assistance up to INR 1 Crore for consultancy for IP filling and legal services.
- Reimbursement of expense for acquiring patent, trademarks, etc.

### 14. Digital MSMEs



#### Eligibility

- To make MSMEs digitally empowered.



#### Nature of Assistance

- Assistance to MSMEs for business solution software like ERP and others.



# Assistance from Gujarat State Government

## 1. Assistance of Capital Investment Subsidy, Interest Subsidy to MSMEs for manufacturing Industries & CGTMSE fees for MSEs

### Eligibility

- The Enterprise registered as an industrial unit under MSMED Act, with respective District Industries Center (DIC) as manufacturing enterprise.
- Enterprise to commence production
- For Carrying out expansion or diversification project by an existing enterprise.
- For Carrying out modernization of existing unit with investment in Plant & Machinery.

### Nature of Assistance

#### Capital Subsidy:

Sr No	Particulars	Assistance
1	Manufacturing/Service enterprises in Municipal Corporation	Subsidy @10% of term loan (Maximum up to Rs. 15 lakhs)
2	Manufacturing/Service enterprises outside Municipal Corporation	Subsidy @15% of term loan (Maximum up to Rs. 25 lakhs)

#### Interest Subsidy:

Area	Rate of Interest subsidy	Maximum limit	No. of Years
Municipal Corporations limit	5% on Outstanding term loan	Rs. 25 lakhs p.a.	5 years
Other areas outside Municipal Corporations limit	7% on Outstanding term loan	Rs. 30 lakhs p.a.	5 years

## 2. Assistance for Quality Certification

### Eligibility

- Enterprises engaged in manufacturing activity and registered as an industrial unit under MSME.

### Nature of Assistance

- 50% of capital cost for installing ERP system,
- 50% assistance for Consulting fees charges of obtaining ISO certification,
- 50% of all charges for the WHO GMP, Hallmark Certification and others national and international certification,
- 50% of cost of testing equipment and machinery required and purchased before of quality certification,
- 50% of fees payable to recognized international certification authority.

### 3. Assistance for Technology Acquisition



#### Eligibility

- A new enterprise with new technology
- Existing enterprise for new product or for improvement of production process.



#### Nature of Assistance

- Grant at the rate of 50% of cost of technology acquisition, including royalty payments for first two years.

### 4. Assistance for Patent Registration



#### Eligibility

- Any organization, institution, individual or industrial unit can obtain assistance for obtaining patent (National / International) as per National / International rules and regulations.



#### Nature of Assistance

- Assistance of up to 75% of expenditure incurred for obtaining patents, subject to maximum of Rs. 25 lakhs.

### 5. Assistance for Saving in Consumption of Energy & Water



#### Eligibility

- The existing as well as new enterprise, registered as an industrial unit, taking action for saving consumption of Energy and Water.



#### Nature of Assistance

- 75% cost of energy / water audit conducted in a unit by a recognized institution / consultant.
- 25% of cost of equipment subject to maximum Rs. 20 lakhs per project.

### 6. Assistance to SME for raising Capital through SME exchange



#### Eligibility

- Micro, Small & Medium Enterprise registered under the MSMED Act, 2006.



#### Nature of Assistance

- 20% of expenditure incurred on raising of fund through SME maximum up to Rupees 5 lakhs.

## 7. Assistance for MSME manufacturing sector Participation in Exhibition



### Eligibility

- Chamber of Commerce & Industries / Industries Associations, Federation of Industries and such other Industries Association representing the interest of manufacturing sector would be eligible.



### Nature of Assistance

- State Level exhibition- assistance @60% of rent paid or Rs. 5 lakhs, whichever is less.
- National Level exhibition- assistance @60% of rent paid or Rs.7 lakhs, whichever is less.
- International Level exhibition- assistance @60% of rent paid for or Rs.10 lakhs, whichever is less.

## 8. Assistance to MSME for participation in Trade fairs



### Eligibility

- Any MSME possessing Udyog Aadhar or MSME Part II Acknowledgement.



### Nature of Assistance

- Assistance @60% for rent of stall or space, subject to maximum INR 4 lakhs.

## 9. Assistance to Organizers for organizing Industrial Exhibitions



### Eligibility

- Chamber of Commerce & Industries / Industries Associations, Federation of Industries and such other Industries Association representing the interest of manufacturing sector would be eligible.



### Nature of Assistance

- Assistance will be provided @60% of Bill of electricity consumption during the exhibition period.

## 10. Assistance to Start Ups / Innovation



### Eligibility

- Individual / Group of individuals
- Universities / Educational institutions, Incubation Centre / PSUs / R&D Institutions / Private and other establishments.



### Nature of Assistance

- Mentor will be provided,
- 1,00,000/- per month to innovator and 5,00,000/- will be provided to mentor,
- 10 lakhs for the cost of materials,
- 10 lakhs for marketing expense.

## 11. Schemes for Assistance Labour Intensive Industries



### Eligibility

- Applicable to new enterprises and for one-time expansion of existing enterprises.
- Garment, Apparels, Made-ups, Agro and Food Processing Industry, Assembling Enterprises with partial manufacturing activities.
- Any other labour intensive Industry as decided by state level empowered committee.
- Payroll incentive will be eligible only for new employees recruited.



### Nature of Assistance

- Payroll assistance will be provided @ Rs.1,200 per person.
- Additional Rs.300 per women employment.
- The payroll assistance will not be eligible for re-employed person(s) relived within one year.
- Interest Subsidy: 7% maximum up to INR 1 crore p.a. for 5 years.

## 12. Scheme for assistance to Encouraging “Green Practice and Environmental Audit” to MSME



**Eligibility** - Unit engaged in manufacturing who intends to adopt green practices in its enterprise.



### Nature of Assistance

Eligible Activities	Assistance available
Periodic Environmental Audits except those required to be carried out under provision of Acts and Rules or direction of court laws.	Up to 75% of fees of audit services with a ceiling of Rs. 50,000 per Audit whichever is less.
To install online Continuous Stack Emission Monitoring System (CEMS), online Effluent Quality Monitors System with connectivity to GPCB / CETP project for one time.	Up to 25% of cost of system or Rs. 5 lakhs, whichever is less.
Industrial building of more than 2,000 Sq. Mts. built up area which obtain green rating under Indian Green Building Council (IGBC/LEED) or GRIHA.	Up to 50% of consulting charges or Rs. 2.5 lakhs, whichever is less.
Setting up of Environment Management System including the setting up of Environment Management Laboratory.	Up to 50% of cost of Equipments, ceiling of Rs. 10 lakhs /unit once during the Operative period.
Purchase of new Equipments / systems related to safety, occupational health / Environment Compliances for common use of industries located in cluster of minimum 10 units.	Up to 35% of cost of Equipments, ceiling of Rs. 35 lakhs/Cluster.
Industries practicing at least 50% of wastewater recovery through Zero liquid discharge as certified by GPCB.	35% onetime capital subsidy on relevant equipment/system or Rs. 35 lakhs, whichever is less.

### 13. Scheme for Financial Assistance to Plastic Industry



#### Eligibility

- Engaged in manufacturing of plastic products / items / articles by using plastic as a raw materials purchased within the state.



#### Nature of Assistance

- Subsidy 7% interest on loan, Max. limit being 100 lakhs p.a.

### 14. Scheme for assistance to GIDC for the Development of Industrial Estate for MSEs



#### Eligibility

- GIDC
- MSEs, PSUs and Municipal Corporations



#### Nature of Assistance

- Assistance up to 50% of allotment price as fixed by SLEC will be given to GIDC.
- Assistance to MSEs in form of reduction in allotment price by 50%.

### 15. Assistance to GIDC for Developing multistoried Sheds in saturated estates for MSEs



#### Eligibility

- GIDC
- Any manufacturing MSME



#### Nature of Assistance

- Multistoried structure having shed size of around 50 Sq. Mts: 50% of the development cost of project will be reimbursed to GIDC.
- Assistance to MSMEs in form of reduction in allotment price by 50%.

## 16. Scheme for assistance to Environment Management Projects



### Eligibility

- Any Existing enterprise which has filed EM-II / Udyog Aadhaar / IEM with concerned authority and is in production of eligible supply.
- At least operation of 3 years before application, for the purpose of the same last 3 years of audited balance sheet may be provided.



### Nature of Assistance

Eligible Activity	Quantum of Assistance	
Implementation of Cleaner production technology in place of existing process such as substitution & optimization of raw material, reduction in water consumption or energy consumption or waste generation.	(1) M.S.M.E.	Upto 35% of cost of Plant & Machinery with ceiling of Rs. 35 lakhs during the operative period of the scheme for MSME.
	(2) Large	Upto 10% of cost of Plant & Machinery with ceiling of Rs. 35 lakhs during the operative period of the Scheme for Large Projects.
Any other environment management project with use of Clean, Efficient and Innovative Pollution Control Equipment.	(1) M.S.M.E.	Upto 25% of cost of Plant & Machinery with ceiling of Rs. lakhs during the operative period of the Scheme of MSME.
	(2) Large	Upto 10% of cost of Plant & Machinery with ceiling of Rs. 35 lakhs during the operative period of the scheme for large projects.

## 17. Assistance in Rent to MSEs



### Eligibility

- The New Micro & Small Enterprise registered as an industrial unit under MSME.
- New enterprise shall have to commence commercial production during the operative period of scheme.



### Nature of Assistance

- Assistance will be provided for 3 years

Monetary Assistance	Area
The assistance @ 50% of rent paid or Rs. 50,000/- p.a. whichever is lower.	Municipal Corporation area and area under the Urban Development Authority.
The assistance @ 50% of rent paid or Rs. 25,000/- p.a. whichever is lower.	Other than above

# Assistance from SIDBI

## 1. Make In India Soft Loan fund (SMILE)



### Eligibility

- New Enterprises in Manufacturing and Service sectors.
- Existing enterprises undertaking expansion through Modernization, Technology Upgradation or other projects for growing their business.
- Promoter contribution of 15% subject to Debt-Equity ratio of 3:1.



### Security

- Residual Charge over the entire Assets.
- Personal Guarantee of the promoters.
- ACR & FACR Norms would be applicable.



### Tenure

- 10 years with a Moratorium up to 36 Months.



### Loan Amount

- Minimum Finance - INR 10 lakhs.
- Maximum Finance - INR 25 lakhs.



### Interest Rate

- As prevailing in the market.



### Eligible Expenditure

- On Equipment Finance.

## 2. Smile Equipment finance



### Eligibility

- MSME Entities needs minimum existence of at least 3 Years having sound financial position.



### Eligible Expenditure

- Investments in Plant & Machinery and Need based Civil Construction.



### Loan Amount

- Minimum Rs.10 lakhs.



### Tenure

- Maximum Tenure for repayment is 6 Years.



### Interest Rate

- As per Smile.

### 3. Smile Equipment finance



#### Eligibility

- MSME Entities needs minimum existence of at least 3 Years having sound financial position.



#### Eligible Expenditure

- Investments in Plant & Machinery purchased from respective OEMs (Original Equipment manufacturer).



#### Security

- CGTMSE Cover.



#### Tenure

- Up to 5 Years including eligible Moratorium.



#### Loan Amount

- Up to Rs. 1 Crore.



#### Interest Rate

- As per Smile.

### 4. Top up loan for immediate purposes (TULIP)



#### Eligibility

- At least 1-year track record with SIDBI.
- Expansion in same line of business.
- Cash profit in last financial year.



#### Eligible Expenditure

- Purchase of Plant & Machinery,
- Need based Civil Structure,
- Margin Money for Working capital,
- To execute bulk orders.



#### Tenure

- Max 5 Years including Moratorium up to 6 months.



#### Loan Amount

- 30% of existing exposure or 20% of net sales subject to max Rs. 2 crore.



#### Interest Rate

- 10% to 11%.

## 5. Loan for Purchase of equipment for enterprise's Development (SPEED)



### Eligibility

- MSME Units with at least 3 years of Operations and Cash profit in previous 2 financial years.



### Eligible Expenditure

- Machinery purchased from the OEMs with whom SIDBI has an MoU.
- Machinery should be related to same business line.
- For Existing Customers – Machinery purchased from Any OEM.



### Tenure

- 2 to 5 Years including Moratorium of 3 months to 6 months.



### Loan Amount

- Up to 1 Crore for New customers and up to 2 CR for Existing customers.



### Interest Rate

- 9.25% to 10%.

## 6. Loan for Purchase of equipment for enterprise's Development (Speed Plus)



### Eligibility

- MSME Units with at least 5 years of Operations and Cash profit in previous 3 financial years.
- Minimum Net sales of Rs. 5 Crore and no operating loss in immediate past 2 years.



### Eligible Expenditure

- Machinery purchased from identified OEMs manufacturing high end machines or authorized dealers.



### Security

- No collateral of Immovable property.



### Tenure

- 2 to 5 Years including Moratorium of 3 to 6 months.



### Loan Amount

- Up to 2 Crore for New customers (with 20% to 30% FD as margin), and
- Up to 3CR for Existing customers (with 15% to 30% FD as margin).



### Interest Rate

- 8.80% to 10.50%.

## 7. Assistance for Rooftop solar PV plants (STAR)



### Eligibility

- New customer minimum 4 Years business.
- For Existing minimum 2 Years of business.
- At least 2 Years Cash profits.



### Eligible Expenditure

- Solar panel equipment from established suppliers, manufacturer, etc.
- Installation cost.



### Security

- Credit Guarantee Cover available.
- Zero Promoters Contribution.
- FD of 15% to 25% of Loan is required.



### Tenure

- 2 to 5 Years including Moratorium of 3 months to 6 months.



### Loan Amount

- Minimum Finance - INR 10 lakhs.
- Maximum Finance - INR 250 lakhs.



### Interest Rate

- 9.10% to 10.20%.

## 8. SIDBI assistance to facilitate emergency response against corona virus (SAFE)



### Eligibility

- New Customer – At least 2 Years cash profits.
- Existing - Cash profit in last audited financial statement.



### Eligible Expenditure

- To finance all Existing MSMEs who are manufacturing products to fight against corona virus.



### Loan Amount

- Up to INR 50 lakhs.



### Security

- Existing Customers – extension in existing facility
- New to SIDBI - Credit guarantee coverage.
- In case of New customers for working capital 25% of promoters contribution converted into cash collateral.



### Interest Rate

- 5% p.a.



### Tenure

- Term Loan - up to 5 years Including Moratorium.
- WCTL - Up to 18 months Including Moratorium.

## 9. SIDBI assistance to facilitate emergency response against corona virus (SAFE PLUS)



### Eligibility

- New Customer – At least 2 Years cash profits.
- Existing - Cash profit in last audited financial statement.



### Tenure

- Repayable at every 4 month.



### Loan Amount

- Up to Rs. 100 lakhs.



### Eligible Expenditure

- To meet additional Working capital requirement.



### Interest Rate

- 5% p.a.



### Security

- Existing - Extension of charge on existing security / New security.
- For New to SIDBI - Escrow arrangement on receivables from government. Credit Guarantee cover at no cost to customer.



# MSMEs in Service Sector

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Brief about MSMEs in Service Sector

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Assistance from Central Government

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Assistance from Gujarat State Government

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Assistance from SIDBI

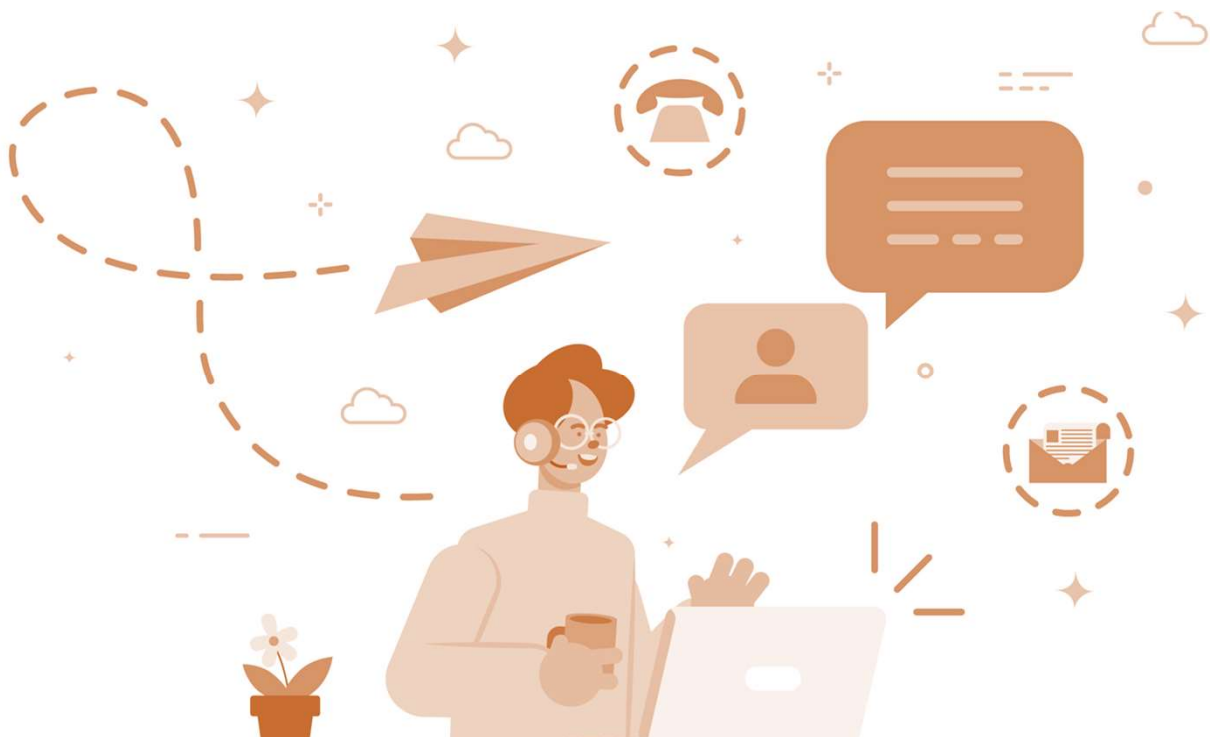
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# MSMEs in Service Sector

## Meaning of MSME in Service

- It covers the enterprises engaged in providing or rendering of services and are defined in terms of investment in equipment.
- In India, by the end of financial year 2019-20, there are total 206 lakhs of enterprises falling under the category of manufacturing which is approximately 33% share out of total MSME enterprises.
- Out of 206 lakhs, approximately 51% enterprises are registered in Urban area and balance in rural area. Hence, this sector covers both Urban and rural areas for its expansion.
- Out of total employment generation from MSME enterprises, approximately **33% Employment** i.e. around 362 lakhs people are getting employment from service enterprises. Employment covers 42% of the population from rural area and balance from urban.
- On the other hand, MSME units contributes around **24% of total GDP of service sector** the India.



# Assistance from Central Government

## 1. Prime Minister's Employment Generation Programme (PMEGP)



### Eligibility

- Any individual, above 18 years of age.
- VIII standard pass for projects costing above INR 5 lakhs in the business / service sector.
- Only new projects are considered for sanction.



### Nature of Assistance

- Assistance is available in terms of specific % of Project / Unit Cost based on the location of the Enterprise as described in the table below, subject to maximum support of:
  - Manufacturing Sector - INR 25 lakhs.
  - Business/Service Sector - INR 10 lakhs.

General Category		Special Category	
Urban	Rural	Urban	Rural
15 %	25 %	25 %	35 %

## 2. Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTSME)



### Eligibility

- Both existing and new enterprises are eligible under the scheme.



### Nature of Assistance

- Collateral free loan up to a limit of ₹ 100 lakhs is available for individual MSE on payment of guarantee fee to bank by the MSE.

## 3. Design Clinic for Design Expertise to MSMEs



### Eligibility

- Expert agencies for conducting seminars and workshops for MSME or group of MSME.



### Nature of Assistance

- Assistance up to 3.75 lakhs.
- Government support @75% for the project up to maximum of INR 15 to 20 lakhs.

## 4. Technology and Quality Upgradation Support to MSME



### Eligibility

- Expert organisations like PCRA, BEE, TERI, IITs, NITs, etc.
- State Govt. agencies like MITCON, GEDA, etc.
- Cluster / Industry based associations of MSMEs
- NGOs and Technical Institutions.



### Nature of Assistance

- Assistance ranging from 75 thousand to 2.5 lakhs

## 5. Entrepreneurial and Managerial Development of SMEs through Incubators



### Eligibility

- Any individual MSME with innovative idea ready for commercialization can apply to the host institution to obtain fund support.



### Nature of Assistance

Funding support for setting up of 'Business Incubators (BI)':

- Upgradation of infrastructure: Rs 2.50 lakhs,
- Orientation / Training: Rs 1.28 lakhs,
- Administrative expenses: Rs 0.22 lakhs,
- Total assistance per BI: INR 66.50 lakhs.

## 6. Enabling Manufacturing Sector to be Competitive through QMS & QTT



### Eligibility

- Any individual MSME.



### Nature of Assistance

- Funding support up to Rs 79,000/- per programme.
- Funding support up to Rs 2.5 lakhs per unit.

## 7. Marketing Assistance Scheme



### Eligibility

- MSMEs, Industry Associations and other organizations related to MSME sector are eligible to apply.



### Nature of Assistance

- Net budgetary support for participation in international exhibition / trade fair support to an overall ceiling of Rs. 30 lakhs per event (40 lakhs for Latin America countries).
- Net budgetary support for participation in domestic exhibition / trade fair upto Rs. 15 lakhs per event subject to a maximum amount of Rs. 45 lakhs.

## 8. Building Awareness on Intellectual Property Rights



### Eligibility

- Registered MSME units, association, consultancy firms, expert agencies etc.
- Funding for conducting interactive seminars, workshops, Special training IPRs, grant patents, for setting up of IP facilitation.



### Nature of Assistance

- Assistance ranging from 1 lakhs to 2.5 lakhs.

# Assistance from Gujarat State Government

## 1. Interest Subsidy to Service Enterprise

### Eligibility

- Enterprise registered as Service Enterprise.
- New Enterprise starting Service Activity.

### Nature of Assistance

- Interest subsidy @ 5% of term loan for Machinery & Equipment with Maximum limit of Rs.25 lakhs p.a., for period of 5 years.
- 1% additional interest subsidy, if enterprise is set up by youth of age less than 35 years.
- 1% additional interest subsidy, if enterprise is set up by SC / ST / Physically Challenged and Woman Entrepreneurs.

## 2. Assistance for Technology Acquisition

### Eligibility

- A new enterprise with new technology.
- Existing enterprise for new product or for improvement of production process.

### Nature of Assistance

- Grant at the rate of 50% of cost of technology acquisition, including royalty payments for first two years.

## 3. Assistance for Patent Registration

### Eligibility

- Any organization, institution, individual or industrial unit can obtain assistance for obtaining patent (National / International) as per National / International rules and regulations.

### Nature of Assistance

- Assistance of up to 75% of expenditure incurred for obtaining patents, subject to maximum of Rs. 25 lakhs.

## 4. Assistance to MSME for participation in Trade fairs

### Eligibility

- Any MSME possessing Udyog Aadhar or MSME Part II Acknowledgement.

### Nature of Assistance

- Assistance @ 60% for rent of stall or space, subject to maximum benefit of INR 4 lakhs.

## 5. Assistance to Private Developer for developing ready made sheds in Mini Estate



### Eligibility

- Any Private Developer who engaged in development of industrial estate for MSEs.



### Nature of Assistance

- The assistance @50% of the total cost of land, building and other infrastructure facilities will be given to private developer.

## 6. Scheme for Assistance to Research & Development Activities



### Eligibility

- All Research & Development Institutions.
- AICTE approved professional colleges.



### Nature of Assistance

- Assistance to R&D institutions / laboratories set up with State Government or Government of India including setting up of new R&D institutions /laboratories shall be provided as per requirement.
- Assistance to laboratories established by Industries Association with the help of Government will be up to 60% of the project cost for machinery and equipment cost.
- Assistance for Contract / Sponsored research work from any Industrial enterprise / Industrial association to recognized R&D institution / technical collages approved by AICTE, will be considered @ 50% of project cost, excluding cost of land and building, subject to maximum Rs. 50 lakhs.

## 7. Assistance to Start Ups / Innovation



### Eligibility

- Individual / Group of individuals
- Universities / Educational institutions, Incubation Centre / PSUs / R&D Institutions / Private and other establishments.



### Nature of Assistance

- Mentor will be provided.
- 1,00,000/- per month to innovator and 5,00,000/- will be provided to mentor.
- 10 lakhs for marketing.

# Assistance from SIDBI

## 1. SIDBI Trader Finance Scheme (STFS)



### Eligibility

- MSME Registered Retailers / Wholesalers having at least 3 years old business with sound financial position and Dip in sales volume should not be more than 10% on YOY basis in last 2 years.



### Eligible Expenditure

- Working Capital as well as Need based capital expenditure.



### Tenure

- Up to 5 Years including eligible moratorium.



### Security

- Promoter's contribution for CAPEX.



### Loan Amount

- Minimum Finance - INR 10 lakhs.
- Maximum Finance - INR 1 Crore.



### Interest Rate

- Competitive Interest Rate.

## 2. Retail loan scheme for trade finance (RLS)



### Eligibility

- MSME Units with at least 3 years of Operations and Cash profit in previous 3 financial years.
- MSME Retail and wholesaler both deals with at least one supplier whose turnover is over 1000 Crore.



### Eligible Expenditure

- Capex
- Working Capital



### Tenure

- 2 to 5 Years including Moratorium of 3 months to 6 months.



### Security

- Up to 25 % amount FD.



### Loan Amount

- Capex :- Up to Rs. 10 lakhs to 100 lakhs for retailers up to Rs. 50 lakhs.
- Working capital :- Maximum 20% of previous year's turnover.



### Interest Rate

- 10% TO 11.5%.

# Other Benefits

Assistance under post Covid-19 Scenario

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Mudra Loan

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TReDS

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Highlights of MSMED Act, 2006

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# Assistance under Post COVID-19 Scenario

## 1. Rs 3 lakhs crores Collateral-free loans



### Eligibility Norms:

- An Emergency Credit Line to Businesses/MSMEs will be provided from Banks and NBFCs up to 20% of entire outstanding credit as on 29.2.2020 and to those borrower accounts satisfying the condition of SMA 0/1 bucket,
- Borrowers with up to Rs. 25 crore fund based outstanding and Rs. 100 crore turnover are eligible,
- Loans to have 4 year tenor with moratorium of 12 months on Principal repayment,
- Interest to be capped (E.g. 9.25 in case of Banks or 14% in case of NBFCs),
- 100% credit guarantee cover to Banks and NBFCs on principal and interest,
- Scheme can be availed till 31st Oct, 2020 or utilization of 3 lakhs crores,
- No guarantee fee (NCGT – National Credit Guarantee Trustee Company), no fresh collateral.

## 2 - Global tenders to be disallowed up to Rs 200 crores

### Description

- Indian MSMEs and other companies have often faced unfair competition from foreign companies.
- Therefore, Global tenders will be disallowed in Government procurement tenders up to Rs 200 crores.
- Necessary amendments of General Financial Rules will be effected.
- This will be a step towards Self-Reliant India (Aatma-Nirbhar Bharat) and support Make in India.
- This will also help MSMEs to increase their business.

### 3 - Distressed Asset Fund – Subordinate debt scheme for MSMEs

#### Description

- MSMEs survive on thin margins and come under financial stress at slightest disruption. To support MSME units which have become stressed, there is a need to infuse capital in the MSME unit in the form of equity or sub debt so that they can be revived;
- The Distressed Assets Fund–Sub Debt Scheme seeks to extend support to the promoter(s) of the distressed units MSMEs by providing a debt facility of upto 15% of the promoter contribution or Rs 75 lakhs, to the Promoter(s);
- Promoter(s) in turn will infuse the amount in the MSME unit as equity and thereby enhance the liquidity and maintain debt-equity ratio.

#### Nature of assistance

- Guarantee for fund raising for Revival: GOI will provide guarantee coverage of up to 85% for loans upto Rs. 5 lakhs and 75% for loans beyond Rs 5 lakhs to MSMEs for them to raise funds from Financial Institutions.

#### Salient features

- The quasi-equity provision with the guarantee balances the risks and rewards between the lender (bank) and the customer. In a situation where an outright loan is too risky, quasi-equity with guarantee will provide the requisite financing to the company;
- Subordinate debt will be of substantial help in sustaining and reviving the MSMEs which have either become NPA or are on the brink of becoming NPA.

#### Expected Impact

- Provision for sub debt will be of Rs. 20000 crores which is likely to benefit two lakhs MSMEs;
- A bigger number of MSME promoter(s) can do business without worry and avail present opportunities;
- These MSMEs will continue to function, provide jobs and contribute in National Economy.

#### Who can apply

- Functioning MSMEs which are NPA or are stressed will be eligible.
- Promoter(s) of such units can apply.

#### How to apply

- Promoter(s) of MSMEs meeting the eligibility criteria may approach scheduled commercial banks to avail benefit under the scheme.

## 4 - Equity Infusion for MSMEs through Fund of Funds.

### Description

- MSMEs face severe shortage of equity. The Fund of Funds will provide equity funding for MSMEs with growth potential and viability with the ultimate aim of encouraging MSMEs to grow and get listed on stock exchanges;
- VCs/PEs firms do offer early stage funding but very few of them provide growth stage funding;
- With Government intervention, this scheme would be able to intermediate different types of funds into underserved MSMEs and address the growth needs of viable and high growth MSMEs.

### Nature of assistance

- **Growth Funding to MSMEs through equity financing:** GOI will support VC/PE firms in investing in commercially viable MSMEs in meeting their growth requirements. The proposed fund of funds will encourage private sector investments in the MSME sector and leverage Rs.50,000 crore. The actual investment may be even higher.
- **Private funding leverage:** Fund of Funds aims to achieve private funding leverage through the use of professional fund managers with access to funding and strategic performance oversight. This will help attract a wide range of investors, including financial institutions, corporate investors, banks, other government funds, HNWI individuals to invest into MSMEs.

### Salient features

- Under the scheme, there would be a Mother Fund, where Government of India will be Anchor Investor;
- The Mother Fund can invest daughter funds who can deploy the investments in targeted MSMEs;
- This will create a partnership with MSMEs in their growth journey and enable them to grow bigger and get listed on stock exchanges.

### Expected impact

- The scheme is expected to facilitate equity financing of Rs.50,000 crore in the MSME Sector.

### Who can apply

- All MSMEs are eligible.

### How to Apply

- Through Investor Funds onboarded and registered with proposed Fund of Funds.

# Mudra Loan

## 1. Brief details of the Product :

The MUDRA loans are extended under following three categories :

- Loans up to INR 50,000/- (Shishu);
- Loans from INR 50,001/- to INR 5 lakhs (Kishore);
- Loans from INR 5,00,001/- to INR 10 lakhs (Tarun).

## 2. Eligible borrowers

- Individual / Proprietary concern,
- Partnership Firm,
- Private Ltd. Company,
- Public Company,
- Any other legal forms.

## 3. Amount of assistance

- Up to INR 10 lakhs in three categories viz. Shishu, Kishore and Tarun.

## 4. Margin/Promoters Contribution

- Margin / Promoters Contribution is as per the policy framework of the bank, based on overall guidelines of RBI in this regard. Banks may not insist for margin on Shishu loans.

## 5. Interest rate

- Interest rates are to be charged as per the policy decision of the bank.

## 6. Security

- First charge on all assets created out of the loan extended to the borrower and the assets which are directly associated with the business / project for which credit has been extended.
- DPN (wherever applicable).
- CGTMSE (wherever felt desirable) / MUDRA Guarantee cover (as and when introduced).

## 7. Tenure of Assistance

- Based on the economic life of the assets created and also the cash flow generated. However, MUDRA's refinance assistance will be for a maximum tenure of 36 months which will also be aligned to terms of allotment of MUDRA funds by RBI from time to time.

## 8. Repayment

- Term Loan: To be repaid in suitable installments with suitable moratorium period as per cash flow of the business.
- OD & CC Limit : Repayable on demand. Renewal and Annual Review as per internal guidelines of the Bank.

## 9. Availability of the loan

- Mudra loan under PMMY is available at all bank branches across the country. Mudra loan is also issued by NBFCs / MFIs who are engaged in financing for micro enterprises in small business activities.

# Trade Receivables Discounting System (TReDS)

- MSMEs have played an important role in economic fabric of the country still they faces constraints in obtaining adequate finance, particularly in terms of their ability to convert their trade receivables into liquid funds. In order to address this issue Reserve Bank of India had published a concept for financing Trade Receivables in the name of "Factoring - Trade receivables Exchange".
- MSME sellers, corporate buyers and financiers – both banks and non-bank (NBFC factors) will be direct participants in the TReDS. The TReDS will provide the platform to bring these participants together for facilitating uploading, accepting, discounting, trading and settlement of the invoices / bills of MSMEs. The bankers of MSMEs and corporate buyers may be provided access to the system, where necessary, for obtaining information on the portfolio of discounted invoices / bills of respective clients. The TReDS may tie up with necessary technology providers, system integrators and entities providing dematerialisation services for providing its services.
- The transactions processed under TReDS will be “without recourse” to the MSMEs.
- The scheme for setting up and operating the institutional mechanism for facilitating the financing of trade receivables of MSMEs from corporate and other buyers, including Government Departments and Public Sector Undertakings (PSUs), through multiple financiers is known as Trade Receivables Discounting System (TReDS).
- Following are the Salient Features of TReDS.
  - Unified platform for Sellers, Buyers and Financiers
  - Eliminates Paper
  - Easy Access to Funds
  - Transact Online
  - Competitive Discount Rates
  - Seamless Data Flow
  - Standardised Practices

# Trade Receivables Discounting System (TReDS)

## 1. What is TReDS?

**Ans.** TReDS is an electronic platform for facilitating the financing / discounting of trade receivables of Micro, Small and Medium Enterprises (MSMEs) through multiple financiers. These receivables can be due from corporates and other buyers, including Government Departments and Public Sector Undertakings (PSUs).

## 2. Who are the participants in TReDS?

**Ans.** Sellers, buyers and financiers are the participants on a TReDS platform.

## 3. Who can participate as a seller in TReDS?

**Ans.** Only MSMEs can participate as sellers in TReDS.

## 4. Who can participate as a buyer in TReDS?

**Ans.** Corporates, Government Departments, PSUs and any other entity can participate as buyers in TReDS.

## 5. Who can participate as a financier in TReDS?

**Ans.** Banks, NBFC - Factors and other financial institutions as permitted by the Reserve Bank of India (RBI), can participate as financiers in TReDS.

## 6. How does TReDS work?

**Ans.** Broadly, following steps take place during financing / discounting through TReDS:

Creation of a Factoring Unit (FU) - standard nomenclature used in TReDS for invoice(s) or bill(s) of exchange - containing details of invoices / bills of exchange (evidencing sale of goods / services by the MSME sellers to the buyers) on TReDS platform by the MSME seller (in case of factoring) or the buyer (in case of reverse factoring);

Acceptance of the FU by the counterparty - buyer or the seller, as the case may be;

Bidding by financiers;

Selection of best bid by the seller or the buyer, as the case may be;

Payment made by the financier (of the selected bid) to the MSME seller at the agreed rate of financing / discounting;

Payment by the buyer to the financier on the due date.

## 7. What is a Factoring Unit (FU)?

**Ans.** A Factoring Unit (FU) is a standard nomenclature used in TReDS for invoice(s) or bill(s) of exchange. Each FU represents a confirmed obligation of the corporates or other buyers, including Government Departments and PSUs.

## 8. Who can create an FU?

**Ans.** In TReDS, FU can be created either by the MSME seller or the buyer. If MSME seller creates it, the process is called *factoring*; if the same is created by corporates or other buyers, it is called as *reverse factoring*.

## 9. Whether TReDS could deal with reverse factoring?

**Ans.** Yes. The TReDS could deal with both receivables factoring as well as reverse factoring.

## 10. Whether the MSME seller would have to pay to the financier in case the buyer defaults in repayment?

**Ans.** No. The transactions processed under TReDS are “without recourse” to the MSMEs.

# Trade Receivables Discounting System (TReDS)

## 11. Whether any authorisation is required to set up and operate a TReDS platform?

**Ans.** Yes, authorisation is required to be obtained from RBI under the Payment and Settlement Systems (PSS) Act, 2007.

## 12. What is the eligibility criteria for setting up and operating TReDS?

**Ans.** Eligibility criteria for the purpose of setting up and operating a TReDS platform is provided in the guidelines (as amended from time to time) for TReDS issued by RBI. These guidelines are available at the following path: [www.rbi.org.in](http://www.rbi.org.in) → “Payment and Settlement Systems” dropdown → “Guidelines”. RBI’s Press Release dated October 15, 2019 may also be read in this regard. The same can be accessed at the following web links: [https://www.rbi.org.in/Scripts/bs\\_viewcontent.aspx?Id=3504](https://www.rbi.org.in/Scripts/bs_viewcontent.aspx?Id=3504) and [https://www.rbi.org.in/scripts/FS\\_PressRelease.aspx?prid=48405&fn=9](https://www.rbi.org.in/scripts/FS_PressRelease.aspx?prid=48405&fn=9)

## 13. Where can I find the details of TReDS entities authorised by RBI?

**Ans.** List of all authorised Payment System Operators (PSOs), including TReDS, is available at the following path: [www.rbi.org.in](http://www.rbi.org.in) → “Payment and Settlement Systems” dropdown → “Information Useful to Customer” → “List of Authorised Entities – Payment System Operators”. Following is the web link for accessing the same: <https://www.rbi.org.in/Scripts/PublicationsView.aspx?id=12043>

## 14. Whether TReDS entities undertake KYC (Know Your Customer) of participants?

**Ans.** Yes. The KYC process adopted by the TReDS entities shall adhere to the “[Master Direction – Know Your Customer \(KYC\) Direction, 2016](#)” dated February 25, 2016 (as amended from time to time) issued by RBI.

## 15. What is a settlement file and who generates it in TReDS?

**Ans.** A settlement file provides information as to how much amount has to be debited from and credited to the accounts of participants (sellers, buyers and financiers), due on a particular date / time. In other words, it indicates how much a financier has to pay to an MSME seller, and how much a buyer owes to the financier on a particular date / time. The TReDS entities generate the settlement file and send the same to existing payment systems (for instance, National Automated Clearing House) for actual payment of funds.

## 16. Whether defaults on TReDS platform are the responsibility of TReDS entities?

**Ans.** No. Default handling is outside the purview of TReDS platforms.

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# Benefits available under MSMED Act, 2006

## Brief about MSME Act

Chapter	Section	Description
1	1,2	Short tile, Definition
2	3-6	National Board Constitution
3	7,8	Classification of Enterprises, Advisory Committee and Memorandum of Micro, Small and Medium Enterprises
4	9-13	Measures for Promotion, Development and enhancement of competitiveness
5	15-25	Delayed payments to Micro and Small enterprises
6	26-32	Miscellaneous

The next 2 pages enumerates:

1. Consequences of delayed payments to MSMEs'
2. Filing Form MSME-1 with the Ministry of Corporate Affairs [MCA]

# Consequences of delayed payments to MSMEs'

- The most important benefit which is available to the enterprises registered under the Act is given in Chapter V of the Act which is mentioned below:
- The buyer has to make payment on or before the date agreed on between him and the supplier in writing or, in case of no agreement before the appointed day (Appointed date means the day following immediately after the expiry of a period of 15 days from the date of acceptance or the date of deemed acceptance of the goods and services). Provided that in no case the period agreed upon between the supplier and the buyer in writing shall exceed 45 days from the date of acceptance or the day of deemed acceptance.
- If the buyer fails to make payment of the amount to the supplier, ***he shall be liable to pay interest at the rate as mentioned in the agreement entered or as per the law in force or be liable to pay compound interest with monthly rests to the supplier on the amount from the appointed day or, on the date agreed on, at three times of the Bank Rate notified by Reserve Bank.***
- In case of dispute concerning any amount due, a reference shall be made to the Micro and Small Enterprises Facilitation Council, constituted by the respective State Government.
- As per the provisions of the Act, every buyer is required to get his annual accounts prepared under any law in force and such buyer shall furnish the following additional information in his annual statement of account namely:
  - The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any seller at the end of each accounting year.
  - The amount of interest paid by the buyer as per section 16, along with the amount of the payment made to the supplier beyond the appointed date during each accounting year.
  - The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed date during the year) but without adding the interest specified under this Act.
  - The amount of interest accrued and remaining unpaid at the end of each accounting year.
  - The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are paid to the small enterprise for disallowance as a deductible expenditure.
  - In short, if the payment has not been made to the Supplier registered under the MSMED Act, 2006:
  - The buyer has to disclose the total amount due to the supplier in his annual statement of accounts. If the buyer defaults in disclosing the said amount, then he shall be punishable with a fine which shall not be less than Rs. 10,000.
- Further, the supplier can also opt for Micro and Small Enterprise Facilitation Councils to settle the disputed amount. Any reference of the dispute to the council shall be settled within 90 days from the date of referring.
- As per the provisions of Section 23 of the MSMED Act, 2006 the amount of interest payable or paid by the buyer under the provisions of this Act shall not be allowed as a deduction for computation of income under Income Tax Act, 1961.

# Filing Form MSME-1 with the Ministry of Corporate Affairs [MCA]

The Ministry of Corporate Affairs [MCA] has introduced a new e- Form ‘**MSME I**’ vide [Companies \(Furnishing of information about payment to micro small enterprise suppliers\) Order, 2019](#) Notification dated 22th Jan 2019 read with S.O. 5622(E) dated 02/11/2018.

All Companies who have outstanding dues to micro or small enterprises more than **45 days** from the date of acceptance or the date of deemed acceptance of the goods or services shall report the same by filing e-form MSME I wherein they shall mention the amount of payment that is due to the MSME, the reason for such delay along with the particulars of suppliers details.

## Form MSME I

is a simple **Form** to be uploaded by companies Firstly Initially and then half-yearly. It is a small step by the Ministry of Corporate Affairs towards the protection of small and medium enterprises and improves their competitiveness which is **one** of the **Objectives** of the **MSME** Act, 2006.

## Consequences of Non- Filing of e-form MSME –I

Non-filing of e-form will lead to punishment and penalty under the provision of Section 405 (4) of the Companies Act, 2013 which states:

*If any company fails to comply with an order or knowingly furnishes any information or statistics which is incorrect or incomplete in any material respect, the company shall be punishable with fine which may extend to Rs. 25,000 (Rupees Twenty-five thousand) and every officer of the company who is in default, shall be punishable with imprisonment for a term which may extend to 6 (Six) months or with fine which shall not be less than Rs. 25,000 (Rupees Twenty-five thousand) but which may extend to Rs.3,00,000(Rupees Three lakh) -or with both*

# Professional Assistance

Considering about all the opportunities that are available to the MSMEs, we are hopeful, that will be used in best interest of the development of the entrepreneurs and in turn for the country. We, at Parikh & Associates, provide all required set of professional assistance from registration of MSME to availing the benefits and making all necessary compliances.



## ABOUT US

Parikh & Associates, Chartered Accountants is an Accountancy and Advisory Firm registered with The Institute of Chartered Accountants of India (ICAI). We are the team of young and Energetic Professionals having experience in diversified areas of the industry with a positive approach to provide expert and professional services with due care of professional ethics. We have a team of specialists working with a motive to provide new blend of services considering the dynamic environment and changing need of the time.



## WHY US ?



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Quick communications with our team.



### Immediate Solution

Timely support for your queries.



### Virtual Support & Training

Eliminate the gap in virtual and actual mode of Services.



### Easy Accessibility

Access to our team of specialists & experts.



### Quality Solutions

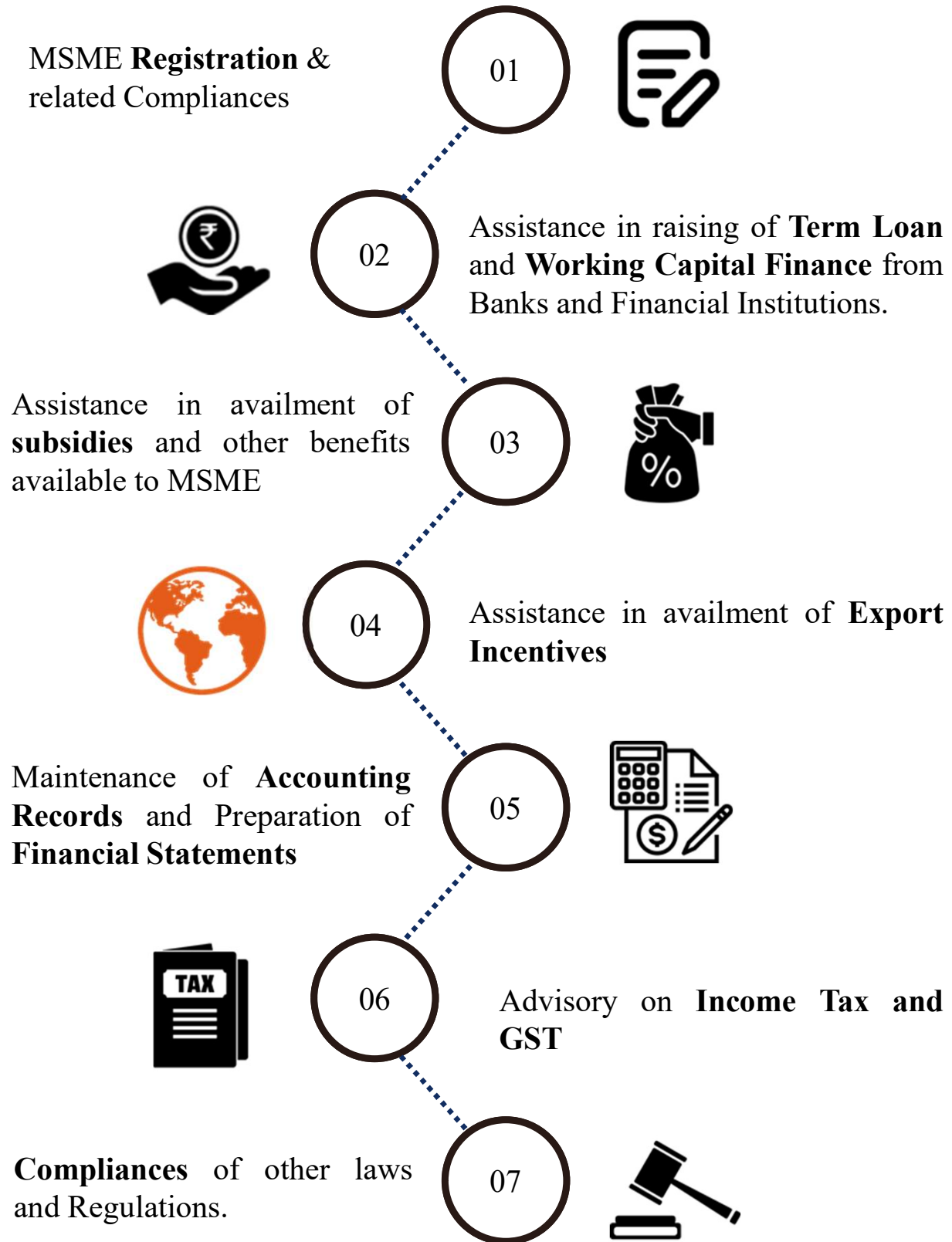
Right information from the right people as you scale.



### Regular Updates

About laws and regulations affecting business.

# Our Support



# Glossary of terms

<b>ACR</b> Asset Coverage Ratio	<b>GDP</b> Gross Domestic Product	<b>NIT</b> The National Institutes Of Technology
<b>AICTE</b> All India Council For Technical Education	<b>GIDC</b> Gujarat Industrial Development Corporation	<b>OEM</b> Original Equipment Manufacturer
<b>BEE</b> The Bureau Of Energy Efficiency	<b>GPCB</b> Gujarat Pollution Control Board	<b>PCRA</b> Petroleum Conservation Research Association
<b>BI</b> Business Incubators	<b>GVA</b> Gross Value Added	<b>PMEGP</b> Prime Ministers Employment Generation Programme
<b>CEMS</b> Continuous Stack Emission Monitoring System	<b>IIT</b> The Indian Institute Of Technology	<b>PSUs</b> Public Sector Undertakings
<b>CGTMSE</b> Credit Guarantee Trust For Micro & Small Enterprises	<b>IPRs</b> Intellectual Property Rights	<b>R&amp;D</b> Research & Development
<b>CII</b> Confederation Of Indian Economy	<b>ISEC</b> Interest Subsidy Eligibility Criteria	<b>SIDBI</b> Small Industrial Development Bank Of India
<b>DIC</b> District Industries Center	<b>MSE</b> Micro & Small Enterprises	<b>SLEC</b> State Level Empowered Committee
<b>ERP</b> Enterprise Resource Planning	<b>MSME</b> Micro, Small & Medium Enterprise	<b>SME</b> Small & Medium Enterprises
<b>FACR</b> Fixed Asset Coverage Ratio	<b>NIC</b> National Industrial Classification	<b>TERI</b> Trailing Edge Ring Indicator
<b>FD</b> Fixed Deposit		<b>ZED</b> Zero Defect And Zero Effect

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