

Shiv & Associates  
Chartered Accountants



MSMEs- The Growth Driver of **New India**

# Index of Content

- i. Introduction to MSMEs
- ii. New Definition of MSMEs
- iii. Benefits and Schemes for MSMEs
- iv. Registration Process

# Introduction to MSME

## MSMEs at a Glance

**3 crore**

No. of MSME  
Units in India

**7 crore**

No. of persons  
employed

**30%**

Contribution to  
GDP

**48%**

Contribution to  
Exports

# MSME Sector

- MSME Sector comprises of **Micro, Small and Medium Enterprises**.
- Provides large employment at lower capital cost
- Key contributor to India's socio-economic development.
- In 2006, MSME Act was notified to address policy issues of the Sector.
- A large number of benefits and Schemes introduced to safeguard and promote MSMEs
- In 2020, new definition of MSME introduced to widen its scope.
- Key focus on MSMEs under '*Atmanirbhar Bharat*' Campaign



# New Definition of MSME

- Criteria for MSME redefined in July 2020 to widen its scope
- Investment limit increased from Rs. 10 crore to Rs. 50 crore
- Criteria based on
  - Investment in Plant & Machinery
  - Annual Turnover
- Same criteria for manufacturing and service sector
- '*Udyam Registration*' introduced (discussed later)

# MSME Criteria



Enterprise	Revised Criteria	
	Investment Limit	Turnover Limit
Micro	< Rs. 1 crore	<Rs. 5 crore
Small	<Rs. 10 crore	<Rs. 50 crore
Medium	<Rs. 50 crore	<Rs. 250 crore
	Both Turnover & Investment Limit to be satisfied	

## Activities Not Covered under MSME:

- Wholesale Trade
- Retail Trade
- Agriculture, Fishing & Forestry

# MSME Criteria

## Calculation of Investment Limit

- Investment only in 'Plant & Machinery or Equipment' shall be considered.
- Investment in Land, Building, Furniture & Fixtures shall be excluded.
- Calculation will be linked to Income Tax Return of previous year.
- In case of new enterprises, calculation will be on self-declaration basis.

## Calculation of Turnover Limit

- Turnover of all units under the same PAN shall be clubbed together for turnover limit.
- Export of goods or services shall be excluded from computing Turnover.
- Information shall be linked to returns filed under GST and Income Tax.
- In case of new enterprises/ enterprise not having PAN, calculation will be on self-declaration basis.

# Benefits and Schemes for MSMEs

- Protection against Delay in Collection
- Dispute Resolution on Default by Customer (Samadhaan Portal)
- Bill Discounting Facility (TReDS)
- Credit & Financing Schemes
- Infrastructure Support
- Technology Support
- Procurement and Marketing Support



# Protection against Delay in Collection

## Under MSMED Act

- MSMED Act restricts the Credit Period to Micro and Small Enterprises (not Medium) to:

Where credit period is not defined	15 days
Where credit period defined in writing is up to 45 days	Such defined period
Where credit period defined in writing is more than 45 days	45 days

- In case of delay in payment, buyer shall be liable to pay **compound interest three time the bank rate** (currently 4.25%) notified by RBI.
- These rate have over-riding effect on any rate defined in agreement.
- Such interest shall not be allowed as deduction under Income Tax

## Under Companies Act

- Companies required to disclose amount payable to MSMEs separately in their Financial Statements.
- Companies also required to file Form MSME-1 every 6 months declaring dues payable to MSME over 45 days along with reason for such delay. Non-compliance may result in penalty of Rs. 25,000

# Dispute Resolution on Default by Customer

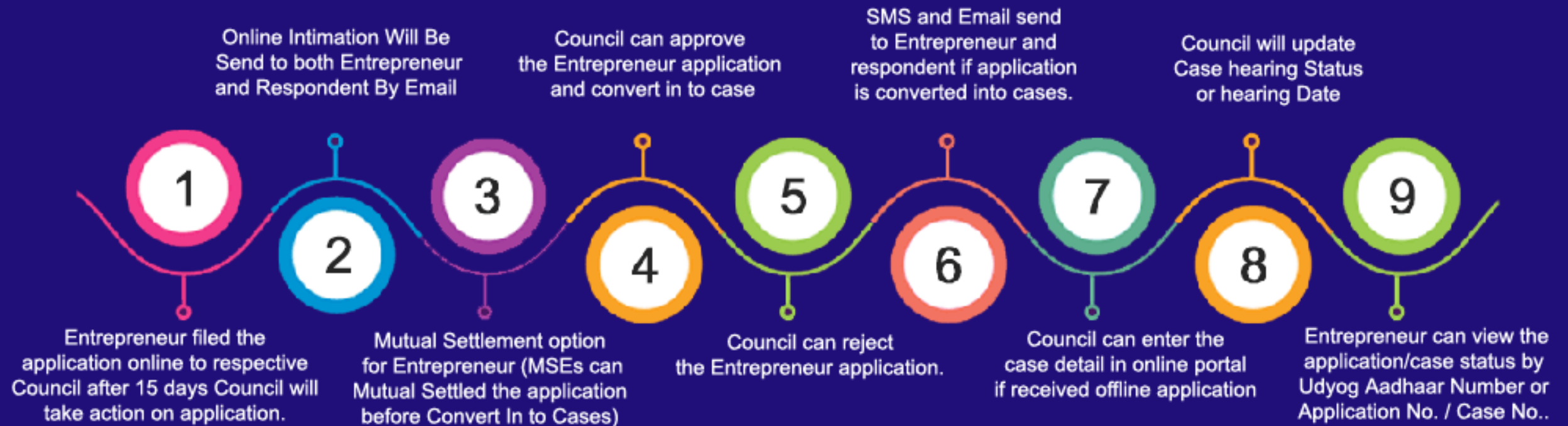
## Filing of Application against Default by Buyer

- Each state Government has established Micro and Small Enterprises Facilitation Center (MSEFC) for settlement of disputes.
- Application against defaulting buyer can be filed to respective state MSEFC.
- Alternatively, application can be filed online at [samadhaan.msme.gov.in](http://samadhaan.msme.gov.in)
- Udyog Aadhar/ Udyam Registration mandatory to file application.
- Application to include-
  - Copy of work orders, agreement, invoices and proof of delivery.
  - Claim Statement, preferably certified by a Chartered Accountant
  - Other documents supporting the claim.
- In case of insolvency/ bankruptcy, claims are considered equivalent to secured creditors
- 75% of claim amount required to be deposited to authority by buyer before filing of appeal

Note: Application can only be filed for claim settlement. Any other dispute such as rejection of goods are not covered by MSMED Act.

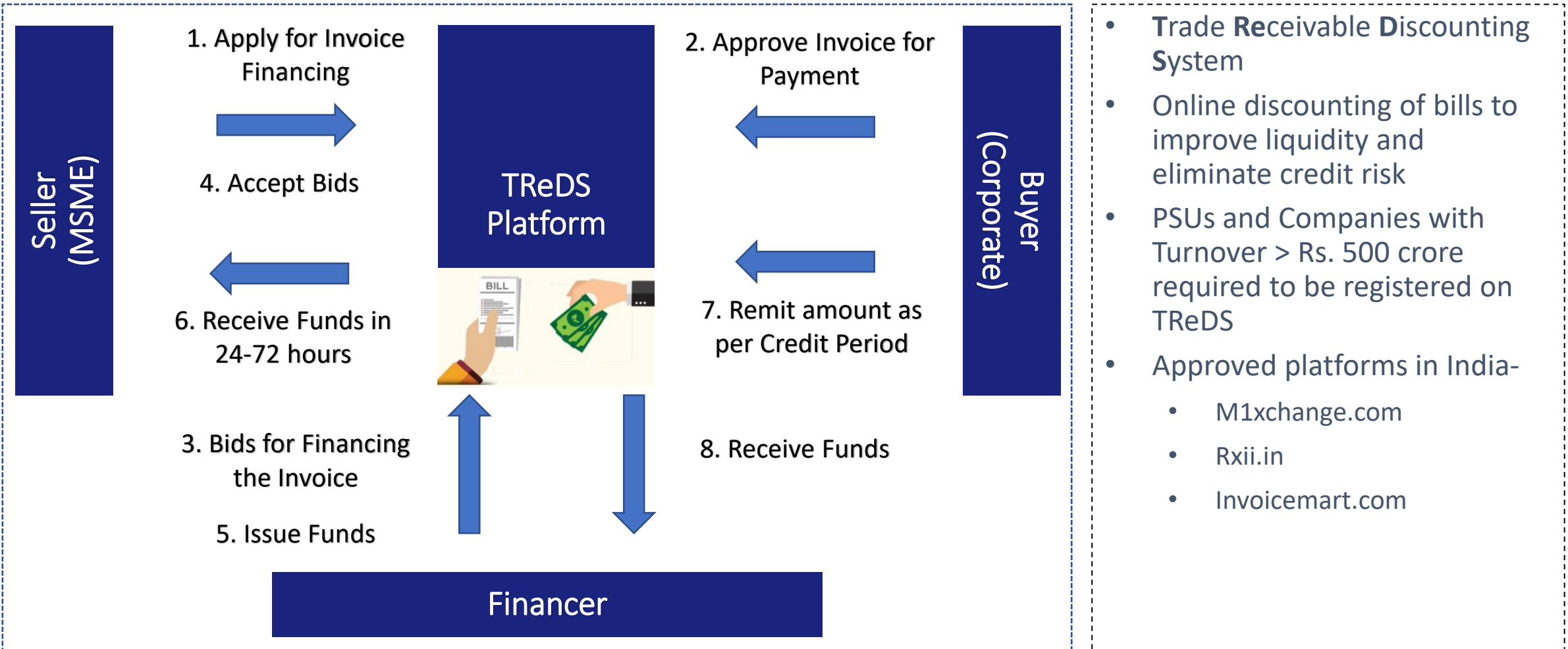
# Dispute Resolution on Default by Customer

## MSME Samadhaan- Online Portal for Filing Application



Over 63,000 application involving Rs. 18,000 crores filed till date.

# Online Bill Discounting (TReDS)



# Financing & Credit Assistance

## Collateral Free Credit (under CGTMSE)

### Eligibility:

- Micro and Small Enterprises with credit facility upto Rs. 200 lakhs

### Assistance:

- Collateral Free Term Loan/ Working Capital equaling to:

Category	Credit Facility	Guarantee by CGTMSE
Micro Enterprises	Upto Rs. 5 lakhs	85%
	Rs.5 to 200 lakhs	75%
Women Entrepreneur/ Units located in North-East	Upto Rs. 5 lakhs	85%
	Rs. 5 to Rs. 50 lakhs	80%
	Rs. 50 to Rs. 200 lakhs	75%
Others	Upto Rs. 200 lakhs	75%

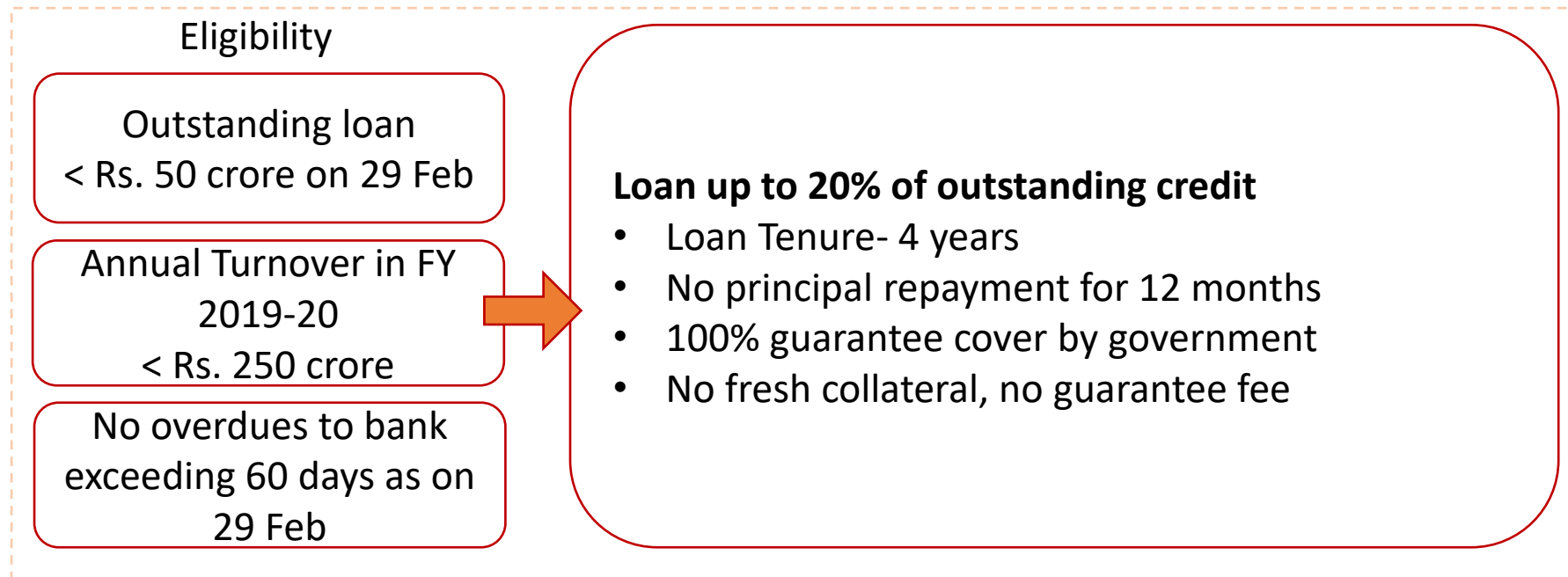
### How to Apply:

- Application to be made to respective banks/ lending institutions.

# Financing & Credit Assistance

## Emergency Credit Line Guarantee Scheme 1.0

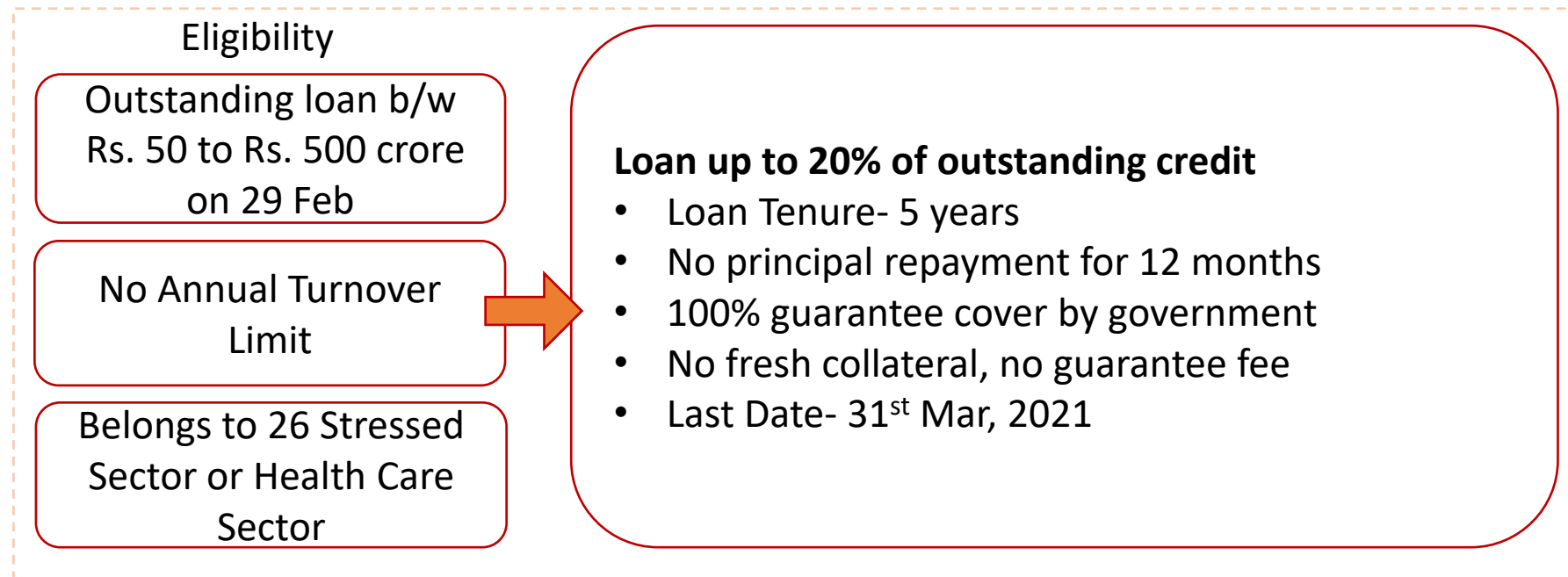
- Announced as part of 'Atmanirbhar Bharat' Economic Relief Measure
- Scheme Details are as under:



# Financing & Credit Assistance

## Emergency Credit Line Guarantee Scheme 2.0

- Launched in November 2020 for 26 Stressed Sectors and Health Care Sector



# Financing & Credit Assistance

## 2% Interest Relief

### Eligibility:

- Valid GST Registration
- Registered on Udyam Portal. Trading activities with KYC also covered

### Assistance:

- 2% interest relief on fresh/ incremental loans

### How to Apply:

- Application to be made to respective banks/ lending institutions.



# Financing & Credit Assistance

## Capital Subsidy for Technology Upgradation

### Eligibility:

- Micro and Small Enterprises upgrading existing project/ establishing new projects in approved 51 sub-sectors/ products such as toys, cosmetics, pharmaceuticals, furniture, mineral water bottle, etc.

### Assistance:

- Upfront subsidy of 15% (upto Rs. 15 lakhs) on credit for establishing new project or upgrading technology in existing project.

### How to Apply:

- Application to be made to respective banks/ lending institutions.

# Financing & Credit Assistance

## Subordinate Debt for Stressed MSMEs

### Eligibility:

- MSMEs which are operational and have become NPAs or are brink of becoming NPA as on 30<sup>th</sup> April, 2020.

### Assistance:

- Credit to promoters of such MSMEs to infuse amount as equity in the business.
- Credit of 15% of promoters stake (equity plus debt) upto Rs. 75 lakhs
- Repayment tenor upto 10 years with 7 years moratorium on principal repayment
- 90% of the guarantee cover by CGTSME

### How to Apply:

- Application to be made to respective banks/ lending institutions.

## Equity Infusion through Funds of Funds (FoF)

Funds of Funds with corpus of Rs. 10,000 created to provide equity funding for MSMEs with growth potential and liability.

# Infrastructure Support Schemes

## Scheme of Funds for Regeneration of Traditional Industry (SFURTI)

Assistance upto Rs. 5 crore to organize traditional industries and artisans into clusters in order to make them competitive and provide support for long term sustainability.

Proposal required to be submitted through SFURTI portal ([sfurti.msme.gov.in](http://sfurti.msme.gov.in))

## MSE Cluster Development Program (MSE-CDP)

Grant of upto 70% of the cost of Project (including land) of maximum Rs. 20 crore to support the sustainability of MSEs by forming cluster of MSEs and common infrastructure and support facilities

Application to be made on [cluster.dcmsme.gov.in](http://cluster.dcmsme.gov.in)

## A Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE))

One time grant of upto 100% of cost of Plant & Machinery (upto Rs. 100 lakhs) for government agencies and 50% of cost of Plant & Machinery (upto Rs. 50 lakhs) for PPP Mode with an aim to create job and promote entrepreneurship in Agro-Rural Sector.

Proposal to be submitted to [aspire-msme@gov.in](mailto:aspire-msme@gov.in)

# Technology Support

## Design Support to Manufacturing MSME Sector

To ensure cost effective solution on real time design problems for new product development and improvement in existing process

Assistance of upto 75% (maximum Rs. 40 lakhs) for engagement of design consultants.

## Lean Manufacturing Competitiveness Scheme

To enhance manufacturing competitiveness by adopting techniques to reduce waste and increase productivity.

Assistance of upto Rs. 36 lakhs to lean manufacturing consultant per mini-cluster of 4-10 units.

## ZED Certification Scheme

To promote Zero Defect and Zero Effect (ZED) Manufacturing, for enhancing quality and competitiveness in global market.

Reimbursement of 80% for Micro, 60% for Small and 50% for Medium Enterprises for ZED Certification.

# Procurement and Marketing Support

## Public Procurement Policy

### Eligibility

- MSEs engaged in manufacturing of goods and providing services
- Traders/ distributors/ sole agents are excluded.

### Benefits in Public Procurement

- 25% procurement mandatory from MSEs by Central Ministries, Departments and Central Public Sector Enterprises.
- Tender Set Free of Cost
- Exemption from payment of Earnest Money Deposit
- Relaxation of norms on prior experience and prior turnover criteria
- 358 reserved exclusively for procurement from MSEs
- 25% procurement from MSEs where price quoted by MSE is within price band of L1+15%
- Global Tender to be disallowed for upto Rs. 200 crore

# Procurement and Marketing Support

## Government e-Marketplace (GeM)

- GeM is an online platform for procurement of goods by Central Government, agencies and Public Sector Enterprises

### Benefits

- Access to National Public Procurement Market at no cost
- Special provisions for MSMEs
- Direct purchases for amount upto Rs. 25,000
- Integrated Payment System

## Marketing Support

### Financial Assistance for:

- Participation in Domestic Trade Fairs
- Organising Trade Fairs/ Exhibitions
- Development of Marketing Haats
- Workshops/ Seminars
- Vendor Development Programmes

# Registration Process

- New 'Udyam Registration' introduced w.e.f. Jul 1, 2020.
- All existing Udyog Aadhar Registrations to become invalid after Mar 31, 2021.
- Registration process fully online and without any fees.
- No documents required to be submitted.

# Registration Process

Visit  
[udyamregistration.gov.in](http://udyamregistration.gov.in)



Quote Aadhar Number of proprietor, partner, director or authorized signatory and verify the OTP on mobile number linked with Aadhar



Fill in the required details, including PAN and GSTN in the Form



Udyam Registration Number and Certificate will be issued on verification of details.



On submitting Form, Reference Number will be generated



Turnover and Investment details shall be auto filled after verification of PAN from Income Tax







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