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MSME News Update

1. BSE tightens norms for cos shifting from SME

Tightening norms for companies seeking to migrate from its SME platform to the main board, BSE said firms, directors and promoters who have been barred by markets regulator SEBI will not be eligible for the move. Accordingly, companies that are seeking migration from the small and medium enterprises (SME) platform to the main board, would be required to submit an undertaking that the company, its promoters and directors have not been debarred by SEBI. "Where there is any SEBI debarment order against the company, its promoters, directors, such company will not be eligible to migrate from SME to main board of BSE till such SEBI debarment order is in force," the exchange said in a circular. Putting in place additional eligibility criteria for migration from SME to main platform of the BSE, the exchange said that if a company has been debarred from accessing the securities market, it cannot raise any funds. However, bonus issues (not amounting to raising of funds from public) would be permitted to such extent as to not increase the post-issue capital to beyond Rs 25 crore.

However, where the directors and promoters of the company are debarred from accessing the securities market, then the company would be allowed to increase its capital to such extent so as to not increase the post-issue capital to more than Rs 25 crore. BSE said that debarred entities would not be eligible to participate in any such further issue of capital.

(Business Standard, November 29th, 2016)

2. Direct selling offering women self-employment opportunities

FICCI and KPMG have released a report titled, "The Contribution of Direct Selling to Building India" for 2016. It looks at how the direct selling industry has positively contributed to several flagship schemes launched by the government of India in the past two years. For example, the Skill India scheme seeks to provide the institutional capacity to train a minimum of 400 million people by 2022. The direct selling industry annually trains over five million people in marketing and communication skills, personality development and leadership skills. As part of Make in India many direct selling companies now make in India. Some rely on micro, small and medium enterprises (MSMEs) for manufacturing their products, investing in and providing the right equipment and machines to the MSMEs for production. Further, due to the dominance of women-centric products offered under direct selling, the industry provides self-employment opportunities to a large number of women. In 2015 alone, it has provided self-employment to over three million female distributors. By providing income generation opportunities and trainings, direct selling promotes holistic development of women.

(Business Standard, December 5th, 2016)

3. Nalco ready to handhold MSME vendors: CMD

Navratna PSU Nalco is ready to provide hand-holding support to its regular MSME vendors who ensure quality and timely delivery of products, the aluminum major's CMD TK Chand said. As a responsible large-scale industry, Nalco will make efforts to publicize select MSME brands, along with its own brand image publicity, he added.

Chand was addressing the inaugural ceremony of MSME-Expo Odisha 2016 in Cuttack. The Expo, along with a 3-day National Level Vendor Development Programme, is being held at Killa Maidan, Cuttack.

Addressing representatives of various industries, banks, small enterprises, Start-ups, as well as officials of MSME departments of the state and Centre, Chand appreciated the micro, small and medium enterprises of Odisha for scoring better in terms of providing employment and returns-on-investment compared to the national average.

(Business Line, December 6th, 2016)

4. RBI nod for first trade receivables exchange platform

The Reserve Bank has authorized the Receivables Exchange of India (RXIL), promoted by SIDBI and NSE, to launch the country's first trade receivables exchange platform for MSMEs, buyers and financiers. Promoted by SIDBI, the apex financial institution for promotion and financing of MSMEs and the National Stock Exchange, RXIL has SBI, ICICI Bank, Yes Bank, SBI Caps, and ICIC Securities as other investors.

This move is expected to benefit MSMEs by facilitating MSMEs to auction their trade receivables at competitive rates through transparent bidding process.

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The RBI had last year granted in-principle approval to three applicants to launch such an online platform, including the Sidbi-NSE joint venture, RXIL said, adding this makes it the first to receive the authorization to launch the platform. The trade receivables discounting systems (TReDS), an automated system driven platform is expected to benefit MSMEs by facilitating them to auction their trade receivables at competitive market rates through transparent bidding process on the platform by multiple financiers.

(Business Standard, December 6th, 2016)

5. **Committee set up to suggest industrial policy road map**

The government constituted a committee to examine and suggest a road map for a new industrial policy for north eastern and Himalayan states. The panel will be chaired by NITI Ayog and CEO Amitabh Kant, and will have secretaries from various ministries like MSME, ministries of north eastern region, textiles, power, commerce, expenditure, tourism, department of industrial policy and promotion (DIPP) as members, among others. DIPP shall function as the Secretariat for the committee.

(Financial Express, December 9th, 2016)

6. **34 Cos picked as GST Suvidha Providers**

The Goods and Services Tax Network (GSTN) which is building the technological infrastructure for the implementation of GST, has finalised 34 companies as the GST Suvidha Providers (GSPs), which will offer support and services to help tax payers and businesses in compliance.

The GSTN had released an initial list of 48 companies from over 200 applications it had received last month.

These companies, which were shortlisted based on eligibility criteria, had to move through the second round of qualification by showcasing their technical capabilities through a demonstration of a functioning model as a GSP with effective tax payer-oriented services.

Several leading tech companies such as TATA Consultancy Services, Tally Solutions, Deloitte Touche Tohmatsu India LLP, and Mastek Limited have been selected as GSPs.

An official of GSTN said that after the selection process, they will sign agreements with these selected companies post which an on-boarding session will be held.

"It will be to familiarize them with the law and the rules but we are not giving them any target for roll out. It will be upto the efficiency and ability of each one of them to build their own interfaces."

The person added that during the demos some companies were very well prepared and seemed ready with everything so they should not take much time to launch.

Only an IT/ITeS or financial company with paid-up (raised capital) of at least `5 crore and an average turnover of at least `10 crore during the last three financial years was eligible to become a GST Suvidha Provider. However, companies that cannot apply to be a GST Suvidha Providers could route their services through NSDL, the National Securities Depository and other qualified service providers.

Some of the other shortlisted GSPs include Ernst & Young LLP, Cygnet Infotech Private Ltd, Vayana Private Limited and Karvy Data Management Services Limited. The entire list is available on the GSTN website.

Meanwhile the registrations on the portal have crossed 7 lakh with 70% of taxpayers from Gujarat already registered and 30% of those from Maharashtra.

Big states such as Delhi and UP are expected to start registering from next week onwards.

(The Economic Times, December 9th, 2016)

7. **KVIC to tap e-commerce**

Khadi and Village Industries Commission plans to adopt e-commerce in a "big way" to reach its sales target of Rs 5,000 crore by 2018, a top official said. "We are in talks with e-commerce players and are targetting online sales in a big way to reach our sales target of Rs 5,000 crore," KVIC's Chief Executive Officer Usha Suresh said.

(Deccan Chronicle, December 11th, 2016)

8. **Income tax rate likely to come down: Minister**

Income tax rates as well as interest rate are expected to come down as a result of demonetization of high value currency notes, minister of state for finance Arjun Ram Meghwal said.

"I cannot reveal everything which will be part of the budget, but interest rate will come down...it will definitely come down", the minister said.

He also indicated there is a possibility of income tax rate cut in the upcoming budget which is expected on February 1. "There are two issues with income tax—exemption limit, and another is slab. Both of them will be looked into," he said while addressing an event organised by Laghu Udyog Bharti here. Assuring relief to the MSME sector, Meghwal said the next budget will look into their concerns.

(Live Mint, December 14th, 2016)

9. **Global cooperation scheme norm revised**

Government has further revised guidelines of the International Cooperation Scheme, which were last modified in June, and permitted Ministry of MSME or organizations under it to seek financial assistance to hold global exhibitions, seminars and workshops in India.

(Pressreader, December 22nd, 2016)

10. **Govt. clears formation of Indian Enterprise Development Service**

Government on Wednesday approved cadre review and formation of the Indian Enterprise Development Service (IEDS) in the office of development commissioner, ministry of micro, small and medium enterprises. "Creation of the new cadre and change in structure will not only strengthen the organisation, but also help achieve the vision of 'Startup India', 'Stand-up India' and 'Make in India'," an official statement said.

"The measure will enhance the capacity and efficiency of the organisation and also help in achieving growth in the MSME sector through a focused and dedicated cadre of technical officers."

The decision was taken at a meeting of the Union Cabinet chaired by Prime Minister Narendra Modi here. "The service has been created by absorbing 11 trades, recruitment to which had been done differently, following different rules," Union MSME minister Kalraj Mishra told PTI. "All these trades were created in the 1950s and 1960s when industries got developed under the regulation regime. The work of the officers of the department has changed over the years and there is need to have a cadre which works for the development of enterprise and thinks holistically."

The Indian Enterprise Development Service, to start with, will have cadre strength of 617 officers, 6 of which will be at the level of joint secretaries.

(The Times of India, December 21st, 2016)

11. **SME IPOs open; to raise Rs. 18 crore**

To tap upbeat investor sentiment, two small and medium enterprises (SME) on Tuesday launched their initial public offerings (IPOs) to raise nearly Rs 18 crore.

The companies, Libas Designs and Prolife Industries, will get listed on NSE's small and medium enterprises platform, Emerge. The initial share sale plans opened on Tuesday and will close on December 30.

According to draft papers, Libas Designs plans to mop up Rs 13.60 crore through its IPO while Prolife Industries aims to garner Rs 4.22 crore.

The public issue of Veeram Ornaments is currently under way. The IPO will close tomorrow and shares of the company will list on BSE's SME platform.

Proceeds of the issues will be utilised for business expansion plans and working capital requirements, among others.

The stock exchanges, BSE and NSE, had launched SME platforms in March 2012, becoming the only two bourses to offer such a segment in the country. Since then, several companies have got listed on them and some have even shifted to the main board.

The platform provides opportunity to SME entrepreneurs to raise equity capital for growth and expansion. It also provides immense opportunity for investors to identify and invest in good SMEs at an early stage.

SMEs together raised Rs 490 crore through initial public offerings this year so far. Most of the funds were raised in September. (DNA, December 27th, 2016)

12. **Khadi Board finds revival mantra!**

The Khadi and Village Industries Board (KVIB), Assam has done away with its around- 15-year-old legacy of sorts! Over the past 15 years, the KVIB had been buying clothes from West Bengal for stitching the National Flags in Assam on the eve of every Independence Day and Republic Day. However, this year around the Board is stitching National Flags in the run-up to this Republic Day with locally-weaved clothes. A welcome change indeed!

Talking to this reporter, Chittaranjan Baruah of the marketing department of the Board said: “We make the National Flags in six different sizes – 6 ft X 4ft costing Rs 500 apiece, 3 ft X 4.5 ft costing Rs 370 apiece, 2 ft X 3 ft costing Rs 200 apiece, 1.5 ft & 2.25 ft costing Rs 130 apiece, 1 ft X 1.5 ft costing Rs 90 apiece and 6 inch X 9 inch costing Rs 60 apiece. We sold flags worth over Rs 11.33 lakh on the Republic Day last year. On the Independence Day last year, we sold flags worth Rs 17 lakh. Since we’re making the flags this year with own clothes, we have started the work as early as November. We did distribute yarn to our around 940 registered weavers in various districts in the State this year. Locally-weaved plain clothes keep coming to the Board from various areas. We dye the clothes here in our dyeing centres and put the chakra of the Flag on them. Then we send the clothes to our tailoring section. We make the big flags first so as to maintain the economy of clothes and to avoid wastage. The smaller pieces of clothes can be used for flags of smaller sizes. We’ve to race against the clock.”

On marketing of the flags, Baruah said: “We’ve a widespread marketing network with as many as 44 sales outlets in different areas in the State. The outlets take the flags from Guwahati as and when they need. Till December 23 this year, we’ve supplied national flags worth Rs 5.60 lakh. We’ve have set a target of National Flags worth Rs 20 lakh in this Republic Day.”

(The Sentinel, December 26th, 2016)

13. **Banks told to enhance ‘additional working capital limit’ for MSMEs**

In a relief to small and medium enterprises hit by demonetisation, Reserve Bank on Thursday said banks may provide ‘additional working capital limit’ to MSME borrowers.

“Banks are hereby advised that they may use the facility of providing... ‘additional working capital limit’ (approved by their boards) to their MSE borrowers, to overcome the difficulties arising out of such cash flow mismatches also,” RBI said in a notification. This would be a one-time measure up to March 31, and should thereafter be normalised in fresh working capital assessment cycle, it said.

Consequent upon withdrawal of legal tender status of Rs 500/1000 and based on feedback that some MSEs are facing temporary difficulties in carrying out their normal business due to cash flow mismatches, the decision was taken, the central bank said. Prime Minister Narendra Modi on November 8 announced scrapping of Rs 500/1,000 notes, which resulted in cash crunch in the market and slowdown in business.

The contribution of micro, small and medium enterprises (MSME) sector, including service segment, to the country’s GDP is around 40 per cent, while the total employment in the sector is 805.24 lakh. On Wednesday, the RBI gave borrowers another 30 days over and above the 60 days for repayment of housing, car, farm and other loans worth up to Rs 1 crore before their accounts are classified as NPA. So, borrowers together get 90 days breather from getting the account classified under non-performing asset (NPA) category. The above dispensation will apply to dues payable between November 1 and December 31, 2016, it said.

(The Pioneer, December 30th, 2016)

14. **Telangana bid to revive MSMEs**

The Telangana government would soon set up an ‘Industrial Health Clinic’ to revive sick units in the MSME sector with a corpus of Rs 100 crore, Industries Minister KT Rama Rao said in the Legislative Assembly here today. Noting that 70-75 per cent jobs are provided by the MSME sector, he said there is a need to protect units in the sector. The clinic will be a non- banking financial institution.

(The Economic Times, December 30th, 2016)

ARTICLE

Propelling MSME Growth: Ways and Means

By: Uma Reddy

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Managing Director, Hitech Magnetics & Electronics Private Limited*

The Micro, Small & Medium Enterprises – MSMEs are playing a vital role in contributing to the Indian economy. MSMEs are one of the most vibrant sectors in India and the significance of MSMEs is attributed to its capacity of quick turn around time, lean manufacturing, high employment generation, low capital and technology, innovative skills, use of local resources, and be able to think and implement on its feet.

The MSME Sector consisting of 36 million units, providing employment to over 80 million people through more than 6,000 products contributes about 8% to GDP besides 45% to the total manufacturing output and 40% to the exports from the country.

In tune with the Hon'ble Prime Minister's vision for Make in India including Start up India and Digital India, MSMEs in manufacturing and services across all sectors have the potential to be the engines of growth.

There is a need for Short term, Medium term and Long term Plans For these, strategies for growth and key areas that need focus are

- Ease of doing business
- Level playing field for MSMEs
- Skilling in MSMEs
- Competitiveness
- Digital platforms

Ease of doing business: India now ranks 130 out of 189 countries in the ease of doing business, moving up four places from last year's adjusted ranking of 134. There is a concerted effort both by centre and state to improve the business environment in terms of Infrastructure, power, finance etc. . There is a huge change in the policy environment across centre and states for a conducive ecosystem for MSME growth and be globally competitive. As a measure for improving the ease of doing business, the government has made some quick moves to change labour laws, simplification of procedures, electronic formats for compliance, guidance programs and workshops. Though there has been an incremental step up in the ranking, but for a leap to happen, there would be a need for an out of the box, innovative strategies with path breaking amendments.

Level playing field for MSMEs: There is a need for state of the art, technology and production capabilities conducive for the participation and growth of MSMEs. Enhancing the R&D in MSMEs & the potential for indigenization. Easy access to finance, Improved FDI policy, Exchange rate variation protection, reduction in anomalies of taxation and central excise between states with rolling out of GST etc will play a crucial role in supporting MSMEs.

Skilling in MSMEs: As a result of many factors had emerged the new policy and the government focus on skill development. The need of the industry for an efficient, well trained and skilled workforce and the need for suitable jobs for the unemployed youth have contributed to a focus on skill development.

The changing demographic profile of the country, with 54% of its population under 25 years of age, and the rising aspirations of the youth who seek better jobs and higher incomes, had brought about a paradigm shift and focus on this area.

Thought Training is a lifelong process, there is an immediate need for Speed and Scale of implementation. Not only startups, but even staff of MSMEs needs skilling and reskilling to keep abreast with new technologies. Skill up gradation, reskilling and entrepreneurship provide the backstopping support for both MSMEs and potential entrepreneurs to being both job seekers and job creators.

The Ministry of MSME conducts a large number of vocational and entrepreneurship development programs through MSME – Dis and through all the trade bodies and associations. MSMEs itself play a crucial role in being a hands on training ground for skill and vocational training.

Since the numbers and reach is very high, there is a need for a large multiplier effect along with certifications and advanced training programs. Some of areas of focus are. Entrepreneurship Development Program. Skill Development Training, Entrepreneurial Skill Development Program, Management Development Program etc.

Competitiveness: Globalization has opened up the economy in India and integrated as part of the world economy. This has opened up opportunities as well as challenges. MSMEs can market their products and services globally even at the click of a button. At the same time they are also subject to global competition. The free economy brings in in accessibility to new and large markets and a higher exposure to improved manufacturing techniques. MSMEs that are innovative, have a strong technological base and a competitive spirit with a willingness to learn new technologies come out very successfully to contribute to the Indian economy.

Digital platforms: Today, use of IT / technology in MSMEs has become a game-changer vis a vis the old practices of doing business. India's rapid ascent to one of the world's most technologically-advanced countries has been because of leap frogging in the IT arena.

However, there is a larger need for IT implementation in MSMEs. MSME can use a lot of IT tools for their business growth. Needless to say, that the ecommerce space and the social media throws out various opportunities for MSMEs to be visible globally. While a portion of MSMEs contribute to India's technology industry in manufacturing and service sectors, but there is a need for all MSMEs across size, sectors and location to have adopted the digital platforms technology for CRM, day-to-day business practices, Communication, Marketing, Reporting, documentation and better governance. Digital Technology is the means to this end.

Prime Minister Shri Narendra Modi's Make in India Strategy provides the platform for innovation, technology, skill development and a more sustainable eco-system for MSMEs in India. National leading organisations such as FICCI with its CMSME FICCI plays a major role in facilitating and fostering MSMEs growth. The MSME sector with a good sustainable infrastructure and eco system has the potential to spread industrial growth across the country and can contribute to inclusive growth in the country.

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