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NEWSLETTER

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MSME News Update

1. ***DefMin unveils strategic partnership policy***

To bolster defence manufacturing in India through indigenous private defence firms, the Defence Ministry has unveiled the Strategic Partnership (SP) policy as part of the Defence Procurement Procedure (DPP). The 17-page document, delineating the contours of the SP policy was put up on the Defence Ministry's website.

The new policy aims to "reduce current dependence on imports and gradually ensure greater self-reliance and dependability of supplies essential to meet national security objectives". It was approved by the Defence Acquisition Committee (DAC), chaired by Defence Minister, Arun Jaitley in May and noted by the Cabinet Committee on Security.

The original recommendation for SP model included selection of a private Indian defence manufacturer for one particular segment (submarines, helicopters etc) and guaranteeing them all orders of that product for the next 20 years. That guarantee has been dispended with, and subsequent acquisitions of any platform will be open to all, though adequate weightage will be given to "capacity creation and capability development including infrastructure, tiered ecosystem of vendors, skilled human resources, futuristic R&D etc".

The SP model will initially be applicable in four segments: Fighter Aircraft, Helicopters, Submarines, and Armoured fighting vehicles (AFV)/Main Battle Tanks (MBT). Only one SP will generally be selected per segment, as per the criterion laid down. Stringent conditions for a minimum of 51 per cent Indian ownership of the SP have been laid out in the policy.

As per the policy, "the SP is expected to play the role of a System Integrator by building an extensive eco-system comprising development partners, specialised vendors and suppliers, in particular, those from the MSME sector". The selection criteria for SP, therefore, will be based on the inherent capacity and ability of the vendor to emerge as a systems integrator and to set up a vendor network for sourcing.

One of the highlights is the need for the chosen SP to enter into relevant tie-ups with foreign original equipment manufacturers (OEM). Accordingly, the ministry will shortlist, through an open process based on Staff Qualitative Requirements (SQRs), Technology Transfer needs and indigenisation roadmap, a list of potential OEMs in each of these four segments. The process of shortlisting of OEMs will be done by the ministry simultaneously with the process of identifying potential SPs.

The OEM will be jointly responsible along with the SP for certification and quality assurance of the platforms supplied to the armed forces. To ensure 'Make in India', the policy states that only a minimum number of platforms, not exceeding 10-15 per cent of the number of units being procured, can be manufactured in the OEM's premises. Moreover, the SP shall commit to a plan to indigenise, in terms of value of production, manufacturing of the platform over a set period for each platform as defined in each proposal. The unveiling of the SP model is likely to push the production of some of the longstanding procurement proposals of the defence services.

(The Indian Express, June 1st, 2017)

2. ***Maersk ventures into trade finance***

To make overseas exports easier for Indian companies, especially SMEs, Denmark-based AP Moller - Maersk, one of the largest container shipping companies globally, has set up a new business vertical, Maersk Trade Finance.

In a nutshell, Maersk Trade Finance is a digital platform with pre-shipment and post shipment credit facilities. It enables exporters – manufacturers or traders – to not only get the cargo shipping services online but also apply for funds that can be used either to pay for the shipment or to invest in new orders.

India is a pilot country for such services, followed by Singapore, the Netherlands, Spain, the US and the UAE. The funds are provided to Indian exporters in foreign currency as, being a foreign entity in India, Maersk cannot lend in rupees. It cannot finance imports either. In future, the company may consider applying for a banking licence, provided there are no alternate ways to expand the trade finance services in India.

The shortage of trade finance across businesses is cited as one of the main obstacles in the global commerce. Risks related to import-export operations compel lenders to raise the barriers for borrowers, making access to funds difficult for SMEs.

(Business Line, June 1st, 2017)

3. *Strengthening MSMEs vital says Mishra*

Union Micro, Small and Medium Enterprises (MSME) Minister Kalraj Mishra said if India is to grow as an industrial hub, emphasis has to be laid on strengthening the MSMEs.

Addressing an MSME Sammellan, Mishra said while developed countries across the world attained their position by promoting small and medium enterprises, India has so far neglected them. He said it was only during former PM Atal Bihari Vajpaye's tenure that MSME was carved out as a separate ministry to lay emphasis on it.

He said the Central government had taken several steps towards minimising non-performing units by launching a programme of revival and rehabilitation of such units.

He said the Central Government has prepared the industry profile of all districts of the country besides conducting the skill mapping. He said special emphasis was being given on the innovation and for this a provision of Rs 10,000 crore had been made under Atal Innovation Mission.

(The Tribune, June 1st, 2017)

4. *India, Germany Plan Pact to help startups thrive*

Indian startups may soon get easier access to the German market and investments thanks to an agreement the government is planning to sign with the country for a startup exchange programme.

Commerce and industry minister Nirmala Sitharaman, during her recent visit to Germany alongside Prime Minister Narendra Modi, discussed with the country's economic affairs minister Brigitte Zypries opportunities for collaboration to share knowledge and best practices in the startup ecosystem.

"There are synergies between India's and Germany's startup ecosystems since both countries have a similar set of sectors investing in new ventures," a senior government official said.

A formal agreement between the two countries is being worked upon and is likely to be signed soon, the official said on condition of anonymity.

The agreement will be signed between Startup India and the German Startups Association, which has about 650 startups and 50 partners, including corporate entities and venture capital firms, and coordinates with the United States, China, India and Israel.

Meanwhile, three German startups working in renewable energy sector have sought support from Sitharam for entering India and working with the government's Startup India initiative to explore business opportunities in the country.

India is exploring other such international tie-ups as well to promote domestic startups and provide them with a global platform, officials said.

Under the latest amended patent rules, startups from across the world can register patents in India faster and at much lower costs under a 'tatkal (instant)' option being offered now. These benefits will also be available to entities that file their first applications in India.

Under the Startup India programme, launched in January 2016 by Prime Minister Narendra Modi, the government had announced a host of incentives to companies including tax breaks and easier access to finance.

The Department of Industrial Policy and Promotion (DIPP) has recognised 1,006 of the total applications received by the government as part of Startup India and the inter-ministerial board has approved 23 for extending tax benefits. Startups in India are eligible for income tax exemption for three years in a block of seven years if they are incorporated after April 1, 2016.

Besides, the government has created a fund of funds with a corpus of Rs 10,000 crore to be released till 2025 for investments in startups. Managed by Small Industries Development Bank of India, the fund has so far committed Rs 623 crore to 17 alternate investment funds.

DIPP has sought additional Rs 1,600 crore for the fund from the finance ministry.

(The Economic Times, June 4th, 2017)

5. *FDI in defence may be relaxed further*

To attract more overseas inflows, the government is considering to further relax foreign direct investment norms in the defence sector.

Currently FDI up to 49 per cent is permitted in the sector through automatic route and beyond that up to 100 per cent via government nod is permitted.

The issue of raising the FDI cap was discussed in a meeting convened by the department of defence production.

"The meeting was attended by industry chambers including CII and FICCI. The ministry asked the stakeholders to suggest what more needs to be done in the FDI policy to attract foreign investors," sources said.

Industry experts have stated that foreign investors seek assured orders before setting up manufacturing unit in any country.

In India, government is the only procurer of defence equipment. Besides, export of defence products from India is also very regulated.

In 2016, the government relaxed FDI norms in several sectors including defence. India imports 70 per cent of its military hardware from different countries.

As per the policy, foreign investment up to 49 per cent has been permitted in the defence sector through automatic route, and beyond that limit through government route on case-to-case basis, wherever it is likely to result in access to modern and state-of-art technology.

Last month government cleared 'strategic partnership' policy to create a vibrant defence manufacturing ecosystem in the country through involvement of both the major Indian corporates as well as the MSME sector.

Under the policy, select private firms will be roped in to build military platforms like submarines and fighter jets in India in partnership with foreign entities.

During April 2000 and March this year, defence sector has attracted FDI worth only $5.12 million (Rs 25.49 crore).

(Press Reader, June 6th, 2017)

6. *GST may increase prices of garments*

Garment and apparel prices may increase under the Goods and Services Tax (GST) regime with 'job work' inviting 18% levy.

Under the current system, there is no tax on job work as it is considered a "subsequent process" in the manufacture of textile products and not a service.

However, under GST, there is 18% levy, said J. Thulasidharan, chairman, Confederation of Indian Textile Industry (CITI). He said the tax should be on the product and not on the process. Hence, the industry wanted the tax to be reduced to 5%.

M. Senthil Kumar, chairman, Southern India Mills' Association, said cotton knitted garments, yarn and garments will attract 5% duty under GST. The intermediary processes — knitting, processing, tailoring, printing and embroidery work — are all done through job work and attracts a 18% duty.

The increase in cost of a T-shirt due to the inverted duty is Rs. 4.61.

If the rate for job work is reduced to 5%, the increase in cost of the T-shirt is just Rs. 1.55 (assuming the cost of cotton yarn to be Rs. 220 a kg).

"When 80% of textile production is in the SME sector and is done through job works, the units registered as job worker should be either exempted from GST or should have the rate applicable for the principal product," said D.K. Nair, former secretary general, CITI.

The rate on man-made fibre and yarn is 18% and on fabric it is 5%. The weaver will not be able to take input credit for the entire amount.

Hence, the rate on man-made fibre yarn should be reduced to 12%, said Prabhu Dhamodharan, secretary, Indian Texpreneurs Federation. Products or processes, such as blends, and recycled PET fibre yarn that were earlier exempt or had a concessional duty now have 18% rate.

(The Hindu, June 10th, 2017)

7. *Alibaba Cloud to open data centre in India*

Alibaba Cloud, the cloud computing arm of Alibaba Group, announced that it plans to establish two new data centres in Mumbai in India and Jakarta in Indonesia during the current financial year.

Together with the recently announced data centre in Malaysia, Alibaba Cloud will significantly increase its computing resources in Asia, allowing greater support for small and medium enterprises (SMEs) throughout the region with powerful, scalable, cost-effective and secure cloud capabilities, according to a statement.

With the three new data centres planned, Alibaba Cloud will increase its total number of data centre locations to 17, covering mainland China, Australia, Germany, Japan, Hong Kong, Singapore, the United Arab Emirates and the United States.

The new Asian data centres will offer a full suite of services, providing the flexibility for enterprises and organizations to build their entire IT infrastructure for business on Alibaba Cloud or run mission-critical and core applications on it.

Servicing thousands of customers from India, Alibaba Cloud has partnered with Global Cloud Xchange (GCX), a subsidiary of Reliance Communications to directly access Alibaba Cloud Express Connect via GCX's CLOUD X Fusion.
Separately, Tata Communications has inked a deal with Alibaba Cloud to enable customers from India and 150 other countries to connect to the e-commerce giant's 'Express Connect' platform for a fast and secure network. The Express Connect will be linked through Tata Communication's IZO Private Connect service.
(The Hindu, June 10th, 2017)

8. *Sparks of Another Street: SMEs Outshine Main Cos*

Companies listed on the exchange platform for smaller enterprises have outperformed those on the main board in the last one year as the stock market euphoria drove demand for the lesser-known names. While the BSE's SME IPO Index -comprising shares that debuted on the Small and Medium Enterprises (SME) platform -has risen 52% since June last year, the IPO index has gained 42% during the period.
The SME platforms on both the exchanges were launched for small companies that were not eligible to list on the main platform. Since compliance requirements are less stringent and companies are small, the capital market regulator had raised the entry bar for investors compared to the normal IPOs. But, with the stock frenzy spreading wide, many investors found value in many shares listed on the SME platform.
"These are micro-cap securities with low base. Average turnover is less than Rs 50 crore and it is very easy to have multi-fold growth achieved in these companies with the growth capital. Economies of scale are in their favour, "said Mahavir Lunawat, managing director at Pantomath Capital Advisors, a leading merchant banker in the SME IPO space.
Since January 2015, 42 stocks on the SME have at least more than doubled. In the main IPO market, three stocks have more than doubled.
While most of the activity is being driven by savvy individual investors, some domestic institutions have begun showing interest in stocks on the SME platform.
In 2016, chemical maker ValiantBSE -0.78 % Organics got investment from Reliance Mutual Fund for its SME IPO. In another instance, DSP Blackrock had picked up shares in Momai Apparels.
"Institutional interest is gaining day by day with more and more companies coming up and quality stocks giving superior performance. There have been large brokerages and mutual funds which have taken interest in some of the scrips, "said Lunawat. "Their participation is far below the desired level. "
In the first five months of the current year alone, 44 companies have launched IPOs on the SME platform, raising Rs 553.65 crore as against Rs 537.27 crore raised by 67 companies in all of 2016, showed data from IPO market tracker Prime Database. Prior to that in 2015, 43 companies raised Rs 260.21 crore through SME IPO route. Average SME IPO size has also gone up to Rs 11 crore this year from about Rs 6 crore in 2016. The average market capitalisation is Rs 50 crore. Till date, 183 companies have debuted on BSE SME to raise a total of Rs 1,439.45 crore.
Analysts however warn that the stocks on the platform are risky for retail investors.
"The SME space represents good growth potential but risk is also higher here. Hence, Sebi has a high minimum investment size which keeps retail investors out, "said Pranav Haldea, managing director at Prime Database.
Others said there is concern of liquidity and promoters round-tripping funds. "Often it is the close circles of promoters who apply in these IPOs. Also because of the fervour around IPOs, even SME IPOs get oversubscribed, "said Arun Kejriwal, founder of Kris Research
(The Economic Times, June 13th 2017)

9. *Samsung, MSME Ministry widen partnership*

Samsung India signed an MoU with the Ministry of Micro, Small & Medium Enterprises (MSME) for its technical school initiative, renewing its partnership for 10 existing schools run across the country and also adding two new MSME-Samsung Technical Schools at Bengaluru and Jamshedpur.
With this, the number of schools in partnership with the Ministry of MSME goes up to 12. The company runs another 10 such schools in collaboration with Departments of Technical Education in different states such as Rajasthan, Kerala, Bihar, Delhi and West Bengal, taking the total to 22.
Reinforcing its commitment to the government's 'Beti Bachao, Beti Padhao' campaign, the company also announced the.

MSME-Samsung Technical School Scholarship program for girls and differently-abled trainees.
A Meritorious Reward Program for toppers at these institutes has also been launched. The Scholarship program, 1,000 girls and differently-abled trainees, who have successfully completed the basic course, will be given a scholarship of up to INR 20,000. This will cover the entire fee for the Samsung Advanced Repair and Industrial Skills Enhancement 2 (A.R.I.S.E.2) programme.
(Samsung News Room, June 2nd, 2017)

10. *GST blues: MSMEs in TN halt production*

Micro units that are into manufacture of products are in a fix. Industry insiders say that a number of units have halted production at least a fortnight ahead of the GST rollout, fearing loss of input tax credit on the inventory held by the them.
Suresh Krishnan R, Proprietor, Gramma Weighing Technology, said that they have relinquished the stock on hand and halted production for the time-being.
The company, which is into making of electronic weighing machines for the industry and retailers, sells 60 to 70 machines a month. “We have done close to 100 this month and stopped production. Orders continue to flow, but we are not executing them for the present,” Krishnan told this correspondent.
(Business Line, June 13th, 2017)

11. *Tax firms swoop in ahead of GST*

The complexity of GST rules has brought big players like global tax consultancy firm KPMG into indirect tax compliance field, which was hitherto dominated by individual chartered accounts, to offer solution to small business.
“After the rollout of GST, businesses would have to comply with a lot of rules. And it would put severe strain on small businesses, who don’t have wherewithal to comply with so many rules,” said Santosh Dalvi, partner and head, western India, indirect tax, KPMG India.
GST requires all businesses to upload data every day. Every month, a business entity must file three returns every month, apart from an annual return. This makes an indirect assessee to file 37 returns in a year. For this, a high level of synchronisation between tax payer’s application — an invoicing software — and the GST system.
This cumbersome process, however, has opened up a new market for organised players like KPMG, Cleartax, Tally, among others to tap small businesses, which till now serviced by chartered accounts.
India has over 30 lakh SMEs, which contribute almost 50 per cent of the total industrial output, and can create a big market for tax service providers. HP has tied up with KPMG to offer a buddled tax software with its laptop, which could be bought on EMI. Cleartax also offers software, which is available in both online and offline modes on annual subscription model.
(Deccan Chronicle, June 16th, 2017)

12. *Rs. 1,66,806- crore AP credit plan launched*

The credit plan with Rs. 1,66,806 crore for 2017-18 was launched by Chief Minister N Chandrababu Naidu at Amaravati at the state-level bankers’ committee meeting. It is 14.04 per cent higher than the amount allocated last year.
It was decided that the priority sector would get Rs. 1,26,806 crore, the rest being for the non-priority sector, with agriculture getting Rs. 87,471 crore and the MSME sector Rs. 25,000 crore.
The Chief Minister exhorted the bankers to give timely and adequate credit to farmers, whether they are owners or tenant farmers, and also to the MSMEs. He said bankers should play a key role in rebuilding the State.
(Business Line, June 16th, 2017)

13. *GSPs can relax, Get more Time for Rollout*

Service providers for the Goods and Services Tax (GST), who will offer taxpayers the technological solutions to file GST returns, as well as companies offering other value-added services have welcomed the decision by the GST Council of extending the timeline for filing of tax returns by two months.
Following concerns raised by the trade and industry, the GST Council said that taxpayers need to file only simple returns comprising a summary of outward and inward supplies for July and August, while the invoice-based details can be filed from September.

ET had reported last week that GST Suvidha Providers (GSPs) had urged the GST Network, the nodal agency in charge of the IT infrastructure and services for GST implementation, to defer the date for filing of invoices by at least a month from August to September, so as to allow GSPs to carry out testing and security compliance given the delay in opening of APIs (application programming interface). "This is a very welcome move. GSPs had requested for an extension by at least a month, and the extension of two months will be extremely helpful for us to be prepared with our systems for tax filings," said Vinod Tambi, COO at Excellon Software, a sales and distribution management software provider, which is a GSP.
Other service providers also said that this move will help GSPs be better prepared for the GST rollout. "It will give the industry the much needed time to align their IT systems and integrate with the GSTN," said Abhishek Jain, tax partner at EY India, which is also a GSP. The extension in filing is expected to particularly help the industry as whole, especially small taxpayers in compliance. "Extension of GST filing comes as a relief for the large SME and MSME segment," said Ankit Agarwal, MD, Alankit, another shortlisted GSP.
(Press Reader, June 19th, 2017)

14. *BSE SME platform gets 214 draft files for IPO*

The BSE's small and medium enterprise (SME) platform seems to be generating significant interest from investors with as many as 214 firms filing draft papers to raise funds through IPOs. The SME platform was launched in May 2012.
Out of 214 companies, 183 are already listed and have raised Rs. 1,440 crore from the market. Currently, these firms have a market capitalisation of Rs. 18,832 crore. Of these 183 firms listed on the BSE SME platform, 29 have migrated to the BSE main board. Asia's oldest bourse is the leader in this segment with more than 80 per cent market share.
Moreover, a total of 26 SMEs are expected to launch their IPOs soon.
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.
"BSE's SME has become the first SME platform in India where 214 companies have filed their prospectuses for getting listed," the exchange said in a statement.
The Indian SME sector has emerged as a highly vibrant and dynamic sector of the economy over the past few years.
(Business Line, June 19th, 2017)

15. *Haryana cuts power rates for industry by Re1*

Following in the footsteps of Punjab, the Haryana Government announced it was slashing power tariff for industry by Re 1 per unit. Micro, small and medium enterprises (MSME) will now get power at Rs 5 per unit (Rs 4.99 to be precise) and large units at Rs 6 per unit.
"The tariff cut is a part of a series of incentives, including leasing panchayat land on a long-term basis for setting up industry and upgrading infrastructure," the Haryana Industries and Commerce Minister told The Tribune.
High power rates, exorbitant land cost and deteriorating law and order have placed the industry in Haryana into a disadvantageous position vis-a-vis the industry in other states. The Khattar government is trying to rectify the same. The new power rates are likely to be notified along with other "pro-industry" initiatives, say sources.
The state government had recently passed on the benefits of reduced power tariff to domestic consumers after a relief in fuel surcharge adjustment (FSA). In doing so, it had kept the Haryana Electricity Regulatory Commission (HERC) in the loop to avoid any legal or technical snarl at a later stage.
(The Tribune, June 21st, 2017)

16. *DIPP constitutes six groups for preparing new industrial policy*

The Commerce and Industry Ministry has constituted six groups for preparing a framework for the country's new industrial policy that includes taxation, MSME and innovation, among others. The Department of industrial Policy and Promotion (DIPP), under the commerce ministry, is working on this policy which would completely revamp the industrial policy of 1991, an official said.
Members of these groups include government officials, academicians and representatives of professional firms. The draft of the policy should be ready by September. Besides taxation, MSME (micro, small and medium enterprises) and innovation and and technology, the groups would prepare reports on infrastructure, intellectual property rights (IPRs), ease of doing

business and employability of future workforce.

With the changing manufacturing scenario and introduction of Industrial Revolution 4.0, "there is a need to completely revamp the industrial policy of 1991", the official said. Industrial Revolution 4.0 means use of modern technologies, artificial intelligence and robotics in manufacturing.

The new policy also aims at aligning with the governments flagship programmes such as Make in India, Skill India, Startup India and the foreign direct investment norms.

As per the DIPP website, industrial policy since 1991 has been more for facilitating the industrial development rather than anchoring it through permits and controls. Industrial licensing was abolished for most of the industries and there are only four industries, including defence and explosives, where licence is currently required.

(The Times of India, June 21st, 2017)

17. *High GST on farm machinery to hit farmers*

The high rate of GST on farm machinery, including threshers, rotavators, laser levellers etc and agriculture implements, is likely to hit manufacturers and the farmers. At present, there is no excise duty and also no VAT on farm machines and implements in most of the states.

According to industry, almost every farmer in the country use farm machinery and equipment either by taking it on rent or by purchasing, so the increase in prices of implements will increase their input cost.

"There is no excise duty on agriculture implements and machinery. Also, there is no VAT in most of the states on farm machines and implements. Under the GST, farm machinery will be subjected to 12% duty whereas agricultural implements have been put under 28% tax slab. This will put an extra burden on farmers as manufacturers would be compelled to increase the prices. Thus, the imposition of taxes will act as a stumbling block in farm mechanisation, which will hit farmers and ultimately affect the productivity," said Sonalika Group's vice-chairman AS Mittal.

According to the Agricultural Machinery Manufacturers' Association, the total size of the agriculture farm machinery in India is over Rs 32,000 crore, with over 1.50 lakh units, including large, MSME and tiny units engaged in manufacturing. In Punjab alone, there are over 3,000 units engaged in manufacturing farm machinery and components.

Echoing similar sentiments, Shamsher Singh, GM (Marketing), Preet Agro Industries (P) Ltd, said: "The move by the Central government to impose 12% duty on farm machinery will hit the industry hard as it will push the prices of the finished product, putting an extra burden on the farming community".

The industry has requested the Finance Ministry to reduce the duty on agriculture machinery to 5% in the interest of farmers and also lower the tax structure on implements.

(The Tribune, June 21st, 2017)

18. *EEPC India opens Tech Centre in Bengaluru*

The Engineering Export Promotion Council of India (EEPC India), the apex organisation of the country's engineering exporters, has launched the 'EEPC India Technology Centre' in Bengaluru with support from the Union Commerce Ministry.

The initiative is aimed at making Indian exports competitive in the world market by scaling up technology in manufacturing, especially by the MSME sector.

Inaugurating the EEPC India Centre, Commerce Secretary Rita Teaotia said that the Ministry of Commerce and Industry has given major focus on innovation and technology for development of the Indian engineering sector. "The aim is to increase India's share of hi-tech and value added products exports in the global markets, which is currently pegged at around 6-8%," She said.

She also assured that the centre shall attempt at gathering global market intelligence for technological development that would also help the government in framing appropriate policies for research and development in India. EEPC India envisages to collaborate with leading technology providers of the world, a release said.

(Deccan Herald, June 22nd, 2017)

19. *MSME investors meet in Oct: Deshpande*

The state government will not conduct the Global Investors' Meet (GIM) this year, but would instead give impetus to micro-, small- and medium-scale industries in Karnataka, Large and Medium Industries Minister R V Deshpande has said.

Speaking to journalists at the inauguration of Tata Hitachi Operators Training Centre, he said that on Chief Minister Siddaramaiah's suggestion, the MSME Investors' Meet would be held in Bengaluru in October.
At Invest Karnataka, the last GIM held in February 2016, there were proposals worth Rs 1.77 lakh crore, and more than 1,080 new projects were approved by the government. Half of the approved projects have become operational while 46% would become operational in a couple of years. Just 4% of companies have withdrawn their proposals, Deshpande said.
Speaking of the GST, the minister said Karnataka had welcomed the decision to roll out the path- breaking tax legislation from July 1 onwards. Agriculture Minister Krishna Byre Gowda would represent Karnataka at a meeting called by the Centre in New Delhi. Karnataka has urged the Centre to reduce the tax on hybrid vehicles, farm equipment and spare parts of tractors to help farmers, he said.
According to Deshpande, tax collection in the state rose by 14% in April and May. The Centre has promised to make good any shortfall in tax receipts once GST comes into force, he added.
(Deccan Herald, June 24th, 2017)

20. *NSE, Andhra Government sign MoU to fuel growth of MSMEs*

Stock exchange NSE on Tuesday inked a pact with Andhra Pradesh government to help micro, small and medium enterprises (MSMEs) in the state to raise capital through listing on the bourse's platform. As per the memorandum of understanding (MoU), the Andhra Pradesh government would facilitate MSMEs to get listed on NSE Emerge, the platform for small and medium enterprises, by supporting such firms financially or otherwise, in bearing the expenses related to listing.
"A fund is also being created by the Andhra Pradesh government to encourage investors to invest in the fast-growing SMEs in the state, on the exchange platform," NSE said.
The MoU was signed between Andhra Pradesh government's industries, commerce & export promotion Commissioner Siddhartha Jain and NSE's Chief Business Development Officer Ravi Varanasi, at Vijaywada in Andhra Pradesh.
(Money Control, June 27th, 2017)

21. *MSME Ministry inks pact with SAP India, Intel, HMT*

The Ministry of Medium, Small and Micro Enterprises (MSME) signed memorandum of understanding with SAP India, Intel and HMT with the aim to digitally empower small businesses.
Launching the "Digital MSME Scheme', MSME Minister Kalraj Mishra said the scheme revolved around cloud computing, which was emerging as a cost-effective and viable alternative in comparison to in-house IT infrastructure installed by MSMEs. "Cloud computing is free from the burden of investment on hardware/software and infrastructural facilities," an official statement read.
According to SAP India, the initiative aims to provide MSMEs with access to technology to help them streamline and integrate key processes, such as financials, sales and inventory with single business software. The tech major said it would also provide software and training curriculum to trainers identified by the Ministry under the 'train the trainer' method.
The Minister also gave away National Awards for MSME 2015 to 56 enterprises in various categories, including 50 MSMEs and six banks for their "outstanding" performance.
(Business Line, June 27th, 2017)

22. *Andhra Pradesh to set up MSME Corpn*

The Andhra Pradesh Micro, Small and Medium Enterprises Development Corporation will be set up with a budget of Rs. 100 crore to strengthen MSMEs in the state, Chief Minister N Chandrababu Naidu has said.
Launching the logo of AP MSMEDC on the occasion of International MSME Day, he said the corporation would help in marketing, branding, skill development and quality improvement of MSME products.
He said 15 acres would be allotted for MSME bhavan in Amaravati for research, development and training programmes.
He said the state government would give subsidies to MSMEs at the right time
(Business Line, June 27th, 2017)

ARTICLE

GST - BOON OR A BANE FOR MSMEs

By: Sanjay Bhatia
President, FICCI-CMSME &
Managing Director, Hindustan Tin Works Ltd.

Goods and Services Tax (GST) is an indirect tax reform launched by the Government of India from 1st July 2017. This is a landmark change in the Indian Tax structure after independence. It is expected that GST will simplify and harmonize the indirect tax regime in the country as introduction of GST will do away with multiplicity of taxes at the State and Central levels which has resulted in a complex indirect tax structure.

Though MSMEs welcomes the rollout of GST regime, there are certain positive and negative aspects within the GST Law.

Under GST all along the Chain, Credit will be available as earlier it was available only in excise. MSMEs generally tend to operate in the same State because they not only have to comply with the tax requirement within the State but also had to deal with tax compliance of the other State like first CST and then tax deposit with that State, thereby increasing their burden of filling forms, etc.

Now under GST, MSMEs will be able to reach out to the whole country in the sense that MSMEs will find it as easy or as difficult to sell their products across the States Vis a Vis their own State. There will not be much difference in compliance and only IGST component will be added where in MSMEs seamlessly will be able to sell their products and also avail credit. Hence, because of this one nation one market the restrictive area of operation of MSMEs due to various compliances, etc will open and they will be encouraged to sell their products across borders, the hassle of filling forms will be minimized as the documentation which will be required within the State the same would be required outside the State and also the tax quantum will also be almost the same. GST will therefore foster a common or seamless Indian market due to seamless transfer of input tax credit from one stage to another in the chain of value addition and will open up the market for all the units irrespective of the State where they operate from.

Not only that the MSMEs of one state will be able to reach out to the other States, MSMEs who are into exports are also expected to gain from GST. In the current regime Merchant exporter is not able to claim any cenvet credit and the same gets accumulated. But under GST there are fixed slab of Taxes and the benefit to the Exporter will be that now he would be able to get refund on the accumulated credit, so now there will be no tax burden of any kind on the exporter. Also there will be no output tax. If there is any import duty paid in any of the item then he would also be able to claim drawback for that component only but not otherwise.

Having said that, MSMEs who were availing benefits or exemptions from the Government in terms of excise, service tax etc, will be hit hard under the GST regime at least for a time being. The benefits or exemptions which the MSMEs were availing like Rs 1.5 crore exemption under the excise will now under the GST regime will not be able to avail such a benefit, as the threshold limit for exemption under the GST has been kept at Rs 20 lakhs for General and 10 lakhs in case of North Eastern states.

This will definitely impact those MSMEs who were availing these exemptions as they would now have to pay taxes and their competitiveness may get affected if their turnover is above the exemption limit. Besides, small and marginal traders will have to face hardship on account of the rigorous record-keeping and compliance requirements under the GST.

It would also not be so easy for MSMEs who would fall under the exemption limit (below 20 lakh turnover in case of General and below 10 lakhs turnover in case of North East) and are not required to register. According to Section 9(4) of the CGST Bill which states that "The central tax in respect of the supply of taxable goods or services or both by a supplier, who is not registered, to a registered person shall be paid by such person on reverse charge basis as the recipient and all the provisions of this Act shall apply to such recipient as if he is the person liable for paying the tax in relation to the supply of such goods or services or both".

Though the exemption has been provided to these units, the onus of tax has been put on the recipient of the Goods and Services to deposit the tax. This would mean increase in the compliance cost of the registered units. Hence, this would discourage the registered units/companies to buy from these unregistered units beyond the prescribed limit as stipulated in vide Notification No. 8/2017-Central Tax (Rate) dated 28th June, 2017 which has been issued to reduce the compliance burden on small items. As per the notification an exemption has been provided to the effect that all such supplies received in a day upto Rs. 5,000/- from all such vendors taken together, shall be exempt from GST, hence the receiver need not discharge reverse charge liability upto this limit.

A provision of composite scheme has also been provided under GST, Hence some respite has been offered to MSME's whose turnover is upto Rs 75 lakhs to lessen their Compliance burden whereby they would not be required to file the electronic return and monthly returns but then they would not be entitled to claim input credit but will have to pay in lieu of the tax payable by him, an amount calculated at the rate of:

- 1% of turnover in State or turnover in Union Territory in case of a manufacturer;
- 2.5% of turnover in State or turnover in Union Territory in case of persons engaged in making supplies referred to in Paragraph 6(b) of Schedule II to the CGST Act; and
- 0.5% of turnover in State or turnover in Union Territory in case of other suppliers

Besides the above, other challenges that the MSMEs will face especially the Micro and Small units are:

- Under the proposed legislation (GST), a service provider operating in various states will have to obtain registration in each state. This will not only increase the burden of obtaining so many registrations but will also increase the compliance burden manifold. On a rough estimate, service provider operating in many states will have to file 4-5 times more returns than being currently filed under service tax and VAT taken together. This is because, 3 returns per month (and an annual return) are proposed to be filed under GST regime for every registration whereas currently much lesser number of returns are required to be filed under centralized service tax registration and VAT taken together for Service tax the return has to be filed half yearly; for Excise it is monthly and for VAT it is to be filed quarterly. Hence, the compliance cost for MSMEs will increase manifolds.

- Also under the GST legislation the returns have to be submitted online. Currently, it can be submitted manually in hard copies. Hence, the clause specifying online submission of returns in GST would mean that MSMEs have to upgrade their knowledge, be computer literate and should know how to file the return online or they would be compelled to engage some service provider for which they would have to shell out from their limited resources.

- Shifting the onus on the buyer to check whether the seller has paid goods and service tax (GST) is the most onerous provisions in the GST bill. The bill provides that a buyer shall not be entitled to claim an input tax credit (ITC) unless the tax charged in respect of such supply has been paid by the seller. In simple terms, ITC is the amount of tax paid by the buyer on purchases made by him for which the buyer is entitled to claim a credit against the sales subsequently carried out by him.
  As per the provisions of the proposed law, ITC itself would become a cumbersome process altogether since there would be many small suppliers who may not be such techno friendly to file the return accurately etc. and because of their non-compliance, buyer would have to suffer.
  These kinds of provisions would completely erode the business of small dealers because nobody would like to deal with small scale businesses due to the inherent fear of non- compliance by them and in turn this would lead to more dependency on large players and therefore, could create a situation of monopoly in the market.
  Large tax payers will have voluminous data in the return. Quantum of mismatch may also be high.

- In the Union budget the 2016-17 threshold limit of the turnover for calculating presumptive tax was increased from 1.5 crore to 2 crore were in small businesses having turnover upto 2 crore were not required to get their accounts audited. This benefit will also go away as it would become mandatory for MSEs to get their accounts audited if they register under GST and want to be a supplier to large units or registered units.

There are many more challenges for MSMEs, but I would also like to mention that Government is trying to do its best to address all of these concerns and is allocating huge amount of funds to educate and create awareness among MSMEs on the GST law. The GST Council has set up 18 Sectoral Groups representing various sectors of the economy in order to ensure smooth adoption of GST. These Groups comprising Senior Officers of the Centre and the States are being set-up to ensure smooth implementation of GST by timely responding to the issues and problems of their respective Sectors.

Every new thing would require some time for people to accept and it is only a matter of the transition period which may be a year or so for the industry to accept it and get used to it. If you look at a shorter period of time it would be a challenge for MSMEs but in a longer period it may benefit them. Well, whether GST will be a boon or a bane for MSMEs especially for Micro and Small units' time will tell.

SCORE

FICCI

International Labour Office

Opportunity for MSMEs to increase

'COST COMPETITIVENESS, QUALITY & ON-TIME DELIVERY'

effect on production cost)

I - Inventory (stock of materials, finished goods, storage)

O - Over Processing (poor quality, lack of employee efficiency)

M - Motion (unnecessary motion within work area resulting in time waste)

D - Defects (repeated errors, avoidable errors)

W - Waiting (materials, information)

H - Human Resources (absenteeism, lack of team effort)

E - Environmental Waste (natural resource inputs such as Energy, water, fuel etc)

Enroll in SCORE

FICCI and ILO jointly brings you SCORE - a modular management training for micro, small and medium enterprises.

SCORE Modules

Module 1:
Workplace Cooperation
- A foundation for business sucess

The starting point for all training
- **Unite employees around shared targets**
- **Involve the entire workplace in continuous improvement**

Module 2:
Quality - Managing Continuous Improvement
- Identity customer needs
- Develop quality assurance culture
- Reduce defects systematically

Module 3:
Productivity Through Cleaner Production
- Save costs and increase efficiency
- Systematically reduce waste & energy usage

Module 4:
Workforce Management For Cooperation and Business Sucess
- Develop Human Resource strategies for better recruitment & retention
- Motivate & develop the right people to make staff a competitive advantage

Module 5:
Safety & Health at Work: A Platform for productivity
- Eliminate or minimise workplace health & safety risks that lead to injuries, expenses & lower productivity

Module 1 is mandatory, modules 2-5 are optional for the enterprise to choose as per their need)

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I. Subsidised training as only **20% cost borne** by the participating enterprise.
ii. **High return** on training investment including **cost savings** within 3 months.
iii. **Flexible training designs** modified to address specific hurdles faced by the enterprise.
iv. Flexible curriculum and easy learning.
v. Customized coaching on a range of topics.
vi. Training results in improved robust management systems and practices.
vii. Association with FICCI and ILO bringing market visibility

More than 100 Indian SMEs benefited since 2012 with proven results such as enhanced productivity, improved cost competitiveness, waste reduction, defect elimination and more.

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SCORE

International Labour Organization

Case Study 1:

Implementation of SCORE Module 1 "Workplace Cooperation" at Smash Enterprises (Pune), by FICCI through its National Coordination Centre for SCORE Training

SCORE SUCCESS STORIES

Problem Definition/ Identified for Improvement:

SMASH Enterprises is into specialized welding of carbon steel, alloy steels and stainless steel components. One of the workplace challenge faced was lack of proper space at the shop-floor due to leftover electrode pieces. One of the goal was set to "Reduce Space Constraint by 10%".

Process / steps adopted to address the problem:

- An Enterprise Improvement Team (EIT) was formed as a first step. The EIT is the driving force behind implementing any new initiatives during the SCORE trainings. EIT is cross-functional and cross-hierarchical, which brings together managers and workers (including supervisors) to collectively plan and implement solutions.
- EIT highlighted that earlier attempt for cleaning the shop-floor of the waste material like electrodes has not been successful. During the brain storming session in EIT, an idea of using magnet to clear the shop-floor was shared by the EIT members.
- As part of 5S, the EIT members initiated a "shop-floor cleaning project" and henceforth all the workers participated in hand picking the scrap material and cleaning by magnet.

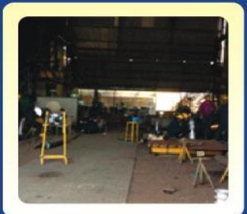
Results Achieved:

- Space utilization improved by about 12%. About, 210 kg of end pieces of electrodes plus few gunny bags of ferrous dust were collected
- About Rs. 65,000 were earned by disposal of unwanted material and scrap. Rs. 20,000 were spent to purchase drinking water purifier for the shop-floor workers and their drinking water problems got addressed
- With the availability of space there was an opportunity to work on new product development and new orders

Lessons Learnt:

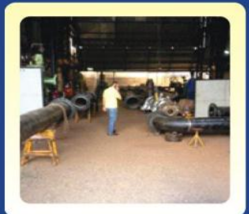
- SCORE program provided a new way of looking at the situation at the workplace and opportunity to brainstorm to find solutions within the available resources.
- Management and operators realized the benefits of 5S that it helps to identify hidden and unwanted materials and the monetary benefits that can be derived.
- Employees can find out ways to reduce waste, remove scrap and can use the money earned or saved for their own benefit, which is WIN - WIN situation for both Management and employees.

BEFORE



Equipment lying unorganized on the shop-floor.

AFTER



Lot of free space by implementing 1S & 2S

End pieces of electrodes and ferrous dust on shop floor

Operators hand picking end pieces of electrodes and other scrap from floor

Operator using magnet to collect ferrous scrap and dust from the floor

Shop floor looking clean after magnet cleaning

Empowering MSMEs

FICCI - Confederation of Micro, Small and Medium Enterprises (CMSME)

INVITING MEMBERSHIP

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Other Membership Benefits

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