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NEWSLETTER

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MSME News Update

1. *Sidbi to review Bandhan and other holdings*

Small Industries Development Bank of India is reviewing its equity holding in Bandhan and other financial services firms as part of an exercise to prepare a future investment plan.

Sidbi holds 8.13 per cent in Bandhan Financial Services, the holding firm for Bandhan Bank, and held another 0.32 per cent in the bank itself before the bank's share sale. Sidbi also holds 8.4 per cent in RGVN (North East) Microfinance among others.

Sidbi also holds investment in MFIs through its wholly-owned subsidiary Sidbi Trustee Co. Sidbi has been associated with the MFI sector providing the lenders financial services ranging from loans, grant and equity.

Sidbi continues to offer equity as also quasi-equity support to MFI ventures through the government's India Microfinance Equity Fund scheme. Under the IMEF plan, the development bank provides Rs 1-3 crore quasi-equity support when MFIs are smaller in size and need equity to grow. Sidbi was set up in 1990 to meet the financial and developmental needs of the micro, small and medium enterprise (MSME) sector, which today contributes about 37 per cent to the nation's GDP.

"While Sidbi started to intervene in both financial and non-financial space to help small-scale industries, it could not achieve the scale to make a difference," Mohd. Mustafa, CMD, Sidbi said. "We further realised that there are enough players in the market to extend finance while data related interventions can make a lot of difference. We at Sidbi have decided to focus on that," he added.

There has been a significant rise in the new borrowers entering the formal credit market, which has accelerated to about 4 lakh at the end of December 2017 from about 2.7 lakh as on June 2016, indicating fresh investments being made.

Sidbi is also planning to gain currency in the MSME refinance market. "We are intervening in the digital space, we have created first successful online loan market place. We are also working to create an online loan sanction ecosystem. We are trying to re-imagine Sidbi," the chairman said.

(The Economic Times, April 2nd, 2018)

2. *Telangana opens 'clinic' to revive ailing MSMEs*

In a first-of-its-kind attempt, Telangana government has launched Telangana Industrial Health Clinic Ltd (TIHCL), a Fintech-driven Non-Banking Financial Company, aiming to revive sick MSMEs. Set up with a corpus fund of Rs. 100 crore, with an initial contribution of Rs. 10 crore from Telangana government, TIHCL aims to revive sick units by providing funding, mentoring, hand-holding and other kinds of support. It will also offer support to manufacturing MSMEs.

The Telangana government has come up with the initiative to address the mounting sick units in MSME sector. "The rising number of sick units in MSME sector is a serious problem. Most of the MSMEs get into spiraling spell of sickness due to lack of financial support when needed and the ensuing managerial mistakes. Small and timely intervention can a make a big difference to the industry. Our aim is to revive at least 100 sick units within the next two years. We have already been working with about 54 sick MSMEs. Success of MSMEs is essential for overall growth and job creation, and revival of these sick units will add to the overall ecosystem," said B Yerram Raju, advisor, Telangana government and Board of Director, TIHCL.

The decision has come up after Telangana government received several representations from the SME industry bodies to address the rising number of sick units. According to Telangana Industries Department's estimates, there are more than 7,000 MSMEs in the state.

(The New Indian Express, April 3rd, 2018)

3. *IBC update proposals to be sent to law Min*

The government will soon seek the law ministry's opinion on amendments to the Insolvency and Bankruptcy Code (IBC) suggested by a high-level committee and may move an ordinance to make urgent changes.

The 14-member insolvency law committee headed by corporate affairs secretary Injeti Srinivas made a presentation on its final recommendations to the Prime Minister's Office.

The draft bill is likely to be shared with the law ministry soon and thereafter it will be sent for cabinet approval, a senior government official told. "If there are any pressing issues that need to be addressed urgently, then the government will consider promulgating an ordinance."

The number of cases in insolvency courts is rising and some issues require clarity, which may push the government to issue an ordinance. Parliament has barely functioned in the second leg of the budget session.

In November, the government issued an ordinance aimed at preventing willful defaulters from regaining control of companies with banks being forced to swallow loan losses. The bill introduced later in parliament eased some of the norms such as allowing a promoter to submit a resolution plan if dues are cleared before making a bid.

Subsequent working of the IBC has revealed more shortcomings and the government set up the committee to address them. Provisions requiring urgent attention include more clarity on 'related party' and 'connected persons,' which are seen as harsh and disqualifying many bidders.

The committee has proposed changes to Section 29A dealing with ineligibility to ensure that only those who contributed to the downfall of the corporate debtor or were unsuitable to run the company because of their antecedents – directly or indirectly – are disqualified.

The committee suggested easing insolvency rules for small enterprises and providing relief to home buyers by treating them as financial creditors.

It said persons who enter into any backdoor arrangement with corporate debtors formally or informally, directly or indirectly, should be barred from bidding for an insolvent company by bringing them within the scope of the definition of connected persons.

It suggested that a case admitted for resolution can be withdrawn if 90% of the creditors agree, implying that unsuccessful bidders could get back in the reckoning for an asset with a better deal.

The committee was in favour of widening the scope of IBC so that entities such as housing finance companies, which are not regulated by the Reserve Bank of India and are declared non-performing assets by another financial sector regulator, should also be barred under Section 29A.

A person who is a promoter or a related party in any such company will also be disqualified from bidding for insolvent companies. The committee has now been wound up and will meet only to discuss the issue of cross-border insolvency.

(The Economic Times, April 2nd, 2018)

4. *IBC panel suggests treating homebuyers as financial creditors*

Home buyers should be treated as financial creditors which will allow them to equitably participate in an insolvency resolution process, a high-level panel has recommended to the government.

The 14-member panel has also suggested relaxations for Micro, Small and Medium Enterprises (MSMEs) under the Insolvency and Bankruptcy Code. A slew of other changes to the Code, which came into force in December 2016, has also been suggested by the panel.

Constituted by the Corporate Affairs Ministry, the committee had the mandate to identify and suggest ways to address issues faced in the implementation of the Code. In a detailed report, the panel has recommended that home buyers should be treated as financial creditors owing to the unique nature of financing in real estate projects and the treatment of home buyers by the Supreme Court in ongoing cases.

"Notably, classification as financial creditors would enable home buyers to participate equitably in the insolvency resolution process under the Code," it added. The recommendation, once implemented, would provide relief for home buyers facing hardships due to incomplete real estate projects. Under the Code, financial creditor implies any person to whom a financial debt is owed. The financial debt can include money borrowed for interest.

According to the report made public by the ministry, the government should exempt MSMEs from application of certain provisions of the Code.

(The Economic Times, April 4th, 2018)

5. *MSME Ministry working on certification of credit worthiness of small businesses*

To help small businesses borrow from banks, the Ministry of Micro, Small and Medium Enterprises (MSME) is working on a portal that will certify the credit worthiness of small players based on certain identified parameters which can be submitted to banks when loans are applied for.

“The MSME sector often complains that banks do not give them loans easily and they are made to run from pillar to post. Our endeavour would be to rate the credit worthiness of a proprietor or firm based on certain criteria and after doing due diligence and then generate a certification for them. If banks do not give loans to MSMEs with a good credit certificate, they could be hauled up and asked to explain,” a senior government official told.

The official further explained that retail banks often approached individuals for loans after examining certain pre-determined criteria which ascertained the credit worthiness of the individual. "These criteria could be anything ranging from the previous loan repayment record of the individual to the assets possessed. However, in the case of MSME, banks often ignore positive factors going in favour of the loan seeker and dilly-dally in sanctioning credit," the official said.

The Ministry of MSME, therefore, believes that it could help in the initial screening of the loan seekers after getting them to submit information on some pre-determined parameters. "We are working on the criteria on the basis of which credit worthiness would be determined," the official said.

The facility would be provided in the National Enterprise portal being designed by the Ministry of MSME which would serve as an interface for the small industry to interact with other Ministries and the outside world.

"The portal will be convergence driven. The Ministry of MSME is an aggregating ministry. So many other ministries do MSME related work. The idea is to get everyone together," the official said.

Out of a total outstanding credit of Rs. 26,04,100 crore as on November 2017, just 17.4 per cent went to MSMEs, according to the Economic Survey 2017-18. The share is disproportionately small given the fact that the share of MSME sector in the country's Gross Value Added (GVA) is approximately 32 per cent.

(Business Line, April 3rd, 2018)

6. *India's first blockchain implementation goes live*

Three trade receivable discounting systems (TReDS)—digital invoice discounting platforms—approved so far by the RBI have jointly implemented a blockchain solution, which is expected to help reduce frauds in bills discounting or receivable financing.

The platforms—RXIL, A.TReDS and M1xchange—had been set up to bring together buyers, sellers and financiers for discounting the MSME invoices and provide them with timely funding.

This is billed as India's first live blockchain implementation in the enterprise financial segment.

US-based MonetaGo has designed and implemented the production solution.

Kalyan Basu, Managing Director & CEO, A.TReDs said: Our clients are particularly sensitive about their sourcing inputs, and we could not broadcast any of their private information to a shared network. This technology allows us to work with the other exchanges to achieve shared goals without sharing specific data".

Kashinath Katakdhond, Managing Director & CEO, RXIL, said: "With the implementation of MonetaGo Blockchain solution we have a tool for mitigating systemic risk especially in trade receivable discounting". The MonetaGo blockchain solution had gone live on March 23 and so far 1,400 invoices have been processed on it.

(Business Line, April 3rd, 2018)

7. *41,774 industrial units set up in Assam: Patowary*

The total number of industrial units set up in Assam over the years is 41,774. This was stated in a written reply to the Legislative Assembly by Minister of Industries and Commerce Chandra Mohan Patowary.

"As per the 4th All India Census carried out during 2006-07 on MSME, published by the Development Commissioner, MSME, New Delhi, total number of industries in Assam was 19,864. The number of units set up from 2007-08 to 2010-11, compiled manually, was 6,706," he said.

Patowary added that as per online data introduced by the Department since 2011 and other data, the number of units from April 1, 2011 till March 29 this year stands at 15,204. "Hence, the total number of units set up is 41,774," Patowary said.

"Further, there were 11 industries run by the government, out of which nine industries have been declared closed and two are either partially functioning or non-functioning," he added. Patowary said the government has no plans to reopen the nine closed units but the land occupied by these units are being handed over to the Assam Industrial Development Corporation and has been incorporated in the Land Bank.

"As regards to the Assam State Fertilisers and Chemicals Limited, which is functioning partially and running on loss, the State government is planning to revive it after modernisation. The government is also planning to set up Ashok Paper Mill Integrated Economic Zone. Ashok Paper Mill at Jogighopa was closed down in 1983," he said.

The Minister further stated that the government, on its own, is not contemplating setting up of any new industry. "However, we are encouraging private investment in focus sectors, including setting up of primary processing centres, based on the availability of raw materials in a particular area," said Patowary.

(The Assam Tribune, April 5th, 2018)

8. ***MSMEs need more than mere promises on 'ease of doing business' and slogans 'Make in india'***

After the agriculture sector, the micro, small and medium enterprises (MSME) sector is the second-largest employment generator, providing 80% of jobs with just 20% of investment. The sector contributes about 31% to the country's GDP and has a 45% share in overall exports.

The MSME sector is the equivalent of the booming middle class in the Indian society, except that it is not going anywhere. It remains hobbled with archaic rules and regulations, with scores of inspectors breathing down their neck, waiting to collect their monthly or yearly handouts.

Mercifully, consequent to the introduction of GST and a few other reforms, some irritants have reduced. Typically, a medium-level industry has to file monthly/quarterly GST returns, which has eliminated complex issues of product, service classifications and tax slabs. As of now, there are few complaints, although a couple of years down the line when the actual assessment of GST starts, things may heat up. Monthly provident fund and Employee State Insurance (ESI) returns and half-yearly labour returns are mandatory, but, surprisingly, it is the Legal Metrology Department (formerly the Department of Weights and Measures) that is now proving to be a major source of irritant. It is hard to imagine its role in industries dealing in refrigerators, washing machines, musical and electronics instruments, etc, where it chooses to throw its weight around.

Of course, the big daddies (I-T and Labour Department) are the two ubiquitous government entities that also make their presence felt but are mostly manageable. With the current inefficient justice delivery system when cases could drag on for years, very few enterprises choose to take a firm stand and challenge the might of government agencies such as labour, ESI, Pollution Control Board, customs, etc. Seriously impacting cash flows are delays in payments by as much as 5-6 months by both public and private companies. This is in spite of government directives which stipulate that MSMEs should be paid all bills within 45 days. Furthermore, banks baulk at providing term loans to MSMEs working in the area of product development or design, for lack of appreciation of the value of R&D.

Quick staff turnover is a common problem faced by all MSMEs and is multidimensional in nature. For instance, many entrepreneurs do not aspire to grow since that makes them more vulnerable to labour problems, higher income tax slabs and larger handout demanded for the services rendered.

Unfortunately, in the absence of growth, labour tends to seek greener pastures in larger organisations where they may get higher wages for skills learnt as well as protection provided by the established trade unions. Some entrepreneurs also treat their labour shabbily by keeping them as temporary or contract workers on daily wages, especially when the demand is of a fluctuating nature.

Often, PSUs or private companies, particularly in aerospace and defence, prefer imports even though an MSME may have the capability and expertise to develop an equivalent product. Understandably, in case of imports, they do not have to bother about assessing the product performance and quality, since it already has the stamp of approval by a foreign agency, while in case of development by an indigenous manufacturer—even if it is as simple a thing as a screw—some government agency has to approve it, and therein lies the crux of the problem. Nobody wants to be in a position where he or she could be accountable for approving it.

This nation will need more than mere promises for bringing about 'ease of doing business' and slogans such as 'Make in India'. The all-powerful babus making themselves aware of ground realities and gaining some domain expertise in each sphere of activity are needed to extend MSMEs a meaningful helping hand, and enable them deliver economic growth as well as jobs—millions of jobs.

A 25-year-old MSME classification is based on investment in machinery and plant—those under Rs 25 lakh as 'micro', Rs 25 lakh to Rs 5 crore as 'small', Rs 4-10 crore as 'medium', and above Rs 10 crore as 'large' industries. A recent modification to the MSME Act classifies them on the basis of annual turnover—up to Rs 5 crore as 'micro', from Rs 5 crore to Rs 75 crore as 'small', and from Rs 75 crore to Rs 250 crore as 'medium' enterprises. Only time will tell if it will meet the avowed objective of eliminating the need for inspections and making the whole system progressive and evolutionary, while improving the all-important 'ease of doing business'

(Financial Express, April 6th, 2018)

9. ***FICCI hails release of funds for North- East Industrial and Investment Promotion***

FICCI hails the recent release of funds for the North-East region under DIPP's North East Industrial and Investment Promotion Policy.

Welcoming the release of funds Mr. Rashesh Shah, President, FICCI said, "Capital and Transport subsidy scheme for the North-East region has been a major factor for encouraging investments and accelerating industrial growth in the region. The performance of many industrial units is dependent on these subsides of the DIPP. It is heartening to see the disbursement of subsidy by DIPP, which provides a level playing field to the industrial units in North-East compared to the industry in other parts of the country. This would further help in integrating the country with our neighbouring countries by furthering the cause of Act East policy of the Government".

The scheme has been helpful in encouraging not just MSMEs even the large companies and capital-intensive industries in the hitherto relatively unexplored industrial areas of the North East, Mr. Shah added. The Government should continue with regular disbursal of funds under the scheme to encourage investments and generating employment in the region, he said.

(FICCI Press Release, April 6th, 2018)

10. *'MSME sector got substantial impetus from Mudra Yojana'*

Prime Minister Narendra Modi hailed the union government scheme of Mudra Yojana for giving substantial impetus to the Micro, Small and Medium Enterprises (MSME) sector and said it is crucial for the country's transformation.

Launched in 2015, the Pradhan Mantri Mudra Yojana (PMMY) was introduced to cater to entrepreneurs who were either in their early stage or require lesser funds in order to get their business running.

As the scheme completed three years of its launch, Modi tweeted his delight and said that his government was undertaking a series of steps and reforms to facilitate further growth in the sector.

"Through Mudra Yojana, the MSME sector is receiving a substantial impetus. MSME is a sector that is crucial for India's transformation and our government is undertaking a series of steps and reforms to facilitate further growth in the sector," Modi said.

He said the Mudra Yojana was furthering a spirit of enterprise and self-reliance among youth and women. The scheme was launched for providing loans upto Rs 10 lakh to the non-corporate, non-farm small and micro enterprises.

"A substantial number of Mudra beneficiaries are women and youngsters from the Scheduled Caste, Scheduled Tribes and Other Backward Class communities, which is extremely heartening," he said.

He said the PMMY was launched to give wings to the aspirations of citizens and harness the entrepreneurial energy among youth.

The Prime Minister also invited the beneficiaries of the scheme to share their success stories and said he would meet some of them at his official residence

(The Economic Times, April 8th, 2018)

11. *11 PSBs now on RBI watchlist, small firms face credit crunch*

Lending to the corporate sector, particularly small and medium enterprises, is becoming increasingly difficult with more than half the country's public-sector banks (PSBs) now under the RBI's Prompt Corrective Action (PCA) framework, which restricts lending activities of the banks, government sources said.

Government sources also confirmed that at least three-four more banks are expected to be brought under the PCA framework because of deteriorating performance.

"Since the PCA framework restricts the amount of loans banks can extend, this will definitely put pressure on credit being made available to companies especially the MSMEs. Large companies have access to the corporate bond market so they may not be impacted immediately," a senior banker said.

At present, 11 weak PSBs out of the 21 State-owned banks are under the PCA, which kicks in when banks breach regulatory norms on issues such as minimum capital, amount of non-performing assets and return on assets. The RBI enforces these guidelines to ensure banks do not go bust and follow prompt measures to put their house in order.

In a report last month, rating agency ICRA said that five more banks could be brought under the PCA. These include Canara Bank, Union Bank, Andhra Bank, Punjab National Bank, and Punjab & Sind Bank.

The 11 banks already under the NPA framework are IDBI Bank, Bank of India, UCO Bank, Central Bank of India, Indian Overseas Bank, Oriental Bank of Commerce, Dena Bank, Bank of Maharashtra, United Bank of India, Corporation Bank and Allahabad Bank.

Sources said it may take these banks at least another 6-9 months before they report any noticeable improvement in the key regulatory indicators, which will help them come out of PCA.

The RBI tightened its PCA framework in April 2017 to turn around lenders with weak operational and financial metrics, and since then 11 banks have been moved to PCA. Depending on the risk thresholds set in PCA rules, the banks are restricted from expanding the number of branches, staff recruitment and increasing the size of their loan book. Other restrictions include higher provisions for bad loans and disbursal only to those companies whose borrowing is above investment grades.

The government in January had allocated a bigger chunk of capital of Rs 52,311 crore to 11 weak banks to maintain their minimum capital requirement while nine strong banks were given Rs 35,828 crore. Last October, the Finance Ministry had announced plans to inject Rs 2.11 lakh crore of equity in PSBs – comprising Rs 1.35 lakh crore through recapitalisation bonds, Rs 18,000 crore from budgetary resources and Rs 58,000 crore to be raised by the banks from the market.

While RBI data shows credit off-take for micro and small enterprises and medium-scale companies deteriorated significantly post demonetisation, micro and small scale industries have seen some improvement in demand for credit from scheduled commercial banks over the last 5-6 months.

While credit growth to micro and small scale industries contracted by 7.7 per cent and 8.2 per cent in November 2016 and December 2016, it remained negative or mildly positive till August 2017. The growth rates in November 2017, December 2017 and January 2018 were better and stood at 4.6, 7.2 and 6.9 per cent.

Medium-scale industries continue to remain under pressure and credit growth is still negative even as gross bank credit growth for November, December and January has been over 8 per cent.

Bankers feel that if more state-owned banks are brought under PCA, it will impact the credit availability for the MSME segment.

(The Indian Express, April 9th, 2018)

12. *MSME Ministry GSTN to ink pact on data sharing*

The MSME ministry will soon sign an agreement with GSTN, the IT backbone of GST, for sharing of data related to small and medium enterprises as it looks to widen its reach to such enterprises, an official source said.

Around 44 lakh micro, small and medium enterprises (MSMEs) are registered with the ministry's Udyog Aadhaar portal, while the number of MSMEs on GSTN database is around 1 crore.

As a result of the move, the number of MSMEs registered under Udyog Aadhaar could shoot up to one crore, the official said.

(The Deccan Chronicle, April 10th, 2018)

13. *Main-streaming blockchains in global trade*

Distributed Ledger Technology (DLT), a concept of recording and sharing data across multiple data stores, or ledgers as they are popularly called, is an idea whose time has come. The concept of DLT was introduced through block chains in the famous paper by the elusive author known only as Satoshi Nakamoto in 2008.

While the initial application was limited to crypto currencies, it didn’t take much time for the world to realise that the underlying technology of using distributed ledgers has multiple applications spanning various spheres. However, it is only lately that we are seeing actual implementation of the often discussed concepts.

To cite an example of block chain application in mainstream commerce in India, one may look at the Trade Receivable Discounting System (TReDS) guidelines of the RBI, which sought to set up a system to ease the liquidity crunch for MSMEs by way of bill/invoice factoring in the financial market for the supplies made to big corporates. The simplified process under TReDS may be explained with an example. Let’s assume Mismi enterprise, which is an MSME, supplies items to Bigcor, a corporate house. Usually Bigcor takes three months to settle the payments after the delivery of goods. This holds up Mismi's working capital for three months leading to a liquidity crunch for Mismi.

Mismi’s efforts to convince Bigcor to make payments earlier doesn’t work as Bigcor has market power to dictate terms to Mismi and other such suppliers. With the advent of TReDS, Mismi uploads the digitally signed invoice on one of the three platforms currently approved by the RBI. The upload is done after the supplies are made to Bigcor.

Bigcor gets a time window (say of two days) to approve the invoice online, thus verifying the authenticity of the supply and the commitment that it would pay the sum against the invoice raised within three months (or the agreed time frame).

The approved invoice can now be factored on the platform, through auction, by the financial intermediaries like banks/NBFCs. For example, BigBank may buy the invoice at a discount and pay the money to Mismi, thus providing it with immediate liquidity. The actual payment would be realised by the BigBank after three months from Bigcor.

In an ideal competitive market place the discount should equal the interest cost for three months plus nominal service charges. Registration on TReDS has been made mandatory for public sector enterprises by the government. As the public sector is a big ticket buyer for a large number of MSMEs, it is expected that a critical mass would be easily obtained by the system to start rolling. Three platforms (RXIL, M1xchange and A.TReDS) approved by the RBI are already active.

There are two clear advantages of using blockchain technology in such a situation. First, maintaining anonymity of invoice raiser is easier. Second, cross trading across multiple platforms is possible without the fear of double invoicing (double-spend problem). It makes the entire chain secure, anonymous, and verifiable at the same time. The credibility issue also gets sorted out.

As TReDS is one of the early examples of implementation of Blockchain in real commerce, we can look at it as torch-bearer of a future era of trade facilitation.

In fact, if the technology and infrastructure are set up correctly there is no reason as to why the entire paper based international trade transactions shouldn't be moved onto something based on DLT.

However, when it comes to international trade, two further institutional arrangements need to be put in place. They are:

(a) International arrangement to give sanctity to DLT-based transactions through common agreement or laws and

(b) Physical infrastructure for DLT including the system architecture and configurations.

The first point can be integrated with the trade facilitation efforts in the next stage at the WTO. It could be augmented through efforts at making model laws and best practices at UNCITRAL/UNCTAD. The second part is where individual governments and private sector would have a greater role to play.

We have proved with TReDS that we have the ability to push it. India could become a leader if we take the initiative at blockchaining the entire gamut of international trade transactions. It might indeed be a 21st century issue that India might like to discuss at the WTO.

(Business Line, April 11th, 2018)

14. *Working on different areas to boost exports: Prabhu*

The commerce and industry ministry is working on different areas such as improving standards of products and identifying new markets and goods to promote the country's exports, Union Minister Suresh Prabhu said. He said the ministry is also working on ways to promote shipments in Africa as the region holds huge potential. The commerce and industry minister is visiting Africa to discuss trade and investment opportunities with businesses and leaders of 12 countries.

"We are working on several areas to promote exports. We are working on standards and to improve quality of products. We are identifying new markets and products," he said while launching FIEO GlobalLinker.

It is a digital platform for micro, small and medium scale exporters (MSME) to digitise their businesses.

The platform would provide business opportunities, information and different services such as alerts of technical barrier and change in trade policies, if any.

India's exports dipped after a gap of four months in March but finished 2017-18 with a healthy rise of 9.78 per cent to USD 302.84 billion.

The minister said that this initiative will help in expanding India's multi-focused export strategy and also aid in connecting art and artisans to the market.

Prabhu also informed that at least 300 Geographical Indications (GIs) will be registered soon, which will give a boost to exports.

A GI is a sign used on products that have a specific geographical origin and possess qualities or a reputation that are due to that origin. Such a name conveys an assurance of quality and distinctiveness which is essentially attributable to its origin in that defined geographical locality.

Meanwhile, the government said it is working with the US to resolve all trade issues even as America has decided to review India's eligibility to enjoy duty-free access for certain products under a tax benefit scheme.

(The Times of India, April 17th, 2018)

15. *48 Pvt defence projects get quick MHA approval*

The home ministry has given speedy security clearances to 48 private investments in the defence sector. The spurt in the clearance follows streamlining of the security clearance mechanism in May 2015. Nod for small and medium-scale arms production was among that received MHA clearances last year to boost overall domestic manufacturing, documents reviewed by ET shows.

Though big-ticket military hardware investments are cleared by the defence ministry, corporates that received clearance include Reliance and Kalyani groups, which entered into strategic partnership with BAE Systems for production of air defence guns at the just-concluded Def-Expo.

The government expects domestic private share in defence budget to go up by 20% in four years from 5% after liberalising the FDI regime and 'Make in India' initiative. A senior home ministry official said the ministry has cleared around 1,200 applications annually in the last few years to promote Make in India.

MHA cleared foreign investments from US, UK, Israel, Belgium, China and Japan last year. The ministry has received around 800 new applications this year for security vetting.

MHA cleared 235 applications in civil aviation sector for chartered flights, ground handling, cargo handling and individuals to become directors of companies associated with flying business. 46 proposals allowing FDI in the country too received MHA's security clearance. Three applications to facilitate printing of currency notes too was allowed as well. Apart from this, 41 other proposals, including 12 from banks forwarded by the finance ministry too has got the go-ahead.

The largest share of 1,071 applications were forwarded by the I&B ministry of which 390 were cleared. Those cleared include 170 applications for new TV channels and 179 community radio stations. 18 applications in the shipping sector too received security nod

(The Economic Times, April 18th, 2018)

16. ***MSME Ministry sets up four technology centres for North-East: Giriraj Singh***

The Ministry of Micro, Small and Medium Enterprises (MSME) organised Udyam Samvad Workshop in which eleven sessions were held with different ministries and financial organizations like Ministry of Development of North Eastern Region (DoNER), SIDBI, FICCI and other industry associations. Various issues facing entrepreneurs and Startups in North East States of India like accessing credit, handholding for setting up businesses, accessing markets in India and abroad and R&D for refinement of art-based products manufactured in the North East were discussed. Minister in his address said that there is urgent need for setting up MSMEs in farming and non-farming sectors in the north East region and the Ministry will play the role of facilitator in order to provide R&D, market access and better designs for MSME products. The Minister further added that Micro industries will be given more support in this region. For this technology centres are being established in Imphal, Dimapur, Tinsukia and Agartala.

(Press Information Bureau, April 18th, 2018)

17. ***Govt moves RBI to relax NPA norms for MSMEs***

The government has approached the Reserve Bank to relax norms for non-performing assets (NPAs) or bad loans in case of small and mid-sized businesses to help them tide over the cash crunch problem.

The MSME ministry has sought an extension of the NPA classification period from the current 90-day window up to 180 days.

"As far as the NPA norms of RBI are concerned, during that window, where that relaxation was given, efforts are being made to get it further extended," Additional Secretary in the ministry of micro, small and medium enterprises (MSME), Ram Mohan Mishra told.

Mishra said MSME Secretary A K Panda had attended a meeting with Reserve Bank of India nearly a month ago on the issue and the Department of Financial Services is also working on the issue.

An account turns NPA if it is not serviced for 90 days. In case of small businesses and SMEs, payments come usually late. Once they miss the 90-day period and fall in the NPA category, their credit line is cut.

In the absence of vibrant factoring or trade receivable market, small business and SME face the issue of timely credit availability.

As per some estimates, banks are sitting on unrecognised stressed loans worth Rs 7.7 lakh crore in corporate and SME sectors and expect around 35 per cent of them to slip into the NPA category in the next few months.

Mishra said the ministry is trying to drive home the point that there should be a little more understanding of the constraints

of a business, especially micro and small units, and is also trying to rope in the state governments and sensitise them to get a more information on the status of an enterprise.
(The Times of India, April 19th, 2018)

18. *Spices Park waits for land allotment by Gujarat govt*

The stakeholders of the spices industry in Unjha have pinned their hopes on the Gujarat government for land allocation to set up a Spices Park. Announced by the Spices Board of India about two years ago, the park is being planned to provide processing infrastructure to the small and medium players in the State.

In their recent visit to Unjha APMC in North Gujarat, the Union Commerce Ministry officials have offered to extend support and fast-track the project. The project is billed as a public-private partnership model.

The park planned near Unjha will come up on 20 acres with the initial project cost estimated at Rs. 20 crore except the land cost. A Spices Development Agency (SDA) is already set up at Unjha for the seed spices — cumin seed (jeera), fenugreek seeds (methi), coriander seeds (dhania) and fennel seeds.

Of the total spices exports of about Rs. 15,000-16,000 crore, seed spices contribute around Rs. 3,000 crore, of which 90 per cent is produced in Gujarat.

"The Commerce Department officials have agreed to support for the Spices Park project. This will boost the entire value chain of the seed spices. We are now awaiting Gujarat government's allocation for land," said Gaurang Patel, Chairman of Unjha APMC.
(Business Line, April 20th, 2018)

19. *New Industrial policy to be announced soon: Prabhu*

The government has finalised the new industrial policy, which is set to be announced soon, Commerce and Industry Minister Suresh Prabhu said. The new policy will replace the industrial policy of 1991 which was prepared in the backdrop of balance of payment crisis.

"We have finalised the new industrial policy and will be announcing it soon. It is going through an inter-ministerial consultation," Prabhu said.

The proposed policy aims at promoting emerging sectors and modernising the existing industries. It will also look to reduce regulatory hurdles and encourage adoption of frontier technologies such as robotics and artificial intelligence.

The Department of Industrial Policy and Promotion (DIPP) in August last year floated a draft industrial policy with an aim to create jobs for the next two decades, promote foreign technology transfer and attract USD 100 billion FDI annually.

Talking about the importance of micro, small and medium enterprises (MSMEs), Prabhu said the sector holds huge potential to boost economic growth.

About the Mudra Yojana, which funds the self-employed, he said: "Do you know how much money has already been transferred? (It is) upwards of Rs 4,30,000 crore". This has been transferred to 12 crore people and they are now creating jobs and products, he said adding "NPAs (non performing assets) of Mudra from 120 million people are less than 7 per cent". MSME Minister Giriraj Singh said the government has promoted ease of doing business for the sector and now a unit could be registered within few minutes. To promote 'khadi' products in different countries the ministry would organise exhibitions in embassies, he said.
(The Times of India, April 23rd, 2018)

20. Haryana to reduce power tariff for MSMEs: Khattar

Haryana Chief Minister Manohar Lal Khattar said power tariff will be reduced for small and medium enterprises having connection below 20 kilowatt.

"Haryana CM announced that for MSMEs having power connection below 20 kw, the tariff is going to be reduced from present Rs 6.75 per unit to Rs 4.75 per unit.
(The Times of India, April 23rd, 2018)

21. MSME will play a key role in employment generation: Suresh Prabhu

Union Minister of Commerce & Industry and Civil Aviation, Suresh Prabhu said that the world is debating strategies to revive global growth, but there are challenges like the rising gap between rich and poor within a country and also between rich and poor countries along with issues like climate change and jobless growth. He emphasised that Micro, Small and Medium Enterprises (MSME) will play key roles in solving these problems.

MSMEs will reduce gap between rich and poor as they are agents of inclusive growth. Micro, Small and Medium Enterprises will help in reducing Green House Gas emissions as they are generally closer to markets leading to reduced carbon footprints. MSMEs will play a key role in employment generation thus countering jobless growth. He further said that there is a complementary relationship between big enterprises and MSMEs. Only if the small survive the big will prosper. Big enterprises and MNCs require global value and supply chain, which is not possible without MSMEs. Need of the hour is strengthening these linkages between big and small, and together both will propel the global economy. Stressing on role of MSMEs, the Minister said that new Industrial Policy, which will be announced soon, lays great stress on the role of Self Help Groups (SHGs). He also emphasised that MSMEs can take advantage of the Start-up India Program. The Minister suggested that network of MSMEs across countries in Africa, Central Asia and Latin America, may be created to promote their ideas at the global level as MSMEs are the crucible of creation of new ideas in the world of business.

(Press Information Bureau, April 23rd, 2018)

22. Beedi, apparel-making are top activities of women-run units in informal sector

Women owned a little over 1.23 crore units in India's informal sector but three-quarters of such units were engaged in retail trade or in making either garments, tobacco products or textiles.

Almost all these units were tiny enterprises and were more likely to be run from home and did not hire any workers. A significant number of these units depended on work given out on contract basis.

Women-run enterprises accounted for about one-fifth of the estimated 6.3 crore units in the informal sector, a detailed report of the National Sample Survey Organisation on India's informal sectors, excluding agriculture and construction units titled Operational Characteristics of Unincorporated Non-Agricultural Enterprises (Excluding Construction) in India released recently show. The survey was carried out between July 2015 and June 2016.

Significantly, businesses run by women were mostly concentrated in the manufacturing sector and their presence in services other than trade was tiny. Women owned 45 per cent of the units in manufacturing but just 8.7 per cent of the units engaged in trade and 7.4 per cent of the units in services. In all, there were 1.97 crore units in manufacturing, 2.3 crore units in trade and 2.07 crore units in services in the informal sector.

Of the 1.23 crore units owned by women, 33.32 lakh or 27 per cent were engaged in manufacturing garments, which essentially means they were running small tailoring units.

Another 28.56 lakh units or 23.1 per cent were engaged in making tobacco products and 13.49 lakh units or 10.9 per cent units were engaged in making textiles. Retail trade accounted for 19.62 lakh units or 16 per cent of the units owned by women. Women-run enterprises also had significant presence in education, manufacture of food products and wood-based products as well as in food service, NSSO data showed.

The NSSO report also revealed women-run enterprises dominated certain activities. For instance, manufacture of tobacco products. Of the 32.75 lakh units making tobacco products, 87.2 per cent were owned by women. This is so because tobacco making comprise beedi rolling, an activity that is mostly done by women in the few States.

Another activity with significant presence of women-run enterprise include the relatively small category manufacturing chemicals and chemical products. Of the 1.73 lakh units, 68 per cent were owned by women.

Similarly, in manufacture of paper and paper products, women-run enterprises accounted for 62.9 per cent of the 1.07 lakh units. In manufacture of apparels, women-run enterprise accounted for 59.4 per cent of the 56.10 lakh units and in manufacture of textiles, women accounted for 51.8 per cent of the 26.03 lakh units.

In trade, women presence was mostly seen in retail trade but proportion of enterprises run by them was less than a tenth of all such enterprises — only 9.8 per cent of the two crore units. Retail trade is the largest activity category in the informal sector — almost every third enterprise was engaged in retail trade, which includes small kirana stores selling daily necessities.

The report also showed that States such as Telangana and West Bengal had relatively higher proportion of women-run

enterprises compared to many other States. Over 37 per cent of the enterprise in Telangana and early 33 per cent of those in West Bengal were run by women.
(Business Line, April 24th, 2018)

23. Govt to bring in ordinance with major changes soon

The Cabinet will likely consider a proposal to bring in an ordinance to effect major changes to the Insolvency and Bankruptcy Code (IBC), ranging from narrowing an exclusion criterion to boost the number of bidders for stressed assets and treating home-buyers as financial creditors to allowing promoters of small businesses who are not wilful defaulters to bid.

The ordinance will be based on the changes suggested in a report by a 14-member Insolvency Law Committee, headed by corporate affairs secretary Injeti Srinivas. A draft Cabinet note has already been circulated by the corporate affairs ministry for this purpose, said an official source.

The ordinance will seek to address the problem of unintended disqualification of bidders by streamlining Section 29A of the IBC. Only those who contributed to defaults of the company or are otherwise undesirable would be rendered ineligible.

The ordinance will narrow the scope of disqualifications under 29A of the code by making way for a carve-out for pure-play financial entities. Applicants holding an non-performing asset account due to the acquisition of a corporate debtor will be exempted from the disqualification criteria under Section 29A. However, such financial entities will be defined in the code to clarify the scope of the exemption, which will, however, not be applicable to financial entities if they are related parties of the corporate debtor.

Also, where disqualification is personal in nature, it will not result in exclusion of related parties. The ordinance will provide for a proper definition of 'related parties' of individuals under the IBC.

A case admitted for resolution can be withdrawn (before the plan is approved) by the appellate body if 90% of creditors agree. This means even unsuccessful bidders may stand a chance to bid for a stressed asset if they sweeten their offers, which could ultimately lead to a lower haircut by creditors. The vote share required for approving a plan for resolution or liquidation by the committee of creditors is to be reduced to 66% from the current 75%.

Home-buyers, who were not recognised as a category of lenders earlier, will be accorded the status of financial creditors like banks. Accordingly, home-buyers will form a part of the committee of creditors (CoC) that approves a resolution plan and their voting rights will be in step with their advances. Also, it could also allow people to file resolution applications on behalf of the financial creditors as their guardians or the administrators or executors of their estates or their debenture trustees. Similarly, representatives will be permitted to vote on behalf of certain creditors — exceeding a threshold — at meetings of the CoC. This move is aimed to help mainly home-buyers.

The ordinance could also provide for a clarification that guarantors of a corporate debtor are ineligible if the guarantee has been invoked by the creditor and remains unpaid in full or in part. Also, a moratorium will not apply to the surety of guarantors to the corporate debtor.
(Financial Express, April 25th, 2018)

24. Digital trade desk on the cards to link up SMEs

The ministry of micro, small and medium enterprises (MSMEs) is planning to set up a digital trade desk for increasing collaborations among companies from India and other countries and promoting exchange of data. MSME Secretary Arun Kumar Panda said: "The ministry has planned to set up a digital trade desk aimed at furthering more collaborations between SMEs of India and other countries and for exchange of data". He also said that mega international event is being planned
(Business Standard, April 25th, 2018)

25. 'Resource-rich NE can become a major trade destination'

The Union Ministry of Micro Small and Medium Enterprises (MSME) is putting much stress on overall development of the entire north-eastern part of the country and the region has the potential to grow as a major business destination in the days to come.

The above observation was made by M Sreenivasulu, Director, MSME-DI, Guwahati while delivering his keynote speech during a regional-level seminar.

Elaborating on the various initiatives taken by his department for the overall development of the region, Sreenivasulu stressed the need for proper utilisation of the resources available in the region. “The new generation should concentrate on the mechanism to fully utilise the available resources around us. Everyone should try to think innovatively and start their own business,” he said.

Participating in an interactive session after the seminar, Sreenivasulu urged students to open up with their new and unique business ideas. He said funds should not be a cause of concern for the business-minded masses of the region. “The department is all set to help and we are helping a large populace of the entire region. The MSME-DI, Guwahati provides a wide spectrum of services to the small industries sector, now enlarged to include all enterprises, excluding the larger ones which include training for entrepreneurship development, preparation of project and product profiles, technical and managerial consultancy, assistance for exports, provides economic information services, facilities for testing and tool making. It also works as effective links between the Central and the state governments in the area of MSME development,” he said.

(The Assam Tribune, April 26th, 2018)

26. National Foreign Trade directory released

Giriraj Singh, Minister of State (independent Charge) for Micro, Small & Medium Enterprises(MSME), Government of India & MSME Secretary, Dr. Arun Kumar Panda, released a directory to facilitate the exporters at recently concluded International SME Convention- 2018 in New Delhi. The directory provides information about export-import offices of policy makers, regulators, facilitators and all export promotion councils, commodity boards, development authorities, trade & industry organisations, MSMEs which have been set up, approved or sponsored by Government of India.

The Minister said that the directory will be useful for exporters, importers, traders, manufacturers, MSMEs, authorised economic operators, export import management students, new IEC holders and all those involved in export trade. The directory has been published by International Trade Consultants, New Delhi.

(Press Information Bureau, April 26th, 2018)

27. Niti Aayog chief: 1-day NPA reporting draconian for SMEs

Terming the new one-day default recognition mandated by the Reserve Bank as "draconian" for small and medium enterprises, Niti Aayog vice-chairman Rajiv Kumar called for longer grace period for these units. According to the RBI's revised framework on resolution of stressed assets, issued on February 12, lenders are required to report a missed interest payment on day one.

"I personally feel that this one-day NPA recognition limit is not right. I think it should be longer, especially for the SME sector," Kumar told. "Very often they (SMEs) don't get payments from their clients. Such payment delays could mean that they can't meet the norms...I think that's draconian." He said.

(Business Standard, April 28th, 2018)

28. MSME council intervenes to get industry its dues

The Micro, Small and Medium Enterprises Facilitation Council in Rajasthan has extended relief to small scale industries by resolving their payment disputes and helping them in getting payments to meet their working capital needs.

At its 40th meeting held at Udyog Bhawan over the weekend, four small scale units received their payment dues from large companies of Pune, Hyderabad, Sonepat and Bengaluru after the council issued notices to the defaulters.

(The Hindu, April 29th, 2018)

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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.

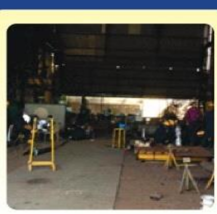
Results Achieved:

- 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

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