FICCI CMSME

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NEWSLETTER

FICCI - CONFEDERATION OF MICRO, SMALL AND MEDIUM ENTERPRISES (CMSME)

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

Empowering MSMEs

Confederation of Micro, Small and Medium Enterprises (CMSME) established in December 2013 with a vision to empower Indian MSMEs and build their competitiveness is an affiliated body under the umbrella of the Federation of Indian Chambers of Commerce and Industry (FICCI), an apex Chamber of Commerce & Industry of India. FICCI has tie ups with over 300 industry associations and chambers worldwide.

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- Provide a holistic grid to connect MSMEs with mentors, incubators & accelerators and assist them through capacity building programs & services
- Help MSMEs explore different government schemes
- Deliberate on policy issues that impact performance of the MSME sector and provide effective channels to communicate issues and concerns to government at the center and states as well as to other regulatory bodies and banks
- Provide regular interface between Industry, Government and regulators through workshops, round tables and representations and interactive sessions with to create an enabling environment for further growth of the sector

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- Marketing & Quality Standards including Packaging
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- Technology & Innovation
- Legal & Taxation
- Procurement
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- Start-up & Entrepreneurship

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MSME NEWS UPDATE

1. Banks told to credit 'interest on interest' to borrowers, RBI tells SC

Banks, financial and non-banking financial institutions have been asked to take "necessary actions" to credit into the accounts of eligible borrowers the difference between compound and simple interest collected on loans of up to Rs 2 crore during the moratorium scheme, RBI has told the Supreme Court. The Reserve Bank of India (RBI), in an affidavit filed through Assistant General Manager Prasanta Kumar Das, referred to the October 23 additional response of the Ministry of Finance and said the federal bank has also acted in pursuance of that by issuing a notification to banks and FIs recently on refund of extra money to the borrowers. The central government had earlier told the apex court that the lenders have been asked to credit into the accounts of eligible borrowers the difference between compound and simple interest collected on loans of up to Rs 2 crore during the RBI's loan moratorium scheme. "All Primary (Urban) Cooperative Banks/State Cooperative Banks/District Central Cooperative Banks, All Indian Financial Institutions and All Non-Banking Financial Companies (including Housing Finance Companies) to be guided by the provisions of the scheme and take necessary actions within the stipulated timeline therein," the RBI said in its recent affidavit. The top court is scheduled to hear a batch of PILs including the one filed by Gajendra Sharma on October 3 relating to charging of interest on interest by banks on EMIs which have not been paid by borrowers after availing the loan moratorium scheme of RBI during March 1 to August 31.

"I say... Ministry of Finance, Department of Financial Services in view of the unprecedented and extreme COVID-19 situation vide its letter ... has approved a 'scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts (01.03.2020 to 31.08.2020)' along with operational guidelines and mechanism for such grant," the RBI official said. The affidavit, which also contained the decision of the government and the subsequent RBI's circular as annexures, said that all banks, FIs, and housing finance firms have been asked to pass on the benefits of the Centre's decision to eligible borrowers. Earlier, the Centre has said that the eligible borrowers will be benefitted by the lenders after the apex court had come down heavily on it, saying that nothing has been done on ground to pass on the benefits.

The Ministry of Finance has said that after crediting this amount, the lending institutions would claim reimbursement from the central government. The government had said that the ministry has issued a scheme as per which lending institutions would credit this amount in the accounts of borrowers for the 6-month loan moratorium period which was announced following the COVID-19 pandemic situation.

On October 14, the apex court had observed that the Centre should implement "as soon as possible" the interest waiver on loans of up to Rs 2 crore under the RBI's moratorium scheme and had said that the common man's Diwali is in the government's hands. The Centre had earlier told the court that going any further than the fiscal policy decisions already taken, such as waiver of compound interest charged on loans of up to Rs 2 crore for moratorium period, may be "detrimental" to the overall economic scenario, the national economy and banks may not take "inevitable financial constraints". The RBI had also filed an affidavit in the apex court saying that loan moratorium exceeding six months might result in "vitiating the overall credit discipline", which will have a "debilitating impact" on the process of credit creation in the economy. These affidavits were filed following the top court's October 5 order asking them to place on record the K V Kamath committee recommendations on debt restructuring because of the COVID-19 related stress on various sectors as well as the notifications and circulars issued so far on loan moratorium. It has also said that the apex court's interim order of September 4, restraining classification of accounts into non-performing accounts in terms of the directions issued by the RBI, may kindly be vacated with immediate effect.

The Kamath panel had made recommendations for 26 sectors that could be factored by lending institutions while finalising loan resolution plans and had said that banks could adopt a graded approach based on the severity of the coronavirus pandemic on a sector. Initially, the RBI on March 27 had issued the circular which allowed lending institutions to grant a moratorium on payment of instalments of term loans falling due between March 1, 2020, and May 31,2020, due to the pandemic. Later, the period of the moratorium was extended till August 31 this year.

Business Standard, November 02, 2020

2. **Government extends Emergency Credit Line Guarantee Scheme for MSME by 1 month**

The government extended the Emergency Credit Line Guarantee Scheme (ECLGS) for MSMEs by one month, as the scheme has so far failed to meet the target of Rs 3 lakh crore. The scheme was valid till October-end. It was launched as part of the Aatmanirbhar Bharat Abhiyan package announced by finance minister Nirmala Sitharaman in May to mitigate the distress caused by coronavirus-induced lockdown, by providing credit to different sectors, especially micro, small and medium enterprises (MSMEs).The scheme has been extended till November 30 or till such time that an amount of Rs 3 lakh crore is sanctioned under the scheme, whichever is earlier, the finance ministry said in a statement said. The step has been taken in view of the opening up of various sectors in the economy and the expected increase in demand during the ongoing festive season. "This extension will provide a further opportunity to such borrowers who have not availed of the scheme so far, to obtain credit under the scheme," it said. According to data uploaded by member lending institutions on the ECLGS portal, an amount of Rs 2.03 lakh crore has been sanctioned under the scheme to 60.67 lakh borrowers so far, while an amount of Rs 1.48 lakh crore has been disbursed.

Under the scheme, fully guaranteed and collateral-free additional credit to MSMEs, business enterprises, individual loans for business purposes, and MUDRA borrowers is provided to the extent of 20 per cent of their credit outstanding as on February 29, 2020. Borrowers with a credit outstanding up to Rs 50 crore as on February 29, and with an annual turnover of up to Rs 250 crore are eligible under the scheme. Interest rates under the scheme are capped at 9.25 per cent for banks and financial institutions (FIs), and 14 per cent for non-banking financial companies (NBFCs).

Tenor of loans provided under the scheme is four years, including a moratorium of one year on principle repayment. A Rs 30,000-crore special liquidity scheme was closed on the due date as even less than a quarter of funds were disbursed to stressed NBFCs. About Rs 7,227 crore were disbursed to NBFCs from the approved applications worth Rs 11,120 crore -- received from 39 proposals -- of non-bank lenders by the special entity set up for the purpose. The scheme kicked off from July 1 and closed on September 30, 2020.

Of the approved applications seeking Rs 11,120 crore, Rs 3,707 crore lapsed as the scheme ended on September 30. On August 1, the government widened the scope of the Rs 3 lakh crore-ECLGS scheme by doubling the upper ceiling of loans outstanding and including certain loans given to professionals like doctors, lawyers and chartered accountants for business purposes under its ambit. To ensure that more companies benefit from the scheme, it was decided to increase the upper ceiling of loans outstanding as on February 29 for being eligible under the scheme from Rs 25 crore to Rs 50 crore. The maximum amount of Guaranteed Emergency Credit Line (GECL) funding under the scheme was correspondingly increased from Rs 5 crore to Rs 10 crore. Announced as part of the government's Rs 20-lakh crore economic package in the wake of the coronavirus pandemic, the scheme was later tweaked to be made applicable for companies with an annual turnover of Rs 250 crore as against the earlier threshold of Rs 100 crore.

Banks and NBFCs have approved loans worth about Rs 1,87,579 lakh crore, while disbursement stood at Rs 1,36,140 crore as on October 5. On May 20, the Cabinet approved an additional funding of up to Rs 3 lakh crore at a concessional rate of 9.25 per cent through ECLGS for the MSME sector. Under the scheme, 100 per cent guarantee coverage will be provided by the National Credit Guarantee Trustee Company (NCGTC) for additional funding of up to Rs 3 lakh crore to eligible MSMEs and interested Micro Units Development and Refinance Agency (MUDRA) borrowers in the form of GECL facility.

The Times of India, November 02, 2020

3. Telangana recommends issuing 20,000 MSMEs free software licenses

In an effort to digitize the micro, small and medium enterprises (MSMEs) in Telangana, the state government is launching an initiative to issue free licenses of a cloud-based business automation software to 20,000 enterprises. The total market value of the licenses distributed free of charge by the state to the business community amounts to 72 million.

The business automation software, called Accloud, has bookkeeping, sales, purchasing and inventory management modules, available on the internet and mobile phones, in English, Hindi as well as Telugu, and offers options in the languages of the country. Sapio Analytics, a government consulting firm, brings the software to the companies, while the distribution platform is that of Telangana State GlobalLinker, a platform and community for the state’s MSMEs. The Telangana government has already signed a memorandum of understanding (MoU) regarding this initiative.

Commenting on the initiative, Jayesh Ranjan said: “The Telangana Government is excited to partner with Sapio Analytics to provide a free Accloud automation and accounting software that will help local MSMEs increase their efficiency and be more competitive among their peers. “

It is a step by the Telangana government to support the enterprises that form the backbone of the economy and thus the economic revival and growth.

Deccan News, November 04, 2020

4. **Gadkari suggests way to reduce logistics cost for bamboo goods; asks for formulating Bamboo Policy**

MSME Minister Nitin Gadkari suggested businesses to adopt cost-effective methods and modes such as waterways to bring down the logistics cost for bamboo products originating from India's Northeast. Inaugurating a virtual bamboo exhibition, Gadkari also stressed on the need for more intensive use of bamboo resources in India that are already used in multiple fields such as handicrafts, agarbatti making, garments, buildings and interiors, bio-fuel resource, etc. For the same, he also asked the Ministry of Development of North Eastern Region (DoNER) to come up with a Bamboo Policy since maximum bamboo production happens in the Northeast.

Further, in order to boost employment in bamboo-related activities, Gadkari called for producing high yielding bamboo varieties, for instance, 200 tonnes per acre yield instead of around 40 tonnes per acre in case of few varieties for industrial use. The greater yield and wider bamboo usage will open up more employment generation especially in Northeast India, said a statement by the MSME Ministry citing Gadkari as saying. The minister further stressed that bamboo sticks may be reduced to bamboo bales for moisture to be removed in order to ease transportation and make it cheaper. He suggested seeking the support of IITs for its pilot project.

The DoNER Ministry had planned the development of three bamboo clusters in Jammu, Katra, and Samba areas to produce bamboo basketry, agarbatti, and bamboo charcoal apart from setting up bamboo technology centre. DonER minister Jitendra Singh said that it is imperative to make bamboo a pan India perspective for its growth and utilization adding that his ministry is already exploring bamboo reserves in different parts of the country. The ministry has sanctioned 17 projects for development of bamboo in Northeast states in the past four years that includes a Bamboo Industrial Park in Assam.

Around 40 per cent area under bamboo exists in North-eastern states, said Singh even as the potential in the Region was not being fully utilized because of restrictions in movement of Bamboo under Indian Forest Act, 1927. However, the Modi government "has amended the century-old Indian Forest Act by taking homegrown bamboo out of the purview of the Forest Act, in order to enhance livelihood opportunities through bamboo," the statement added citing Singh.

Financial Express, November 05, 2020

5. **Interim stay on classifying of NPAs needs to be removed: RBI tells SC**

The Supreme Court deferred its hearing on a batch of pleas seeking a waiver of accruing interest and an extension of the loan moratorium, during which time the apex court has asked all parties to file written submissions. The Reserve Bank of India's (RBI), for its part, requested the top court to lift the over two-month-long interim stay on the classification of non-performing assets (NPAs) by banks which, it said, was creating difficulties for the central bank.

The pleas pertain to the charging of interest-on-interest by banks on EMIs of borrowers who availed the loan moratorium extended as a measure of relief during the pandemic. The court also saw representations from power producers and MSMEs, who also sought an early hearing and financial aid to tide over the pandemic. However, the SC asked them to argue their cases during the next hearing.

While the moratorium period had ended on August 31, the SC had restrained banks from classifying any more accounts as NPAs till further orders. Petitioners have also argued that loan defaults would shoot up exponentially if the moratorium period was not extended till the pandemic retreats.

The RBI had opposed the petitions seeking an extension of the loan moratorium period, stating that a longer moratorium will lead to a rise in defaults once scheduled payments resume. “It may result in vitiating the overall credit discipline which will have a debilitating impact on the process of credit creation in the economy.

It will be the small borrowers which may end up bearing the brunt of the impact as their access to formal lending channels is critically dependent on the credit culture,” it had said. The Centre too opposed any interest waiver or further relief for big borrowers, stating that the M V Kamath Committee recommendations are already examining loan restructuring for big borrowers and addressing sectoral issues. The Finance Ministry had also filed an affidavit declaring that lenders would credit eligible borrowers the difference between compound and simple interest collected on loans of up to Rs 2 crore during the period.

The RBI had filed an affidavit saying that it has asked all banks, and other financial institutions to take “necessary actions” to credit borrowers the difference between compound and simple interest collected during the moratorium. On October 14, the apex court had observed that the Centre should implement “as soon as possible” the interest waiver on loans of up to Rs. 2 crore under the scheme and had said that the common man’s Diwali is in its hands

The New Indian Express, November 05, 2020

6. RBI announces co-lending scheme for banks, NBFCs for priority sector

The Reserve Bank came out with a Co-Lending Model (CLM) scheme under which banks can provide loans along with NBFCs to priority sector borrowers based on a prior agreement. The CLM, which is an improvement over the co-origination of loan scheme announced by the RBI in September 2018, seeks to provide greater flexibility to the lending institutions, the Reserve Bank of India (RBI) said in a release.

Under the CLM, banks will be permitted to co-lend with all registered NBFCs (including HFCs) based on a prior agreement, RBI said, adding that "the co-lending banks will take their share of the individual loans on a back-to-back basis in their books". "However, NBFCs shall be required to retain a minimum of 20 per cent share of the individual loans on their books."

The primary focus of the scheme, rechristened as "Co-Lending Model" (CLM), is to improve the flow of credit to the unserved and underserved sector of the economy and make available funds to the ultimate beneficiary at an affordable cost, considering the lower cost of funds from banks and greater reach of the NBFCs, it added.

As per a notification by RBI, NBFCs will be the single point of interface for the customers and shall enter into a loan agreement with the borrowers. The agreement should clearly contain the features of the arrangement and the roles and responsibilities of NBFCs and banks. "The ultimate borrower may be charged an all-inclusive interest rate as may be agreed upon by both the lenders conforming to the extant guidelines applicable to both," RBI said.

All transactions (disbursements/ repayments) between the banks and NBFCs relating to CLM have to be routed through an escrow account maintained with the banks, in order to avoid inter-mingling of funds. With regard to grievance redressal, RBI said suitable arrangement must be put in place by the co-lenders to resolve any complaint registered by a borrower with the NBFC within 30 days.

If the complaint is not resolved, the borrower would have the option to escalate the same with the concerned Banking Ombudsman/Ombudsman for NBFCs or the Customer Education and Protection Cell (CEPC) in RBI. Under priority sector norms, banks are mandated to lend a particular portion of their funds to specified sectors, like weaker section of the society, agriculture, MSME and social infrastructure.

Business Standard, November 05, 2020

7. **Interest on interest waiver: Banks start crediting accounts**

Banks have started refunding the compound interest charged on specified loan accounts during the moratorium period to the borrowers. Last week, the Reserve Bank of India (RBI) had asked all lending institutions, including non-banking financial companies, to ensure that the scheme of waiver of interest on interest for loans up to ₹2 crore for the six-month moratorium period is implemented.

Issuing additional frequently asked questions (FAQs) on the scheme, the finance ministry said consumptions loans, including those backed by gold as collateral, are eligible for the waiver. "Individual loans from the eight eligible categories of borrowers, including those categorised as Micro, Small and Medium Enterprises (MSME) by the lending institution, are covered under the scheme irrespective of the nature of guarantee," it said. This is the second additional FAQs released by the ministry and comes just a day ahead of the implementing the scheme.

Following directions from the Supreme Court, the government had last month announced the scheme for grant of ex-gratia payment of difference between compound interest and simple interest for six months to borrowers in specified loan accounts. The interest waiver scheme covers housing loans, education loans, credit card dues, auto loans, MSME loans, consumer durable loans and consumption loans. However, agriculture and allied activity loans are not part of the waiver.

The scheme mandates ex-gratia payment to certain categories of borrowers by way of crediting the difference between compound interest and simple interest for the period between March 1, 2020 to August 31, 2020 by respective lending institutions. In the wake of COVID-19 outbreak, the Reserve Bank of India (RBI) in March announced moratorium on repayment of EMIs and credit card dues for three months. The moratorium period later extended till 31 August. Following the order of the Supreme Court, the Centre later approved the scheme to 'grant of ex-gratia payment of difference between compound and simple interest to borrowers of specified loan accounts' from 1 March to 31 August.
Mint, November 05, 2020

8. **Govt cautions public not to fall prey to cheating in the name of PMEGP loans**

The MSME Ministry cautioned the general public and potential entrepreneurs against falling prey to cheating in the name of its flagship scheme Prime Minister's Employment Generation Programme (PMEGP). The ministry's alert comes in the backdrop of some instances being reported whereby potential entrepreneurs/beneficiaries were approached by private persons or agencies offering loans under PMEGP scheme and handing over loan sanction letters and cheating the entrepreneurs by charging money from them.
"Ministry has warned the unscrupulous elements against cheating general public in its name and it has been informed that the Ministry has already taken up the matter with the police authorities for proper investigation and action," it said in a statement. The PMEGP is a central sector credit linked subsidy scheme being implemented by the Ministry of MSME since 2008-09 to assist first generation entrepreneurs for setting up micro enterprises across the country.
Under the PMEGP Scheme, the entire process of application and fund flow, right from receipt of application to sanction and release of loan by banks to the applicants, has been made online through only one government portal run by the Khadi and Village Industries Commission. The whole process is totally free of cost. No private party/agency/ middlemen/ franchise, etc. is engaged or authorized for promoting and sanctioning PMEGP projects or providing any financial assistance under PMEGP scheme, the statement said.
"Instances of potential entrepreneurs/beneficiaries being approached by private persons or agencies offering loans under PMEGP Scheme and handing over loan sanction letters and cheating the entrepreneurs by charging money from them is totally illegal and absolutely fake," it said. The ministry advised the general public to remain cautious of such unscrupulous elements.
Outlook, November 06, 2020

9. **Udyam portal: Amid Covid, Modi govt sees over 11 lakh MSME registrations**

The Modi government's new portal for MSME registration, which was launched amid Covid on July 1, 2020, along with the revised MSME definition, has seen over 11 lakh registrations so far, MSME Ministry said. The government has also asked its field establishments including National Small Industries Corporation, Khadi and Village Industries Commission, MSME-Development Institutes, Technology

Centers, and Coir Board to help entrepreneurs register units on the portal and expedite the process for registration. The portal is integrated with the CBDT and GST networks along with the public procurement portal Government e-Marketplace to make end-to-end MSME registration paperless.

“New online system of MSME/Udyam Registration launched by Union MSME Ministry with effect from 1st July 2020, has stood the test of Time & Technology,” the ministry said. Out of over 10 lakh registrations recorded on the portal till October 31, 2020, 3.72 lakh businesses were registered under the Manufacturing category while 6.31 lakh units were registered under the Service sector. Moreover, the share of micro-enterprises was maximum at 93.17 per cent while only 5.62 per cent were small and 1.21 per cent were medium businesses respectively, according to the data shared by the ministry.

While 7.98 lakh enterprises were owned by male entrepreneurs, only 1.73 lakh units were led by female entrepreneurs. Divyangjan (differently-abled) entrepreneurs owned 11,188 enterprises that were registered on the portal after July 1, 2020. Overall, employment generated by the registered MSMEs stood at 1,01,03,512. In terms of industries leading in registrations with maximum MSMEs were food products, textile, apparel, fabricated metal products, and machinery & equipments. Maharashtra, Tamil Nadu, Rajasthan, Uttar Pradesh, and Gujarat were the top five states in Udyam registrations.

The Reserve Bank of India has issued a circular in August this year for clarity on the registration of existing units under Entrepreneurs Memorandum (EM) part II and/or Udyog Aadhaar Memorandum (UAM). RBI had said that existing EMs part II and/or UAMs of MSMEs obtained before June 30, 2020, will continue to remain valid till March 31, 2021. According to the MSME ministry, MSMEs had asked for clarity on whether existing registrations would remain valid after the government’s June 26, 2020 notification on the classification of MSMEs as per the new definition and specification of the form and procedure for registration with effect from July 1, 2020. The circular had also noted that MSMEs already registered under EM part II and UAM must file for a new registration on the portal before the existing registration expires.

Financial Express, November 07, 2020

10. Govt exempts procurement of spare parts from OEMs from public procurement policy

The government’s public procurement policy announced in mid-May, which prohibited global tendering to source goods and services up to Rs 200 crore in order to promote domestic industries, is not applicable for procurement of spare parts from original equipment manufacturers, two officials said.

The clarification was issued after several government concerns and public sector companies—particularly in energy, telecom, health and infrastructure sectors—faced difficulties in sourcing specific components domestically as they are available only with the original equipment manufacturers (OEMs) that are often foreign entities, the officials working for two economic ministries said requesting anonymity.

The finance ministry on May 15 disallowed global firms from participating in government tenders worth up to Rs 200 crore, a move in line with the Rs 20 lakh crore AatmaNirbhar Bharat Abhiyan (Self-Reliant

India) economic stimulus and relief package. "Now, no Global Tender Enquiry (GTE) shall be invited for tenders up to Rs 200 crore, unless prior approval is obtained from Cabinet Secretariat," the May 15 statement said. The move was aimed to benefit domestic micro, small and medium enterprises (MSMEs).

Referring to the October 29 decision, a second official said, "The office memorandum dated May 15, 2020 will not be applicable on procurement of spare parts of the equipment, plant and machinery etc on nomination basis from original equipment manufacturer (OEM) or original parts manufacturer (OPM) as no competitive tenders are invited in such cases."

An expert said the government's decision is prudent as it allows procurement of spare parts from foreign OEMs because there are no other sources of supply. "Since the equipment/machinery would have been procured from foreign OEMs, much before the introduction of restriction of global tendering, the spares inevitably have to be purchased from the same supplier," he said.

"The provision is to build trust and confidence among the local enterprises to enhance their production possibilities with increased participation in the economic activities of the country. At this juncture, the exceptions made on procurement of spares from original equipment manufacturers (OEMs) is justifiable as minimal or no other source /supplier is available in such cases in India," he said.

"I am very much sure that the intention of the government is to give first preference to the domestic MSMEs, and therefore, the exceptions made in the said order do not have any negative impact on the confidence level of MSMEs in the country," he added.

Hindustan Times, November 09, 2020

11. MSMEs claim over 50% recovery; services drag

Driven by manufacturing enterprises, micro, small and medium enterprises (MSMEs) have returned to more than 50 per cent of their pre- Covid level of operations. But the entrepreneurs are still unsure about the sustainability of demand beyond the festive season. According to an expert, the manufacturing sector has picked up quite well and operations are running close to 80 per cent of the pre- Covid level. "Some of the sectors like pharma have fully recovered," the expert said, adding that the rest of the sectors are mostly operating at 80 per cent of the pre- lockdown levels.

Another expert said, "Manufacturing MSMEs have been witnessing a month-on-month growth in the last four months. Initially, organising working capital was a major challenge. Now those issues have eased and almost 80 per cent of the manufacturing sector is doing better as reflected in the GST numbers."

Even among manufacturing, enterprises in the construction sector or those producing luxury goods are still behind. It is found that unorganised enterprises in the manufacturing sector are still finding hardships. Overall, the festive season demand and relaxation of restrictions have supported the manufacturers. According to the expert, pent-up orders from the previous months, festive and wedding season demand and the increased procurement by government agencies, like railways, defence and highways, has supported the recovery in the MSME sector.

However, the services sector is still at close to 35 per cent of prior level. "In sectors like travel, tourism, hospitality and aviation, there are enterprises which have not started recovering yet. They would take more time to recover," said the expert. However, the MSMEs are still doubtful about the sustainability of the recovery. "We will have to see whether the demand sustains after the festive season. Further, a second wave of the pandemic in Europe can once again pull down the export orders," he said.

The new administration in the US under Joe Biden also poses a threat to the sustainability of export demand. "He has been talking about increasing capital gains tax and corporate tax. Slump in demand will hurt Indian exporters, as the US is the biggest market for several sectors," he added. Initially, organising working capital was a major challenge. Now those issues have eased and almost 80% of the manufacturing sector is doing better

The Asian Age, November 09, 2020

12. Foreign listing of start-ups, MSMEs will now be easier

The ministry of corporate affairs (MCA) is finalising the rules for the listing of unlisted companies in foreign jurisdictions, so that it becomes possible for start-ups and small and medium enterprises to raise capital abroad. The MCA wants to keep the threshold for direct foreign listing at a level that is attractive and feasible for companies. The plan is to allow such listing in eight jurisdictions to begin with. These include the US, the UK, South Korea, Japan, France, Germany, and Canada. "The smaller companies must also get a chance to go abroad and access cheaper capital," a senior government official told.

Experts say that every start-up wanting to get listed internationally has been externalising or setting up a company in a foreign country, and this has been the practice for several years. The criteria for allowing companies to avail of this provision will include profitability, net worth, paid-up capital, and turnover. Anyone with a negative net worth will not be allowed to list. Any company wanting to list abroad will have to fill in a single form called LEAP-Listing for Equity Shares in Permissible Jurisdictions and submit it to the MCA to obtain its permission. Government sources said the approval would be given in two weeks if all criteria are met.

The MCA has also done away with the requirement for mandatory dual listing. Hence, companies need no longer list in India to list abroad. An umbrella scheme for foreign listing will be introduced by the Department of Economic Affairs and the rules for listed companies will be brought out by the Securities and Exchange Board of India. The MCA will roll out the rules for unlisted companies once the umbrella scheme is launched. The amendment allowing direct foreign listing was made to the Companies Act in the monsoon session of Parliament this year.

Rediff News, November 10, 2020

13. Govt approves Rs 1.46 lakh crore more to boost manufacturing in 10 sectors

The Union Cabinet approved the expansion of Production-Linked Incentive (PLI) Scheme to 10 more key sectors at an additional cost of Rs 1.46 lakh crore spread over a period of five years with the twin aims of strengthening domestic manufacturing capability and reducing import dependence.

The PLI scheme already exists in three sectors at a total outlay of Rs 51,311 crore. The maximum allocation under the existing scheme is of Rs 40,951 crore for mobile manufacturing and specified electronic components to reduce the import dependency on China. Another PLI scheme for critical key starting materials in the pharma sector is being given Rs 6,940 crore and Rs 3,420 crore is for the manufacturing of medical devices.

This expansion of the scheme – over three times each in terms of product categories and financial outlay—will make Indian manufacturers globally competitive, attract investment in the areas of core competency and cutting-edge technology and make India an integral part of the global supply chain, said an official news release after the Cabinet meeting chaired by PM Narendra Modi.

The new 10 sectors with their outlays are as follows: Advance Chemistry Cell (ACC) battery Rs 18,100 crore, Electronic/Technology Products Rs 5,000 crore, Automobiles & Auto Components Rs 57,042 crore, pharmaceuticals and drugs Rs 15,000 crore, Telecom & Networking Products Rs 12,195 crore, Textile Products Rs 10,683 crore, Food Products Rs 10,900 crore, High Efficiency Solar PV Modules Rs 4,500 crore, White Goods (ACs & LED) Rs 6238 crore and Speciality Steel 6322 crore.

The PLI scheme will be implemented by the ministries concerned and will be within the prescribed financial limits. Savings, if any, from one PLI scheme of an approved sector can be utilised to fund that of another approved sector. Any new sector for PLI will require fresh approval of the Cabinet.

ACC battery manufacturing is one of the largest economic opportunities of the twenty-first century for consumer electronics, electric vehicles and renewable energy. The PLI scheme will encourage large domestic and international players to set up a competitive ACC battery set-up in the country. For the automotive industry, the scheme will focus on making it more competitive. The Indian pharmaceutical industry, third largest by volume, will encourage the global and domestic players to engage in high value production.

The PLI scheme in telecom equipment is expected to attract large investments from global players and help domestic companies seize the emerging opportunities and become big players in the export market.

For textiles, it aims to attract large investments, especially in the MMF segment and technical textiles. In food processing, it will focus on specific product lines with high growth potential to generate medium- to large-scale employment.

As large imports of solar PV panels pose risks in supply-chain resilience and have strategic security challenges, a PLI scheme will enable the buildup of large-scale solar PV capacity in India. In white goods, it will lead to more domestic manufacturing and increased exports. For steel, the PLI scheme will be for export-oriented value added steel leading.

The Prime Minister's clarion call for an 'AatmaNirbhar Bharat' envisages policies for the promotion of an efficient, equitable and resilient manufacturing sector in the country.
Growth in production and exports of industrial goods will greatly expose the Indian industry to foreign competition and ideas, which will help in improving its capabilities to innovate further. Promotion of the manufacturing sector and creation of a conducive manufacturing ecosystem will not only enable integration with global supply chains but also establish backward linkages with the MSME sector in the country. It will lead to overall growth in the economy and create huge employment opportunities, said an official news release.
The Tribune, November 11, 2020

14. October trade deficit up as exports fall

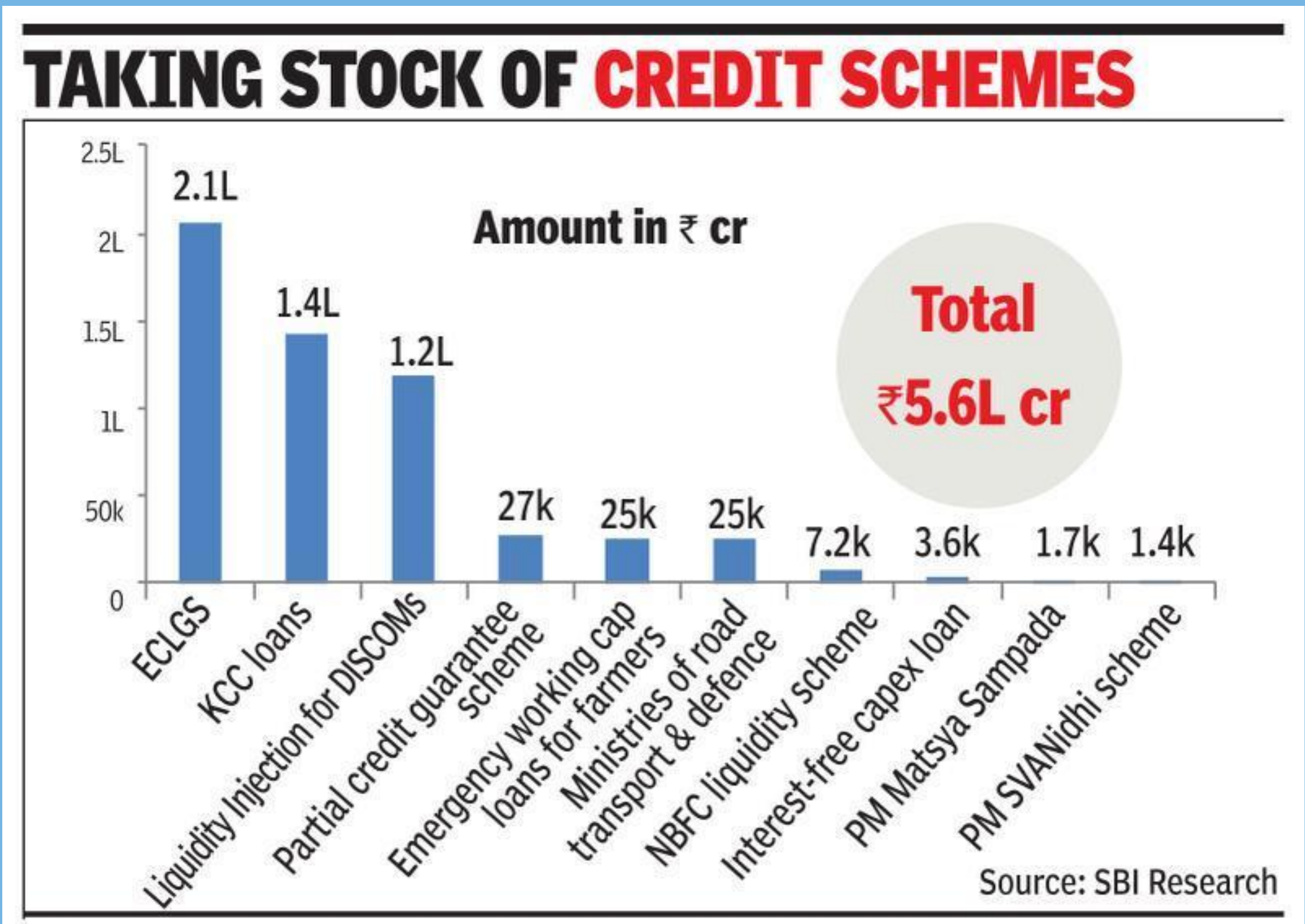
Merchandise exports and imports contracted in October, hammered by a domestic and global recession amid covid, commerce ministry data released showed. Exports contracted by 5.12%, falling back into the negative zone after growing in the previous month, as shipments of petroleum products, gems and jewellery and electronic items fell sharply on account of a slump in global demand and disruptions in local supply chains.
Imports too fell sharply, by 11.53%, led by a decline in purchases of transport equipment, crude oil and machinery. Crude oil price in world markets had fallen by over a third in October from the year-ago period as the global economy grappled with the shock dealt by the pandemic.
With $24.89 billion merchandise exports and $33.61 billion imports, merchandise trade deficit in October stood at the highest so far this fiscal at $8.71 billion. But it was narrower than the $11.75 billion reported in October 2019. Non-oil and non-gem and jewellery exports showed a growth of 6.51% in October to $20.31 billion. Items like rice, iron ore and pharma showed strong exports growth in October. Renewed lockdowns in some advanced economies, however, may have suppressed the level of non-oil exports in November, said an expert.
In September, exports had briefly shown a 6% growth after six months of double-digit contraction as businesses battled local movement restrictions and a demand slump. Global volumes of merchandise trade are set to decline 9.2% in 2020, followed by a 7.2% rise in 2021, the World Trade Organisation has projected. The government has been taking steps to boost local production as well as exports by supporting micro, small and medium enterprises (MSMEs), the backbone of manufacturing and exports.
The Mint, November 13, 2020

15. Government to guarantee loans for all companies in 26 stressed sectors and healthcare

The government has revised its Rs 3-lakh-crore emergency credit line guarantee scheme to include fresh loans to 26 stressed sectors identified by the KV Kamath-headed committee, and healthcare sector. Earlier, the Extended Credit Line Guarantee Scheme (ECLGS) was available only to small businesses. The revised scheme extends it to stressed sectors, irrespective of turnover. However, the guarantees will be available only to loans that had an outstanding limit ranging from Rs 50 crore to Rs 400 crore as on February 29, 2020.

"What it does is that entities up to 30 days past due will get an additional credit of 20% outstanding as of that date. Even as the earlier scheme goes on, we are bringing in an additional scheme wherein the tenor of additional credit will be five years — one year of moratorium and four years of repayment and servicing," said finance minister Nirmala Sitharaman in her press conference announcing the stimulus measures. The earlier scheme had one year of moratorium and three years of servicing. Both the earlier and the revised scheme will be available up to March 31, 2021.

In September, the government-appointed committee, headed by veteran banker Kamath to look into restructuring of loans where borrowers had come under stress due to Covid-19, had submitted its report. In it, the committee selected 26 sectors that would need restructuring based on the panel's analysis of financial parameters that were hit.



The sectors include power, construction, iron & steel, roads, real estate, wholesale trading, textiles, consumer durables, aviation, logistics, hotels, restaurants, tourism and mining. "We believe potentially around 40,000 entities can benefit from the scheme. However, if the overall amount stays at Rs 3 lakh crore, the overall corpus of ECLGS 2.0 could be a constraining factor," said Soumya Kanti Ghosh, chief economist, SBI group. He added that the scheme can provide much needed relief to stressed sectors including auto, gems & jewellery, hotel & restaurants, iron & steel, real estate, textile, etc, by helping entities sustain employment and meet liabilities.

In May 2020, the government announced ECLGS to mitigate the distress caused by the coronavirus pandemic-induced lockdown, by providing credit to different sectors, especially micro, small and medium enterprises (MSMEs). It offered Rs 3 lakh crore collateral-free automatic loan for businesses, including MSMEs. Borrowers with up to Rs 25 crore outstanding and Rs 100 crore turnover were eligible for 20% of outstanding credit as on February 29. As of March, around Rs 14 lakh crore is outstanding to the MSME sector. The ministry said that over Rs 2 lakh crore had been sanctioned to 61 lakh borrowers and a total of Rs 1.5 lakh crore had been disbursed under the scheme.

The Times of India, November 13, 2020

16. SIPCOT hub for e-vehicle components near Chennai

As part of its efforts towards making Tamil Nadu an e-vehicle manufacturing hub, SIPCOT (Small Industries Promotion Corporation of Tamil Nadu) is planning to develop an Industrial Park at a cost of Rs. 250 crore, in Manallur and Soorapoondi villages of Gummidipoondi taluk, Tiruvallur district. The park, spread across 691.587 acres, will cater to the production of synthetic and organic chemicals, which are used in manufacturing batteries and components of electric vehicles. It is learnt that environmental clearance has been obtained from the Ministry of Environment, Forest, and Climate Change, for the development of SIPCOT at the two villages.

About 90 per cent in the industrial park is marked for manufacturing electric vehicle components and the remaining 10 per cent of the area for synthetic and chemical industries. A top SIPCOT official told Express that Guidance has approached them to set up an industrial park, as there have been a lot of queries from national and international companies which are keen on setting up their bases in the State. The companies that have shown immediate and long-term interest include electric two-wheeler company Ampere, Okinawa, and swap-able battery and charging infrastructure company SUN Mobility. The official added that SIPCOT plans to set up the industrial park by June 2021.

“We have already prepared a masterplan. It will be executed phase-wise and we will ensure that the first phase is developed over 250 acres. Once Phase-1 is half finished, we will go in for Phase-2,” the official said. The State is planning to construct roads for movement of heavy vehicles as the village roads are narrow. “We are in talks with the Highways Department and we will be funding for building the roads,” said the official. This comes close of the heels of the State government issuing a notification exempting e-vehicles from payment of Motor Vehicles Tax from November 3, 2020 to December 31, 2022, which, a top Industries Department official said will prompt more electronic car manufacturers and battery makers to set up shop in TN. SIPCOT is in the process of establishing new industrial parks at Manapparai, Tindivanam, Manakudi, Thoothukudi (Phase-2), Nemili, Mamabakkam, and Sakkarakottai, including establishment of food parks, e-vehicle park, pharma park, besides other ongoing land acquisition schemes. Industrial Estates developed by SIPCOT in the vicinity of Chennai have been fully allotted and there is need for augmenting industrial spaces for attracting new industries as well as expansion of existing industries, said a spokesperson.

SIPCOT has so far developed 21 Industrial Complexes in 12 districts, and seven sector-specific Special Economic Zones (SEZs) across the State. With the guidance of Palaniswami and the proactive approach of SIPCOT, many prominent industrial units like Amway, Apollo Tyres, Ashok Leyland, Bosch, Britannia, Cognizant Technology, Daimler, DELL, Delta Electronics, Delphi TVS, Eicher Motors, Foxconn, Growth Link, Hyundai, India Yamaha, Kone Elevator, KPR Spinning Mills, Mahindra, Mando-Hella, Michelin Tyres, Nokia Siemens, Renault-Nissan, Saint Gobain, Samsung, Sanmina, and Wheels India have established their facilities in various Industrial Parks of SIPCOT, the official added.

The New Indian Express, November 17, 2020

17. Uttar Pradesh fast-tracks loan disbursal to new and existing MSMEs

Uttar Pradesh is speeding up loan disbursals to new and existing micro, small and medium enterprises (MSMEs) as well as seeking to ensure a time-bound recruitment to vacant posts in government departments to generate employment. Additional chief secretary for the state MSME department, Navneet Sehgal, told that the government had set a target of disbursing loans of Rs 76,000 crore to MSMEs in 2020-2021, with an aim to generate direct and indirect employment of eight million people. So far, the government has disbursed Rs 18,348 crore to 630,000 units which has led to generation of 2.5 million jobs. Additionally, under the Aatmanirbhar Bharat Abhiyan package, 437,000 existing units have been given loans of Rs 10,850 crore. A recent Reserve Bank of India report said UP, which has the highest number of MSMEs in the country, was fifth in generating jobs in MSMEs, ahead of states such as Maharashtra, Gujarat and Tamil Nadu. The UP government will also soon organise another loan disbursal camp and strive to meet its target by the end of March 2021, said Sehgal. The target of remaining jobs is subsumed within the Mission Rozgaar jobs campaign, which is being run under the monitoring of chief secretary RK Tiwari and which aims to employ five million youths by March 2021. This includes vacancies in government departments for which the state plans to set up employment help desks in various departments, among other measures.

In September, chief minister Yogi Adityanath had called for all vacant posts in government departments to be filled within six months through a transparent recruitment process. The government had said in a reply during an assembly session in February that there were 3.4 million unemployed persons in the state, an increase of 1.25 million in about two years. In September, the CM said the government had recruited 300,000 youths in government departments including 137,000 police personnel, 50,000 teachers and 100,000 in other departments. Additionally, recruitment to 85,600 posts was under process, including the scam-ridden recruitment of 69,000 assistant teachers in the basic education department for which the Supreme Court gave the go-ahead.

The Economic Times, November 18, 2020

18. CMD NSIC launches MSMEMart Mobile App

IAS Vijayendra, CMD, NSIC, launched a mobile application “MSME Global Mart” for facilitating MSMEs and to popularise the M-Commerce. Also present on this occasion were P Udayakumar, Director (P&M), NSIC, Gaurang Dixit, Director (Finance), NSIC. The key features offered in the first version of the app, which include Public Procurement Information, International Trade, Key Catalogues, Success Stories, Prospective buyers etc. Corporates, PSUs and others can reach relevant suppliers for sourcing and sub-contracting needs through this app by searching from 86 categories and 1462 sub-categories offered in the app. The initiative aims at benefitting more MSMEs become Atma Nirbhar.

The Pioneer, November 19, 2020

19. ‘Decentralised Smart Manufacture’ for auto ancillaries

Against the Covid-induced challenges in the automobile sector, the expert has recommended a strategy of “decentralised smart manufacture”. Such a strategy is likely to protect the interests of both small and big firms alike, and the sector as a whole can be developed as an engine of growth, says India Micro, Small and Medium Enterprise Report 2020 (MSMER 2020). ‘Smart manufacturing’ is a broad category, employing computer-integrated production, high levels of adaptability and rapid design changes, digital information technology, and more flexible training of technical workforce. Flexible production based on demand, optimisation of the supply chain- efficient production, and recyclability, are the expected outcomes. Strategic thinking in the context of the pandemic needs to be sub-sector specific, and with focus on decentralised production. The Centre has taken some major steps on the automobile sector under ‘Make in India’. The recent decision to promote the country as a manufacturing hub for automobiles and related components through a PLI scheme with an outlay of ₹57,000 crore, is likely to translate into more investments from existing domestic and foreign manufacturers. However, the experience of the pandemic demands more meticulous and focused corrective steps. The automobile sector needs indigenisation with a strategic reorientation, where deep localisation has a potential role to play, the report said. The new strategy needs to be grounded on the experience of vendor development over the past two decades. Despite the broad-based growth of the automobile sector as a whole, the vendor base has not contributed much to technological absorption and local capabilities. ‘Deep localisation’ is a strategic option that has been discussed today. While the Indian automotive industry, traditionally, was highly local, it underwent a change with changes in technology (the transition from BS 4 to BS 6). While during BS 4, the local content was about 95 per cent, with BS6 coming in, a lot of systems had to be imported. Earlier, there were certain constraints to localisation, as some parts come only from one region. Typically, about 40-50 per cent of the parts are imported from China or overseas today. The lessons from some other countries can be a guide to the indigenisation strategies of India. China takes automotive sector almost like an essential service; even the US declared the sector as an essential sub-sector.

Business Line, November 20, 2020

20. Coming soon: Haryana govt's Enterprises Promotion Policy 2020

To support enterprises, the Haryana government will soon come out with its Enterprises Promotion Policy 2020. Speaking at the Haryana-Singapore Roundtable Virtual Conference organised by the Haryana government, Invest India and Enterprise Singapore, the CM said his government's focus is not just on enhancing Ease of Doing Business, but also on reducing the cost of doing business. He said that Haryana has adopted a sector-focused approach to development and with a view to provide incentives to investors, last year; Haryana also introduced five sector-specific policies for agribusiness and food processing, textile, warehousing-logistic retail, pharmaceutical and MSMEs.

Haryana has also emerged as a base for the knowledge industry destination for knowledge based and manufacturing sectors. The CM said considering investors requirement, connecting global value chain and to handhold the investor through proactive facilitation to navigate business plans, Haryana government has established a new "Foreign Cooperation Department". Khattar assured the Foreign Cooperation Department would provide all necessary assistance to the Singaporean companies for their up-coming businesses in Haryana. He offered all support and cooperation of the state government to leading enterprises of Singapore to further expand their base in Haryana.

On this occasion, top representatives of various leading companies of Singapore including Durapower, YCH Group, Agrocorp International, Transworld Terminals, Skill SG Ventures, Legend Logistics, Surbana Jurong etc showed interest in expanding their units in the fields of logistics, warehousing, cold chain, transport hub, distribution facilities and manufacturing of electrical gadgets. The CM said India and Singapore have a long-lasting relationship. The relationship between Haryana and Singapore has elevated in recent years with Singapore's involvement in smart cities, solid waste treatment, wastewater treatment plants and health care units in Haryana.

He said Haryana is considered as an industrial powerhouse with more than 250 fortune 500 companies based in the state. Khattar said to ensure a seamless investment process, a single-roof clearance system has been set up in the state, wherein any investor or enterprises can obtain all state related clearances through an online portal in a time-bound manner. All clearances are granted to investors in a maximum of 45 days. Over, one lakh clearances from various departments have already been granted through this mechanism, he added.

The CM the state government is focusing dedicatedly on the creation of world class infrastructure. The state is also working on big ticket projects such as Integrated Multi-Modal Logistics Hub in Narnaul, Global City in Gurugram and an integrated Aviation Hub in Hisar. "Further, we are in the process of developing three Smart Cities at Faridabad, Gurgaon and Karnal," he added.

Statesman, November 21, 2020

21. India's manufacturing poised to witness recovery in Jul-Sep: FICCI Survey

India's manufacturing sector is poised to witness recovery in the July-September quarter, even as hiring outlook for the segment remains bleak, according to a survey. Industry body FICCI's latest quarterly survey on manufacturing points towards recovery of the manufacturing sector in the second quarter ended September as compared to the previous quarter, with a rise in percentage of respondents reporting higher production. The proportion of respondents reporting higher output during July-September rose to 24 per cent, as compared to 10 per cent in the previous quarter.

Besides, the percentage of respondents expecting low or same production is 74 per cent in the second quarter which was 90 per cent in the first quarter of 2020-21. However, hiring outlook for the sector, though improving slightly, shows a bleak picture as 80 per cent of the respondents mentioned that they are not likely to hire additional workforce in the next three months.

"This presents slightly improved situation in the hiring scenario as compared to the previous quarter Q-1 of 2020-21, where 85 per cent of the respondents were not in favour of hiring additional workforce," FICCI said. Moreover, the average interest rate paid by manufacturers has reduced slightly to 9.2 per cent per annum as against 9.4 per cent per annum during the last quarter and the highest rate is reported to be 12.5 per cent. The recent cuts in repo rate by the RBI has not led to a consequential reduction in the lending rate as reported by 55 per cent of the respondents, found the survey. Based on expectations in different sectors, all the sectors except medical devices are likely to register low growth in Q-2 2020-21. The primary reason for such depressed expectations seems to be the imposition of lockdown, subdued demand, restricted exports and other guidelines in place as a response towards COVID-19 outbreak.

The survey covered wide areas of relevance for manufacturing like exports, capacity utilisation, ongoing restrictions, availability of labour/workforce and others. In many of these areas there are signs of operations inching towards normal and in coming months could see better performance. The survey assessed the sentiments of manufacturers for July-September 2020-21 for 12 major sectors namely automotive, capital goods, cement and ceramics, chemicals, fertilizers and pharmaceuticals, electronics & electricals, leather and footwear, medical devices, metal & metal products, paper products, textiles, textile machinery, and miscellaneous.

Responses were drawn from over 300 manufacturing units from both large and SME segments with a combined annual turnover of around Rs 3 lakh crore. The survey showed that overall capacity utilisation in manufacturing has risen to 65 per cent as compared to 61.5 per cent in Q4 2019-20. The future investment outlook, however, is subdued as only 18 per cent respondents reported plans for capacity additions for the next six months as compared to 22 per cent in the previous quarter, the survey revealed. High raw material prices, high cost of finance, shortage of skilled labour and working capital, high logistics cost, low domestic and global demand due to imposition of lockdown across several countries, lack of financial assistance, are some of the major constraints affecting expansion plans of the respondents.

Significantly, the percentage of respondents expecting increase in exports in July-September has increased substantially to 24 per cent when compared to the previous quarter, wherein merely 8 per cent respondents were expecting a rise in exports. Also, 19 per cent are expecting exports to continue to be on same path as that of same quarter last year, the survey noted.

Business Standard, November 22, 2020

22. Odisha CM launches 11 online services for MSMEs

Chief Minister Naveen Patnaik dedicated 11 new online services of the MSME department developed under 5T initiative for the entrepreneurs of Odisha. Launching the online services, the Chief Minister said this will largely benefit the micro, small and medium entrepreneurs to avail the government benefits and services in a hassle-free manner and add on to the ease of doing business in this sector. Stating that the overall improvement in governance mechanism has made Odisha a top destination for new investments, the Chief Minister said even during the pandemic, the State attracted investments of Rs. 1.17 lakh crore since February with an opportunity to create over 53,000 jobs in varied sectors. The Chief Minister said the pandemic has created a phase of economic recession all around the world and added that the government is committed to create an enabling environment for MSME enterprises and support them to realise their fullest potentiality as it is the real growth engine of the State's economy. He advised the MSME department to ensure that all eligible entrepreneurs are covered under various schemes implemented by the government from time to time. The department should also continue its thrust on use of new generation technology and innovation for bringing transformational changes in the MSME ecosystem in the State, he said.

The New Indian Express, November 22, 2020

23. Monthly rise in procurement and payments to MSMEs: Govt

The Ministry of Micro, Small and Medium Enterprises (MSMEs) said that there has been a monthly rise in procurement and payments to MSMEs, alongside a fall in the ratio of pendency of payments. The pending payments to MSMEs are around one-fifth against the procurement and within the 45-day window, it said. Total procurement and transactions from MSMEs have gone up almost two-and-a-half times in October to Rs 5,000 crore compared to Rs 2,300 crore in May, the ministry said, adding that payments to MSMEs have also gone up in the same proportion from about 76 per cent in May to about 80 per cent in October. It was reported that the pending dues to MSMEs, as shown on the ministry's dashboard, rose to Rs 969.19 crore in July, higher than Rs 561.64 crore of pending dues in May and continued to be elevated in August at Rs 830.36 crore. The Ministry clarified that total dues at the end of a month "have to be seen against total procurement and transactions at the end of the same month and the payments made". The proportion of pending payments as part of total transactions has reduced to about 20.65 per cent in October from 23.9 per cent in May, as reported by 26 ministries and 100 CPSEs in October as against 25 ministries and 79 CPSEs in May, it said. The MSME Ministry's Samadhaan portal accounts for only a part of the total dues to units. The corporate sector and states and state government enterprises owe MSMEs, in addition to dues reflected on the portal.

The Indian Express, November 25, 2020

24. SIDBI partners with Tamil Nadu to bolster MSME ecosystem in the state

The Small Industries Development Bank of India (SIDBI) has signed a memorandum of understanding (MoU) with the Tamil Nadu government to develop the ecosystem for micro, small and medium enterprises (MSMEs) in the state.

Under the MoU, SIDBI will deploy a project management unit (PMU) in the government of Tamil Nadu to design training and capacity-building programmes to be taken up by the state government in areas such as technology transfer, promotion of innovation, intellectual property rights, research & development, leveraging of technology/technology solutions for enhancing business capabilities and collaborations between MSMEs & technology driven businesses/startups, etc.

The PMU will facilitate interventions, initiatives, projects, etc, for MSMEs in the state with the objective of enhancing efficacy and removal of bottlenecks. Deputy Managing Director V Satya Venkata Rao said that SIDBI had adopted a programmatic approach to foster closer cooperation with the state government, in line with the recommendations of the U K Sinha Committee.

SIDBI has signed MoUs with seven states and four more are planned in near future. The setting up of the PMU with an expert team aims to bring a focused engagement in various forms leading to a stronger 'Atmanirbhar' state and country. The PMU is expected to bring a deeper engagement in financial and non-financial fronts in the State of Tamil Nadu. SIDBI is also structuring a cluster development fund for supporting the infrastructural aspects of cluster development in states.

SIDBI has so far signed MoUs with seven states. PMUs have since been set up in five partner states. They have commenced mapping the gaps, matching these with good practices in other states and evolving as a facilitator of development and strengthening of the MSME ecosystem. It will support in onboarding to digital platforms, stock exchange listing, e-commerce platforms such as the Government e-Marketplace, etc.

Business Standard, November 25, 2020

25. Gadkari urges Indian auto industry to shift focus from 'cost' to 'quality'

Union Minister for Road Transport & Highways & MSMEs (Micro, Small and Medium Enterprises) Nitin Gadkari urged the Indian automobile industry to move away from a cost-centric approach to quality-oriented one to serve the needs of the customers and the society.

"I have been telling this to the Indian manufacturers. Don't be cost-centric and you should be quality-centric. Even a poor man in this country is keen to buy a quality TV irrespective of its economic status. So, the industry should improve quality while finding the ways and means to reduce the cost at the same time," he said addressing online session.

While stating that the Indian automobile industry has made significant achievements in developing global design and manufacturing capabilities, he urged the industry to adopt international vehicle standards for various vehicle accessories, spare parts, body framework and safety features and devices.

Gadkari also expressed his disappointment over the lack of co-operation from the automobile manufactures in coming out the different engine options for running on alternative fuel like ethanol, LNG etc. "Same manufacturers offer flex-fuel engines to run on alternative fuel in countries such as US, Brazil and Canada. But they are not doing in India. Ethanol is a green fuel and help curb the pollution and manufacturers should offer flex-fuel engines," he said.

He lauded TVS Motor and Bajaj Auto for launching two wheelers to run on bio-ethanol, outlining government's plan to open ethanol pumps. While highlighting various programmes including the latest PLI-scheme for the automotive sector, Gadkari urged the auto industry to focus on developing and producing all parts locally instead of relying on imports as it will be beneficial for all stakeholders in the future.

Business Line, November 24, 2020

26. Small, medium businesses send SOS to banks for debt restructuring

Thousands of small and medium sized companies in India have missed loan payments and are staring at a prolonged period of distress owing to the pandemic while the larger ones have held their ground and, in some cases, thrived, loan recast data from top lenders showed.

Micro, small and medium enterprises (MSMEs) make up the overwhelming majority of companies that are seeking easier loan repayment terms from banks under the Reserve Bank of India's special restructuring window for those affected by the coronavirus pandemic, according to the data.

While the trend is along expected lines, given the severe distress faced by businesses, senior bankers said that emerging data suggests that a disproportionately large number of MSMEs have been hit by the crisis compared to large corporates, which have managed to avert an immediate cash flow crisis as can be inferred from the negligible number of loan recast proposals from them. Loan recast proposals in the retail segment, too, have been relatively low so far. Bankers said they expect to complete a full review of the loan recast requests by end-December and that the current trend may change somewhat by then.

State Bank of India (SBI), the country's largest lender, has received recast requests from 35,000 MSME borrowers. That apart, 2,600 borrowers have applied for a restructuring of their personal loans and another 4,291 home loan customers have asked for recast. However, as banks have till December 31 to agree on resolution plans, SBI expects an additional restructuring of ₹13,000 crore worth of loans.

Rival public sector banks are reporting similar trends. Most of the requests received are from small businesses, two senior bankers said on condition of anonymity.

Banks are seeing more requests from businesses with outstanding loans of less than ₹500 crore, they said, adding that many of these firms have been severely affected by disruptions in supply chains during the lockdown. "While large corporates are not looking to seek debt recast, companies, where our aggregate exposures are below ₹500 crore, are seeking relaxations. These include the extension of repayment periods and even moratorium on payments, which are currently being finalized," said one of the two bankers. “Banks are encouraging smaller companies, mostly in the range of ₹100-250 crore in loan exposure but below ₹500 crore, to use this window provided by the central bank,” said the first banker. The second banker said small companies will need to deleverage, but debt issues in large corporates that emerged between 2014 and 2018 have largely been addressed.

Hindustan Times, November 26, 2020

27. Global tenders only if local sourcing fails: Government

Local industries have first right over public procurement according to an internal note issued by the Cabinet Secretariat to all government agencies, which will now have to show documentary evidence of attempts at local sourcing, before floating global tenders, two government officials said on condition of anonymity.

The Cabinet Secretariat directed all ministries, departments and state-owned companies not to approach it for permission to float a global tender without inviting bids from domestic companies and making efforts through industry bodies to first procure locally in accordance with the Aatmanirbhar Bharat Abhiyan (Self-Reliant India Initiative), the officials added.

“All government agencies have been directed first to approach the Department for Promotion of Industry and Internal Trade (DPIIT) to identify domestic manufacturers and service providers who can meet their requirements,” one of the officials cited above said. In order to build domestic capabilities, all ministries and their agencies have also been asked to make public their medium-term (three-to-five year) requirement related to the procurement of goods and services through their websites, the second official added.

“The decision is guided by Prime Minister Narendra Modi’s May 12 address to the nation where he propounded ‘Aatmanirbhar Bharat Abhiyan’ while announcing the ₹20 lakh crore economic revival package,” the official said. On May 15, the finance ministry disallowed global firms from participating in government tenders worth up to ₹200 crore. “Now, no Global Tender Enquiry (GTE) shall be invited for tenders up to ₹200 crore, unless prior approval is obtained from the Cabinet Secretariat,” its May 15 statement said.

The ministry added at the time that the move was aimed to benefit domestic, micro, small and medium enterprises (MSMEs). The latest decision means that this will now apply to all global tenders. An expert said that this will certainly give a big opportunity to local industry, particularly MSMEs. “However, the moot point remains whether the buyers will be able to indigenously procure the same quality of the products and within the desired timelines.” Another expert said that the move would give “opportunity and advantage” to Indian industry to participate in the public procurement system which is estimated to be 18-20% of gross domestic product.

The move will encourage domestic industry to become competitive by adopting better methods, the latest technology, and also move towards import substitution, the expert said. “In the short term, this may delay some on-going projects but, in the end, will play a positive role in realising the vision of

'Aatmanirbhar Bharat'. Advise for 3–5 year procurement plans is significant as not only will it encourage government departments to operationally plan better but will also provide visibility to industry to be able to build capacity and cater to the demand in the future," the expert explained.

Hindustan Times, November 27, 2020

28. Moratorium: Forego interest on 8 categories of loans, SC tells govt

The Supreme Court directed the government to ensure that all steps be taken to implement its decision to forego interest on eight specified categories of loans paid upto Rs two crore in view of the coronavirus pandemic. A bench headed by Justice Ashok Bhushan said the COVID-19 pandemic has not only caused serious threat to the health of the people but has also cast its shadow on the economic growth of the country as well as other countries in the entire world. The eight categories of loans are MSME (Micro, Small & Medium Enterprises), Education, Housing, Consumer durable, Credit card, Automobile, Personal and Consumption.

"Due to lockdown imposed by the Government of India in exercise of powers under the Disaster Management Act, 2005, there can be no denial that most of the businesses including private sector as well as public sector has been adversely affected. "For several months, large number of industries were not allowed to function and exemptions were granted only to few of the industries to run and carry on its activities, which were found essential and necessary in the fact situation," the bench, also comprising Justices R S Reddy and M R Shah, said. Although, gradually, due to Unlock- 1, 2 and 3, the industries and other business activities have been restored and the economy of the country is on track, although at a slow pace, it said.

The apex court noted that moratorium period as granted by the Reserve Bank of India have continued from March 3 to August 31 for the period of six months. It noted the submission of Solicitor General Tushar Mehta that measures taken by the Centre in exercise of jurisdiction under the Disaster Management Act, 2005 to mitigate the hardships and miseries of few sectors. We dispose of the present writ petition with directions to the respondents to ensure that all steps be taken to implement the decision...so that benefit as contemplated by the Government of India percolates to those for whom financial benefits have been envisaged and extended, it said.

The RBI had on March 27 issued the circular which allowed lending institutions to grant a moratorium on payment of instalments of term loans falling due between March 1, 2020, and May 31, 2020, due to the pandemic. Later, the moratorium was extended till August 31 this year.

The pleas pertained to charging of interest on interest by banks on EMIs which have not been paid by borrowers after availing the loan moratorium scheme of RBI during March 1 to August 31. The top court's judgement came on a PIL filed by Agra resident Gajendra Sharma seeking directions to declare the notification dated March 27, 2020 issued by Reserve Bank of India as ultra vires to the extent it charges interest on the loan amount during the moratorium period.

Business Standard, November 28, 2020

29. Stamp duty waiver, a relief for MSMEs

Tamil Nadu has granted exemption to Micro, Small and Medium Enterprises (MSMEs) under Atmanirbhar Bharat Scheme from payment of stamp duty while registering agreement relating to Deposit of Title Deeds executed for securing loans from banks and financial institutions till March 31, 2021. This comes after several MSME Associations represented to the Chief Minister for a waiver or reduction of payment of stamp duty and registration charges on Memorandum for Deposit of Title Deed due to the severe economic crisis and liquidity crunch faced by the MSMEs as result of Covid-19 containment measures. The issue was studied in detail by both the Commercial Taxes and Registration Department and Micro, Small and Medium Enterprises Department following which the Commercial Taxes and Registration Department issued orders under the direction of the CM, a release said.

The government has also ordered to reduce the registration fee to 0.1 per cent from one per cent in respect of registration of agreement relating to Deposit of Title Deeds on loans and additional loans granted by the Banks and Financial Institutions to Micro and Small Enterprises. Under the Emergency Credit Line Guarantee Scheme of the Union government, around 3,09,312 accounts have been disbursed loans to the tune of Rs 11,538.69 crore in the State already.

Meanwhile, the Union government has also extended the scheme of Emergency Credit Line Guarantee Scheme up to March 31, 2021. In respect of reduction of registration charges, Micro and Small Enterprises would be benefitted every time while availing loans and additional loans. Prior to this order, the Commercial Taxes and Registration Department had already issued an order for extending the timeline for registration of Memorandum for Deposit of Title Deed from four to eight months without penalty till March 31, 2021.

The New Indian Express, November 28, 2020

30. Odisha govt extends financial incentive to 278 MSME units

In its bid to strengthen the Micro, Small and Medium Enterprises (MSMEs) sector, Odisha government has extended financial incentives to 278 units during the current fiscal, official sources said. With this, the total number of units getting incentives increased to 639 since April this year. The total amount of incentive has touched Rs 69.99 crore, they said. The State Level Empowered Committee meeting chaired by Chief Secretary A K Tripathy discussed the matter. Considering the new proposals, the chief secretary accorded in principle approval for Rs 2.94 crore of Capital Investment (CI) subsidy in favour of two small scale enterprises. Tripathy directed officials to "follow a transparent and proactive practice in assessment and disbursal of different financial incentives to MSME units for attracting more and more young entrepreneurs into the sector".

"MSMEs are prime movers of rural economy and they add to inclusive growth in the rural community," Tripathy said. He directed officials to "facilitate the process by providing proactive planning, technical and handholding support to the sector." The field level officers were asked to be in constant touch with local entrepreneurs and instil confidence in them, Tripathy said. Secretary MS&ME, Satyabrata Sahu said, "Mainly three types of direct financial incentives like capital investment subsidy (at two slabs of 25% and 33%), interest subvention @ of 5% per year for five years and VAT reimbursement for five years are provided to the MSMEs under different policies".

Besides, the government departments and PSUs have been directed to procure at least 20 per cent of their requirement from local MSMEs, Sahu said, adding that in the year 2019-20 a total amount of around Rs 34.52 crore was provided as one or other incentive to 361 units. By November end of the current fiscal year Rs 25.47 crore was provided as incentives to 278 units. With this, a total number of 639 were incentivized with a total amount of Rs 69.99 crore from April, 2019 till end of November, 2020, he said. These units are spread over the sectors like fly ash brick making, paper egg trays, corrugated papers, plastic moulded products, milk and milk products, bakery, paper cup and plates, cotton ginning plant, shrimp processing, rice mills, cement products cashew kernels, rice bran oil, spices, pickles, noodles, PVC pipes and other miscellaneous industries.

The Economic Times, November 29, 2020

31. Bank loan outstanding shrinks in FY21 so far; home, industry credit growth fall

The growth rate in credit offtake by home buyers and industry declined during the seven-month period ended October 2020 in the wake of the overall contraction in the economy due to the Covid pandemic, according to the Reserve Bank of India (RBI) data. The total non-food bank credit outstanding decelerated by 0.7 per cent during the seven months to Rs 91,46,631 crore from Rs 92,11,544 crore in March, compared to growth of 0.3 per cent in the year-ago period.

The overall outstanding home loans rose by just 2.6 per cent to Rs 13,73,277 crore in the April-October period, as against 9.4 per cent growth in the same period of last year. On a year-on-year basis, the growth rate fell to 8.2 per cent from 19.4 per cent a year ago, according to the latest RBI data. On the other hand, credit to industry decelerated by 5.7 per cent in the seven-month period to Rs 27,39,841 crore from Rs 29,05,151 crore in March, compared to a contraction of 3.4 per cent a year ago. Credit outstanding of Micro, Small & Medium Enterprises (MSMEs) declined by 5.3 per cent and large industry fell by 6.7 per cent. However, medium sector showed growth of 16.6 per cent, as per the RBI data.

“On a year-on-year (Y-o-Y) basis, total non-food bank credit growth decelerated to 5.6 per cent in October 2020 from 8.3 per cent in October 2019,” the RBI said. Personal loans registered a decelerated growth of 9.3 per cent in October 2020 as compared with 17.2 per cent growth in October 2019. Within this sector, vehicle loans continued to perform well, registering accelerated growth of 8.4 per cent in October 2020 as against a growth of 5.0 per cent in October 2019. Credit growth to agriculture and allied activities accelerated to 7.4 per cent in October 2020 from 7.1 per cent in October 2019.

On a Y-o-Y basis, credit to industry contracted by 1.7 per cent in October 2020, compared with 3.4 per cent growth in October 2019, mainly on the back of contraction in credit to large industries by 2.9 per cent in October 2020 (4.2 per cent growth a year ago) though credit to medium industries registered a robust growth rate of 16.6 per cent in October 2020 (1.2 per cent a year ago).

According to Union Bank MD and CEO Rajkiran Rai, sanctions and outstanding don't correlate. "We do a lot of investment credit by way of bonds. Corporates raised bonds but these were cheaper and they paid their loan outstanding. Further, working capital utilisation of large corporates came down during the Covid time. As a result, the credit outstanding in the system has come down. But sanctions were quite decent during this period during the comparable period of last year," he said.

"Some segments like MSMEs and large corporates are hiring but disbursements will take some time. We expect that by March, we will see a growth rate close to double digits," he said.

According to the RBI, within industry, credit to food processing, petroleum, coal products & nuclear fuels, leather & leather products, paper & paper products and vehicles, vehicle parts & transport equipment registered accelerated growth in October 2020 as compared with the growth in the corresponding month of the previous year. However, credit growth to beverage & tobacco, rubber plastic & their products, chemical & chemical products, cement & cement products, all engineering, gems & jewellery, infrastructure and construction contracted.

Credit growth to the services sector accelerated to 9.5 per cent in October 2020 from 6.5 per cent in October 2019. Within this sector, credit to professional services, computer software and trade registered accelerated growth in October 2020 vis-à-vis the growth in the corresponding month of the previous year, the RBI said.

The Indian Express, November 29, 2020

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