ISSUE - 57, EDITION - MAY 2021

NEWSLETTER

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

www.ficci-cmsme.in
www.ficcicmsmeconnect.in

FICCI CMSME | connect
Bringing Businesess Together
www.ficcicmsmeconnect.in

ARE YOU LOOKING FOR BUSINESS OPPORTUNITIES ?

REGISTER AT FICCI-CMSME CONNECT PORTAL

www.ficcicmsmeconnect.in

Online Directory & B2B Portal

For more details, please contact at
cmsme@ficci.com

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.

What we do……

- 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

Areas of focus……

- Policy Consultation with Government
- Marketing & Quality Standards including Packaging
- Finance
- Technology & Innovation
- Legal & Taxation
- Procurement
- Environment
- Start-up & Entrepreneurship

Services & Benefits…..

Services	Benefits to Members
Procurement of Raw Material*	Decrease in Cost
Quality	Improve quality & standard through expert training programmes @ discounted rates
Intellectual Property	IP services at more than 50 per cent discounted rates as compared to those available in the market directly from the experts
Resource Conservation & Management	Enhancement in competitiveness and cost saving through resource optimization, sustainable use of the resources (raw material, energy, water etc.) and effective management of wastes generated (Energy, Water, etc Audits at competitive rates)
Advisory Services through External Experts	Insurance, Exports, Taxation, Financing, etc
Access to CMSME CONNECT Portal with B2B Facility **www.ficcicmsmeconnect.in**	Connect with other CMSME Members and Explore Business possibilities

Opportunities……

1 **Networking** - Platform to interact amongst members, state & central governments - Platform to meet global business and political leaders - Participation in seminars, training programmes, conferences and meeting - Platform to network with industry leaders	10% discount for CMSME members on participation Fee of FICCI events *(applicable only on the fee component charged by FICCI)*
2 **Business Services** - Opportunity for participating in Sectoral delegations both in India and Overseas - Participation in trade fairs and exhibitions - Develop business through buyer-seller meets - Government Notification Updates - Connect with other CMSME Members and Explore Business possibilities	10% discount for CMSME members on participation Fee of FICCI events *(applicable only on the fee component charged by FICCI)*
3 **Knowledge series**	Free Access to Policy Papers, Studies & Surveys, MSME Newsletters

Membership

Membership Categories

- **Associate Membership**: For enterprises involved in profit making activities in manufacturing/services
- **Organisation Membership**: For Non-Profit Industry Associations involved in growth and development of MSME sector.

Both categories have two options: 1) Patron Membership: This is a lifetime membership of CMSME and as a privilege member, Patron Member gets an opportunity to be a part of Executive Committee of CMSME **(2) Annual Subscription**: Annual Membership remains valid for one year and follows Financial Year i.e. April – March. As the year closes on March 31, all annual memberships with CMSME subscribed anytime during the year, become due for annual renewal.

How to Apply for Membership

- **Online Application:** Link: http://ficci-cmsme.in/membership/member-login.asp Membership can be applied at the above link by selecting 'New Registration'. After a brief registration, one will receive an auto generated email in inbox (sometimes in spam folder) of registered email ID containing login-ID & Password for CMSME Membership. The above link may again be visited and now log-in can be done with the details received to registered email ID to complete the profile for Membership.

- **Offline Application:** One can always apply offline by submitting Membership Form along with other necessary documents to the Secretariat. For forms you may contact FICCI-CMSME secretariat.

Membership Fee

There are two components in the fee structure of CMSME Membership and applicable GST (18%) is levied on both components. **(1)** One-time Admission Fee: Admission Fee needs to be paid at the time of enrolment of Membership **(2)** Subscription Fee: Annual Subscription Fee is based on Annual Turnover of Organisation in the immediate completed last Financial Year. If the enrolment is done during October - March, the annual subscription fee is reduced to 50%. Patron Membership Subscription Fee is not dependent on Annual Turnover.

For any query please feel free to contact:

Mr Hemant Seth/ Mr Sumitra Nandan Srivastava / Ms Medhavi Gupta
Treasurer & Director / Sr Assistant Director / Executive Assistant
FICCI- CMSME
Federation House, 1, Tansen Marg, New Delhi 110 001
Tel: 91-11-23487307 / 23487491 **Fax**: 91-11-23320714
Email: cmsme@ficci.com; **Website**: www.ficci-cmsme.com

FICCI CMSME | connect Bringing Businesess Together www.ficcicmsmeconnect.in

FICCI CMSME

CONTENTS :

MSME NEWS UPDATE

1. SIDBI launches loan products for MSMEs to bolster supply for COVID-19 fight

To help the Micro, Small and Medium Enterprises (MSMEs) with required financial support, SIDBI has lauched two loan products at concessional rate for ramping up supply of products used in fight against the COVID-19 pandemic. These products will help augment supply of oxygen cylinders, oxygen concentrators, oximeters and essential drugs by MSMEs, Small Industries Development Bank of India (SIDBI) said in a statement. The principal financial institution engaged in the promotion, financing and development of MSMEs has launched SHWAS (SIDBI assistance to healthcare sector in War Against Second wave of COVID19) and AROG (SIDBI Assistance to MSMEs for Recovery & Organic Growth during COVID19 pandemic), two new quick credit delivery schemes, it said.

The schemes are devised under the guidance from Government of India which facilitates funding for production and services related to supply of oxygen cylinders, oxygen concentrators, oximeters and essential drugs, it said. Second wave or massive resurgence of COVID-19 in the country has led to unprecedented burden on health infrastructure of the country. SIDBI, considering the current distress caused by COVID 19 and being a national emergency, has devised these schemes to cater to help assist healthcare service providers fight against the pandemic. These schemes envisage 100 per cent funding up to an amount of Rs 2 crore to a MSME unit at attractive interest rate of 4.5-6 per cent per annum, within 48 hours after receipt of all the documents or information.

Money Control, April 30, 2021

2. Small, medium businesses get relief on GST interest, late fee

The government has announced late fee waiver on filing of goods and services tax (GST) returns for March and April, besides reducing interest rates on late payments, according to orders issued by the finance ministry. The move is expected to provide some relief to businesses, which are required to report monthly transactions and pay GST by the end of the following month.

The Centre, on the advice of the GST Council, has also given additional time till May 31 to the tax authorities for completing statutory proceedings, which would otherwise have to be settled between April 15 and May 30. Taxpayers also get extra time to file relevant documents and appeals.

According to the Central Board of Indirect Taxes and Customs, businesses with up to Rs.5 crore in sales will have no interest liability for late payments for March and April, for 15 days after the due date. For the following fortnight, they will have to pay 9% annual interest, before the usual 18% rate kicks in. Small businesses filing quarterly, or monthly returns will also get the same benefits for the two months. The Centre has also waved off late fee charges for the monthly summary returns to be filed for transactions in March and April. While businesses with up to Rs.5 crore in sales will get late fee waiver for a month from the due date, larger businesses will have a 15-day window, according to the orders. States will also be issuing corresponding orders. Late fee waiver for small businesses, which file quarterly returns, but pay taxes every month too have been given an additional 30-day window.

In view of the second wave, the Centre said tax authorities, commissions, tribunals and consultants will get additional time till May 31 to pass orders and issue notices or grant sanctions and approvals. This will apply to certain processes such as for filing appeals under GST laws, and sending replies, reports, documents and records.

Hindustan Times, May 03, 2021

3. Sops for MSMEs in the works to reform apprentice system

The Union government is working on measures to reform the apprentice system in the country, including providing incentives to small businesses for hiring apprentices and allowing industries to post them at client facilities. The skills and entrepreneurship ministry and NITI Aayog are working on the initiatives, which also includes allowing educational institutions to hire apprentices.

The draft plan also suggests adopting a franchise model, which will allow employers to deploy apprentices at client locations and take the help of third-party aggregators (TPAs) to enable industries in improving apprentice training. Sectors such as retail, logistics and IT-ITeS have also demanded that the upper limit of engaging apprentices be hiked to 25% of their manpower strength and financial incentives be introduced for third-party aggregators. Currently, the limit is less than 15%, the draft plan said. According to the draft documents reviewed by Mint, the ministry has received suggestion from industries for incentivizing MSMEs at least for a limited period of time. “MSME organizations can be given some financial incentives at least for a limited period so they start adopting apprenticeship," the draft proposal said, citing industry suggestions. It further said that a cluster-based approach to address “MSME apprenticeship through third-party aggregators" is a possible option.

“In order to create ease of doing business for the industry, and engage a larger number of apprentices, TPAs may be engaged for assisting the industry. TPAs, which can work as facilitators on demand and supply side, can be a win-win solution for all stakeholders," said the draft proposal, which has been shared with stakeholders for feedback. Apprenticeship is considered as one of the best human resource training systems as it provides trainees hands-on experience on the shop floor.

Mint, May 04, 2021

4. High input cost hits appliance makers

High input cost, coupled with poor demand, has hit the kitchen appliances industry of Ambala. The manufacturers claim the input cost increased by nearly 40 per cent, following an increase in prices of copper, aluminum, plastic powder and iron sheet. An expert said “The average cost of raw material has increased by nearly 40 per cent over the last few months, but the buyers are not ready to place orders on new rates. So, several units have stopped manufacturing, while some are completing their previous orders with reduced manpower. With high input cost and 18 per cent GST, it is hard to compete with Chinese products and big brands. The industry is struggling for survival. We have repeatedly requested the government that the products costing up to Rs 500 should be kept in the 5 per cent GST slab, while those above Rs 500 should be placed in the 12 per cent slab, but to no avail.”

Around 70 units are engaged in manufacturing unbranded kitchen appliances, including mixer, chopper, blender and juicer, and lightweight iron. The industry has a turnover of nearly Rs 10 crore and it provides jobs to nearly 5,000 persons in Ambala. A manufacturer, said, “The local industry failed to switch to new technologies due to high cost of investment and lack of proper guidance. We fail to get big orders due lack of automation. Following poor business, the number of employees is being reduced. The government should pay some attention and make a policy to revive the local industry. Small manufacturers can’t compete with famous brands and several of them are on the verge of shutting down units. If the lockdown gets longer, the situation will further deteriorate.”

The Tribune, May 03, 2021

5. RBI allows loan restructuring for individuals, MSMEs hit by fresh Covid-19 wave

Reserve Bank announced a slew of measures including loan restructuring for individual and small businesses hit hard by fresh Covid-19 wave. To augment supply of goods for Covid care, the central bank opened Rs 50,000 crore on-tap window to ease access to emergency health services to boost provision of immediate liquidity for ramping up Covid-19 related healthcare infrastructure and services in the country.

This liquidity window is being opened till March 31, 2022, he said, adding that under the scheme, banks can provide fresh lending support to a wide ranging of entities including vaccine manufacturers, importers and suppliers of vaccine and medical devices, hospitals and dispensaries and suppliers of oxygen and ventilators importers and also patients for treatment.

"Banks are being incentivised for quick delivery of credit under the scheme, through extension of priority sector classification to such lending... and these loans will continue to be classified under priority sector till repayment or maturity, whichever is earlier," he said an unscheduled press briefing.

With regard to restructuring he said, borrowers that are individuals and micro, small and medium enterprises (MSMEs) having an aggregate exposure of up to Rs 25 crore would be considered for the new scheme. This would be for those who have not availed restructuring under any of the earlier frameworks, including the Resolution Framework 1.0 of RBI dated August 6, 2020, and who are classified as standard as on March 31, 2021, shall be eligible for the Resolution Framework 2.0, he said. Under the proposed framework, bank may be invoked up to September 30, and shall have to be implemented within 90 days after invocation, he added. RBI has also introduced Rs 10,000-crore special long-term repo operation for small finance banks. Under this, loans up to Rs 10 lakh to MSMEs will be considered as priority sector lending, Das said.

Das also announced relaxation in overdraft facility for state governments to enable them to better manage their fiscal situation in terms of their cash flows and market borrowing. Now the maximum number of days of overdraft, that are only in a quarter, have been increased from 36 to 50 days.

RBI also announced rationalisation of certain components of the extent know-your-customer (KYC) norms for enhancing customer convenience. These include extending the scope to video KYC known as video-based customer identification process, he said. Further, keeping in view the Covid-19 related restrictions in various parts of the country, RBI regulated entities have been asked that for the customer accounts were periodic KYC updating is new or pending, "no punitive restriction on operation of customer accounts" will be imposed till December 31, 2021, unless warranted, due to any other reason.

The Times of India, May 05, 2021

6. SBI, EIB tie-up for €100 million green fund

The State Bank of India (SBI) and the European Investment Bank (EIB) said they have agreed to back an initiative of €100 million for new high-impact climate action and sustainability business financing.

“The importance of the new Neev Fund II for accelerating India’s green recovery from covid-19 and strengthening sustainable investment was highlighted by EIB president Werner Hoyer in discussions ahead of the formal announcement at the EU-India leaders meeting in Portugal," according to a joint statement by SBI and EIB. SBI and EIB will together support the new Neev Fund II that will unlock

climate action and sustainability investment by businesses across India through new equity financing, the statement added.
Neev Fund II, under the management of SBICap Ventures, an SBI group company, will invest up to €100 million in Indian small and medium-sized enterprises (SMEs) and provide growth and expansion capital to companies offering solutions for clean energy, electric vehicles, efficient use of raw materials, and water and circular economy projects in India. It will enable Indian innovative and emerging companies to fund their growth through equity or quasi-equity instruments. “Our partnership with SBI will create a much-needed source of equity financing for climate action and environmental sustainability solutions offered by innovative small and medium enterprises," said Christian Kettel Thomsen, vice-president of EIB and in charge of India operations.
Mint, May 07, 2021

7. **Govt relaxes procurement norms for health, pharma ministries, DRDO**

With the world’s worst outbreak of COVID-19 severely straining the health system in the country, the government has made sweeping changes in the way departments procure medical supplies, including allowing procurement of the same item at different rates. Relaxing tendering norms, the Department of Expenditure has allowed global tenders to be floated for less than Rs 200 crore as well.
The Department of Expenditure, under the Ministry of Finance, on April 24 issued special instructions relating to relief operations for COVID-19 pandemic and said that the prevailing health emergency on account of the unprecedented surge in COVID-19 cases across the country requires immediate procurement of certain items in quantities which may not be available with a single supplier and/ or within the time frame in which they are needed.
“The instruction in this Department’s OM (Office Memorandum)… dated May 15, 2020… specifying that no Global Tender Enquiries shall be invited for tenders up to Rs 200 crore shall stand relaxed and hence it shall be permissible to invite GTE where necessary,” said the instructions, which have been put up on the ministry’s website.
As part of its Aatmanirbhar Bharat package, the government in May last year notified amendments to General Financial Rules (GFR) to ensure that goods and services valued less than Rs 200 crore will be procured from domestic firms, a move which was aimed at benefitting small and medium enterprises.
Rule 149 of GFR provides that procurement of goods and services through the Government’s e-marketplace (GeM) will be mandatory for items available on GeM portal.
“In the present situation, vendors under GeM, even if orders are placed, may not always be able to effect deliveries of supplies on time and desired locations, due to the rapidly changing situation on account of the critical pandemic situation which requires extreme flexibility in making available the critical lifesaving goods to the medical care facilities,” as per the instructions, which would be in force till May 31.
In view of the urgency involved, where time is the essence and delay may result in loss of life, these instructions, which are applicable to the Department of Pharmaceuticals, Ministry of Health and Family Welfare (including Department of Health Research) and Defence Research and Development Organisation (DRDO), have been issued for any emergent purchases and transportation of medical and other essential supplies related to COVD-19 operations.

As per the instructions, when these ministries and departments are undertaking 'single source procurement' of goods or procuring 'non-consultation services' like air and other transportation services, through nomination, then they would not be required to float tender on the GeM portal.

The relaxed norms provide that such procurement can also be done from more than one source, if the entire quantity required is not available or is not immediately available from one source. "Such procurement may, if unavoidable, be at different rates," as per the instructions.

"If the entire quantity required is not immediately available from any one method of procurement, the procurement may also be resorted to simultaneously by multiple methods, namely procurement under Rule 166/204, procurement through GeM, and procurement through other procurement methods (including through Indian Missions) and such procurement may, if unavoidable, be at different rates," it added.

While Rule 166 of General Financial Rules (GFR) relates to single-source procurement of goods, Rule 204 pertains to procurement of 'non-consultation services' like air and other transportation services through nomination after consultation with the Financial Advisor of the specific department or Ministry.

Public health system is buckling under the weight of surging infections and deaths with several parts of the country reporting shortage of hospital beds, medical oxygen, medicines and vaccines.

Financial Express, May 10, 2021

8. Govt to offer relief to India Inc via social security bodies

The Union government has initiated steps to offer relief and liquidity boost to India Inc through its social security organizations amid a raging second wave of the pandemic that has forced businesses shut in many states due to strict lockdowns. The labour ministry has decided to offer flexibility to industries to submit Employees State Insurance Corporation (ESIC) deductions and contributions for April by mid-June, giving them a liquidity boost of ₹1,400 crore. The ministry is also considering a similar measure via the Employees' Provident Fund Organisation (EPFO), which would mean a sizable liquidity boost of ₹12,500 crore to companies and other establishments who are also facing a severe dent in demand. "The ESIC and EPFO put together will offer a liquidity of at least ₹14,000 crore. This is just for one month and if the relief is extended even for one more month, the amount will only double. While the ESIC has already decided, the EPFO issue is on the table," said a government official requesting anonymity. "We have already approved the ESIC proposal. They are allowing the submission of deductions for April by 15 June. EPFO following the same is only a logical extension. It's being considered, and we shall announce details once a final decision is taken," said Apurva Chandra, union labour and employment secretary. Currently, each month, industrial employers contribute 3.25% of their basic salaries and employees contribute 0.75% for ESIC statutory deductions. The ESIC subscribers and their families receive healthcare benefits from primary to tertiary care at ESIC hospitals and dispensaries across India, and it also offers unemployment benefits to the subscribers. ESIC receives around ₹16,745 crore a year on account of this statutory deduction. Similarly, EPFO collects almost ₹12,500 crore from subscribers via statutory deductions every month. While an employee pays 12% of his or her basic salary, the employer offers a matching contribution. Companies who are enrolled with ESIC and EPFO are required to submit the deductions within 15 days once a month ends. An extension of the submission deadline would give more short-term liquidity in the hands of employers.

"The extended window will benefit employers. We are not charging penalty or damages during this period," an ESIC spokesperson said. "Last year, the government had granted relief for at least three months. The general economic environment is not that bad like last year, but some segments have started demanding relief and hand holding. For example, the MSME sector is seeking support of the government as the second wave has impacted their production, supply chain and general demand. The situation will be clearer in a couple of weeks," said the government official cited above, who declined to be named.

A labour economist said the pandemic has impacted consumption. "Look at retail, auto and consumer durables, and even look at the wholesale markets," he said. Manufacturers across sectors are idling production as lockdowns to curb the pandemic have decimated sales, and diversion of industrial oxygen to hospitals has crimped production of raw materials such as steel. Several automakers such as Maruti Suzuki India Ltd, Hero MotoCorp Ltd, Hyundai Motor India Ltd and India Yamaha Motor, have either suspended production at their factories or sharply cut output.

Mint, May 14, 2021

9. **Nirmala Sitharaman: 'Covid-19 will not affect reform roadmap'**

Prior to the pandemic, between June 2019 and till the budget was presented in February 2021, there was certainly a slowdown, a shortage of liquidity, and therefore, when people needed money, they couldn't get it; we undertook a lot of measures to ensure that liquidity reaches people. In fact, much before the festive season in India, between September and October, we had ensured that banks, NBFCs and others reached out with liquidity. So that year we did have a specific problem of banks not being able to extend credit, which was sorted out and in early 2021, we saw clear signs of recovery. With that, we presented a budget in February 2021. But, of course, within weeks after presenting the budget, there was Covid-19.

While the second wave is challenging us on several grounds — supply of critical medicines, supply of required quantities of oxygen — the government has been rapidly taking a lot of measures, inclusive of where necessary to import medical quality oxygen. As regards critical medicines, we have taken many steps to make sure that the issues related to supply are addressed. I'm very happy that the Prime Minister had mentioned it in so many words that there shall not be a countrywide lockdown comparable to the one which we had in 2020. The reason for that is in 2020, we did not have adequate PPE kits, and we ramped up the production of PPEs and ventilators, and testing labs have been set up all over the country. The situation today is very different. We have two vaccines already. So, we don't think there is a need for across-the-board lockdown.

iI have spent quite some time looking at the recent tariff issues. The items on which the hikes have happened are very consistent with what we have laid before ourselves in the name of Atmanirbhar Bharat. If they are end-consumer products which we manufacture in this country, we would rather have our capacities strengthened. But we have not raised any tariffs on inputs of raw materials or intermediary goods. So we don't intend at being regressive. Secondly, on the issue of (disputes with) Vodafone and Cairn, I've recently had a meeting with a representative of Cairn, and we are talking. The Prime Minister clearly said we don't believe in retrospective taxation. However, the international arbitrations questioning India's sovereign right to tax is a matter of concern, and to that limited extent, we are worried that it sets a wrong precedent.

If you tell me that they could be contradictory, maybe to an extent they are. Indian manufacturing has been hurt on many grounds, particularly on matters which have bulk usage in this country, not those specified things which we don't have the wherewithal to produce, like high-end technology, but even basic goods. We've been flooded by unjustified dumping. As a result, many of our small and medium manufacturing units are not able to survive and the Indian economy depends largely on our MSMEs.

As a government, we have taken a call that MSMEs need some support, particularly if they are producing consumer items. When we say atmanirbhar, we're not shutting the Indian economy, we are saying that we have to play on our strengths.

The Indian Express, May 15, 2021

10.MSMEs seek IBC suspension, but MCA reluctant

The government seems to be in no mood to suspend the Insolvency process, even as smaller companies have requested the Corporate Affairs Ministry to extend the protection given to them from bankruptcy proceedings for defaults during the pandemic for another three months on account of unprecedented second Covid-19 wave.

"We have received many representations from smaller units, requesting suspension of the Insolvency proceedings. While the ministry is aware of the difficulty faced by them, at this moment there is no such consideration. There is already a provision for pre-packaged Insolvency deals, which was done after taking consultation from both banks and MSMEs," a senior official from the ministry of corporate affairs told . Last year, the government suspended bankruptcy action against corporate defaulters. But this expired on March 24 this year.

Banks and financial institutions are yet to warm up to the idea, given that the Pre Pack Insolvency Resolution Process (PPIRP) permits defaulting promoters to manage day-to-day activities of the corporate debtor. "This is problematic. This is a major hitch for the financial institutions. So mostly the concept is yet to take off," a Bank official said.

Experts, meanwhile, are not in favour of suspending the insolvency process. "It is better not to suspend the IBC and to use it in an effective manner to revive corporates facing stress be it due to COVID or otherwise," said an expert. He, however, feels that the central bank can step in to relax asset classification norms for companies going under pre-pack. "All in all, it is a good tool for preservation of value of the company," he noted.

The New Indian Express, May 15, 2021

11.CBIC launches drive to clear all pending GST refund claims by May-end

The Central Board of Indirect Taxes and Customs (CBIC) has launched a special drive to clear all pending GST refunds. The 15-day Goods and Services Tax (GST) refund drive is on the lines of an ongoing similar drive organised by the CBIC for refund of customs and duty drawback claims.

In an instruction to all Principal Commissioners of Central Tax formations, the CBIC said there is a need to focus on timely disposal of all pending GST refund claims in order to provide immediate relief to business entities, especially MSMEs, in the difficult times of second wave of the COVID-19 pandemic.

"It is hereby instructed that a 'Special GST Refund Disposal Drive' will be launched by all Central Tax formations during the period from 15th May 2021 to 31st May 2021 for processing and disposal of all pending GST refund claims on priority," it said.

The CBIC further said that the GST law provides 15 days for issuing acknowledgment or deficiency memo and total 60 days for disposing of refund claims without any liability to pay interest.

"It is, however, expected that all Central Tax formations will take up all the pending GST refund claims for processing on priority and endeavour to dispose them of much earlier than the statutory time limits, preferably before a period of 30 days from the date of receipt of the refund application," the CBIC added. It is expected that during this special drive, all GST refund claims, pending as on May 14, shall be disposed of by May 31, 2021. The tax officers will coordinate with the major trade and industry associations (especially those that cater to exporters and MSMEs) for the assistance and handholding of taxpayers, including for submission of required documents/ reply by the taxpayers (if a claim is pending for want of a required document/ reply to notice, etc).

The CBIC also asked taxmen to ensure that communication with taxpayers is done through the GST portal, or if need be, through email using the official email ID of the officer. All communication with taxpayers must be done through the GST portal, or if need be, through email using the official email ID of the officer. The Special Refund Disposal Drive should be widely publicised among the trade and industry. "It is urged that in these difficult times, all central tax officers should endeavour to make their best efforts and contribution in the fight against COVID-19, by liquidating the pending GST refund claims by May 31, 2021," the CBIC added.

Business Today, May 16, 2021

12.Oxygen concentrators: A new industry opens up for MSMEs

One positive fallout of the Covid-19 crisis is the creation of new markets for products such as masks, sanitizers and PPEs. But more important, and perhaps less recognized, is the market for oxygen concentrators.

This product is nothing hi-tech; India, with its capacity for frugal engineering, can become a low-cost manufacturer of it. To illustrate, imported concentrators sell at around ₹80,000- ₹1 lakh; in contrast, ONGC, under its CSR program, is buying one lakh concentrators (with flow meters, which otherwise cost ₹4,000) at prices of ₹47,000 for 5-litre-capacity machines and ₹65,000 for 10-liter machines—including taxes. And, the scale effect has not quite set in—when the concentrators are manufactured in large scale, prices would come further down.

An oxygen concentrator is a pretty simple product. It essentially consists of a compressor and two cylinders containing metal-coated zeolite. Zeolites are aluminosilicates—minerals which are intrinsically porous. The micro-pores make it a good 'molecular sieve'--it filters out large molecules and lets smaller molecules pass through. When compressed air is passed through a cylinder of zeolite, the nitrogen molecules, which are bigger, get 'adsorbed' onto the zeolite; what comes out of the other end is air rich in oxygen. When the zeolite in one cylinder is saturated, the other takes over, giving time to the first to let off the nitrogen and rejuvenate itself. Coating zeolites with metals enhances efficiency. Lithium is the preferred metal, but sodium, magnesium and calcium are fine too.

Why are we importing such an easy-to-make product? Because there is no supply chain in India, because of low demand all these years, explains Dhole. While the product itself is not too hi-tech, there is a lot of fine-tuning to be made. An expert points out that 72 components go into the making of a concentrator. Now, if you change the zeolite from lithium coated to, say, magnesium, several of the components—chiefly the pneumatic valves—need to be correspondingly tweaked.

“Several innovations are happening with speed,” says Prof Ashutosh Sharma, Secretary, Department of Science and Technology, Government of India. “Several parts, like valves and oil-less silent, miniaturized compressors are being developed,” he told. ONGC has kick-started the market, giving opportunity to MSMEs, without going through the rigmarole of tenders. Many companies, including the PSU, BEL are getting into the fray.

Scientists at IISER, Bhopal, have designed a concentrator and produced a prototype. Dr Mitradip Bhattacharjee of the Department of Electrical Engineering, who was involved in the design of the product, says the institute is looking for partners for manufacture. He told Business Line that since the product was designed using open-source technology, it would be very affordable.

Is there a market beyond Covid-19? It is observed that while large hospitals would prefer larger (PSA) units, which work on the same principle, those in remote areas would want bedside concentrators. Even bigger hospitals would like to keep a few.

However, the biggest market would come from households. Experts see the concentrator becoming a household appliance, just as water purifiers—especially, in families that have elderly people. Of course, there are huge export opportunities.

The Hindu Business Line, May 16, 2021

13.Commerce Ministry weighing proposal to revamp scheme for services exports

The commerce ministry is weighing a proposal to overhaul a key scheme for services exporters to make it more broad-based and fool proof so that a wider pool of businesses, especially Covid-hit MSMEs, get the succour. The revamped Service Exports from India Scheme (SEIS) may be part of the new five-year Foreign Trade Policy (FTP), which will be effective from October 2021, sources told.

However, given the resource crunch faced by the government in the wake of the pandemic and the growing requirement of healthcare spending, much depends on the finance ministry’s approval to any such scheme, one of the sources said. Under the extant scheme, the government offers exporters duty credit scrips at 5-7% of the net foreign exchange earned, depending on the nature of services.

The commerce ministry has also held discussions with exporters on the feasibility of bringing in a tax refund scheme for services exporters in future, along the lines of the Remission of Duties and Taxes on Exported Products (RoDTEP) announced for merchandise exporters, another source said. However, given that services are fundamentally different from manufacturing, coming out with such a scheme for services and assessing refund rates will be a humongous exercise and may be prone to errors, some analysts say.

The resource-starved government may also reduce benefits for consultancy and certain other professional services that it thinks corner a sizeable chunk of incentives. Moreover, a section of the government believes that since few players are grabbing most of the SEIS incentives, the scheme should be altered in such a fashion that it helps a large number of small businesses as well.

Factoring in the government's resource woes, the state-backed Services Export Promotion Council (SEPC) has proposed that the Centre limit the SEIS benefits to a maximum of Rs. 5 crore per exporter for various services sectors. However, sectors, including travel and tourism, healthcare, education, and aviation, which have been worst hit by the pandemic should be exempted from this ceiling and allowed the full entitlement, according to the SEPC. This will take care of the interest of thousands of MSMEs in the sector, the SEPC feels.

Already, services exporters, struggling to cope with the pandemic, have urged the government to release SEIS benefits for FY20 at the earliest, which could be to the tune of Rs 3,000-4,000 crore. They also argue that their concerns shouldn't be relegated to background. While merchandise exporters, they argue, have been allocated as much as Rs 39,079 crore for FY20 under the Merchandise Export from India Scheme (MEIS), the entitlement of services exporters under the SEIS for the same year would be about a tenth of that. So, the government shouldn't have problem in clearing the SEIS dues. Of course, most of the MEIS benefits are also yet to be released, mainly due to the revenue shortage faced by the government in the wake of the pandemic.

However, given that the pandemic has battered sectors like travel & tourism, aviation and education like no other, services exporters say without fast release of SEIS dues, many of these entities will cease to exist soon. The SEPC has said that the SEIS is the only incentive scheme available to services exporters, and the eligible ones have already been factoring in the incentives in their pricing and business sustainability strategies. The SEIS was introduced in the Foreign Trade Policy (FTP) for 2015-20; the validity of the FTP has now been extended up to September 2021. However, unlike the MEIS, there is no notification so far on the SEIS for 2019-20, even though it is a part of the current FTP.

Services exports dropped almost 6% year-on-year in FY21 to $203 billion due to the pandemic, while merchandise exports contracted by just over 7% to about $291 billion, according to a quick estimate by the commerce ministry. Services trade surplus has been substantially offsetting the merchandise trade deficit. Despite the pandemic, thanks to an $86-billion surplus in services trade in FY21, the overall trade deficit dropped to just $13 billion.

Financial Express, May 19, 2021

14.Concessional import duty: Prior info of goods a must

Importers taking advantage of concessional rate of import duty will have to give prior information to Customs officers about goods being imported and also its estimated quantity and value, the Central Board of Indirect Taxes and Customs (CBIC) has said.

The CBIC has amended the Customs (Import of Goods at Concessional Rate of Duty) Amendment Rules, which lay down the procedures and manner in which an importer can avail the benefit of a concessional duty on import of goods required for domestic production of goods or providing services. A major change that accommodates the needs of trade and industry is that the imported goods have been permitted to be sent out for 'job work'. The absence of this facility had earlier constrained the industry, especially those in the micro, small and medium enterprises (MSME) sector which did not have the complete manufacturing capability in-house.

The Indian Express, May 19, 2021

15.Das tells PSBs to implement RBI measures

RBI Governor Shaktikanta Das asked State-owned banks to quickly implement measures announced by the central bank recently in the 'right earnest,' and to continue focusing on steps to enhance the resilience of their balance sheets.

Earlier, the Governor had announced a slew of measures, including term-liquidity facility of ₹50,000 crore to ease access to emergency health services, to further improve lending to MSME sector, restructuring of loans and rationalisation of compliance with KYC, in wake of the second wave of the COVID-19 pandemic.

The Hindu, May 20, 2021

16.Pushing 'pre-packed' insolvency resolution

The Insolvency and Bankruptcy Code, 2016 (IBC) was notified four years ago and since then the law has witnessed various notifications and amendments by the Centre. Currently, the changes brought about by the Covid pandemic have forced governments across the world to introduce measures to protect their economy and, more particularly, small businesses.

Keeping in view, the current scenario, the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021 was promulgated on April 4, 2021 ('Ordinance'), introducing Pre-Packaged Insolvency (PPIRP) for the relief of the stressed entities in the MSME sector. The main aim behind the introduction of the Pre-pack was to provide an alternative insolvency resolution process to the bankrupt MSMEs. It provides them with the opportunity to restore their liabilities and start afresh while safeguarding the rights of the stakeholders; it provides enough protection to prevent any potential misuse by the firms to avoid making payments to the creditors.

Pre-packaged insolvency, or Pre-pack, as known globally, is an informal arrangement through which the promoters of a stressed company propose a resolution plan to the creditors before the company goes for bankruptcy proceedings. The purpose is not only to have a timely and quick resolution mechanism but also to give legal sanction to a plan agreed upon between financial creditors, corporate debtors, and buyers. This system of insolvency resolution has become an increasingly popular mechanism in the UK and other Western countries and can have immense potential for India as well, given that it seeks to provide quicker, cost-effective, and value maximising outcomes for all stakeholders in a manner that is least disruptive to the continuity of their businesses.

As notified, an MSME Corporate Debtor (CD) (as per Section 7(1) of the Micro, Small and Medium Enterprises Development Act, 2006) having defaulted for an amount more than ₹10 lakh is eligible to make an application to initiate a Pre-pack process, provided that such the CD is also eligible to submit a resolution plan under Section 29A of the Code. The PPIRP functions as a hybrid framework blending both formal and informal processes within the overall mechanism of the IBC, wherein the CD in default, with the approval of not less than 66 per cent financial creditors (other than a related party), will proceed with filing an application before the National Company Law Tribunal (NCLT).

Once the process starts, the CD needs to submit its resolution plan before the Committee of Creditors for approval. The CoC may approve/reject the plan or seek changes to it; an important point is that the CoC can approve the plan as submitted by the CD only if it does not impair any claim of operational creditors. Otherwise, the RP will have to invite a resolution plan from prospective investors/applicants.

In such a scenario, the base plan submitted by the CD would be subject to a Swiss Challenge kind of methodology. The resolution plan which is best viable in the opinion of the CoC will be approved by not less than 66 per cent of the CoC and subsequently filed with the NCLT by the RP for approval.

On the commencement date of the PPIRP, the Adjudicating Authority (AA) will be required to declare a moratorium as under the CIRP, appoint the proposed RP, and publicly announce the initiation of the PPIRP. Thereafter, the RP is to implement the PPIRP and is vested with several powers and obligations for the same. It is worthwhile to note that during the PPIRP, the management of the affairs of the CD shall continue to vest with its board of directors, the PPIRP working on the 'Debtors in possession' model as against the existing Corporate Insolvency Resolution Process (CIRP) that follows the 'Creditors in control' model and as such would enable the MSME to resolve its stress as going concern. Compared to the CIRP, which requires a threshold period of 270/330 days, the PPIRP is required to be completed within 120 days from the commencement of the process, out of which 90 days are given to the RP to file the resolution plan with the AA and 30 days stipulated for the AA to approve the resolution plan. If no resolution plan is approved by the CoC, then the RP shall apply to the AA to terminate the PPIRP. Business continuity, shorter timeline, efficiency, and cost-effectiveness are some key USPs of PPIRP. Moreover, this entire process remains outside the restructuring framework of the RBI and encompasses all financial creditors; as opposed to the RBI's restructuring schemes that deal only with banks, this considers concerns of other financial creditors as well.

Further, a judicial seal of approval also addresses questions raised by investigative/other agencies in the future. One of the major concerns of the CIRP is the delay due to litigation, etc., while the Pre-pack framework provides a timeline; given the burden of the NCLT, it looks very unlikely that things will improve under the new regime.

The need of the hour would be to gradually reduce dependence on the NCLT and simultaneously have sufficient numbers of Insolvency Benches to adhere to the envisaged timelines. Excess legislation and restrictions may dilute the intent of the Pre-pack, which requires that those involved in the process be sensitive towards consensus-building mechanisms between debtors and creditors.

While the PPIRP is a timely effort to protect viable MSMEs, it is likely that operationalising it only for MSMEs now may just be the first step towards a sound Pre-pack and will lead to a much wider coverage in the future which, like the IBC, is expected to evolve with time and jurisprudence.

The Hindu Business Line, May 21, 2021

17.Govt wants lenders to step up focus on Mudra loans

The government wants lenders to focus on Mudra loans, as it expects that small borrowers will help pick up credit demand once the lockdowns in states are eased. "We are also considering extending the interest subvention of 2% on prompt repayment of Shishu loans sanctioned under the Pradhan Mantri Mudra Yojana (PMMY)," said a government official. The scheme ends this month.

Last year in June, the government announced the interest subvention under the Atmanirbhar Bharat Abhiyan. It had noted that the move will help support small businesses to continue functioning during these times of crisis and have a positive impact on the economy and support its revival. Under the PMMY, loans up to Rs. 50,000 are termed as Shishu loans. The subvention scheme is being implemented through the Small Industries Development Bank of India. "We have asked banks to prioritise this segment and ensure timely sanctions and disbursals," said the official, adding that banks have been asked to regularly monitor asset quality for small-ticket loans including PMMY loans.

In fiscal 2021, banks had sanctioned loans worth Rs. 2.79 lakh crore under the PMMY. Of these, loans of Rs. 2.64 lakh crore were disbursed. Earlier, as part of its Covid-relief measures, the Reserve Bank of India had allowed banks to restructure loans of individuals, small businesses and MSMEs having aggregate exposure of up to Rs. 25 crore and who have not availed of restructuring under any of the earlier restructuring frameworks. "Banks are already taking steps to improve underwriting standards and maintain regular and intensive contacts with PMMY borrowers," said the official.

The Economic Times, May 24, 2021

18.Rule tweaks on import of raw materials, finished goods to help ease local manufacturing

The customs department has notified the latest changes in the rules for importing raw materials and finished goods, which will facilitate outsourcing of manufacturing operations within India, allow inter-company to transfer of raw materials and other simplifications and ensure ease of manufacturing.

The Central Board of Indirect Taxes and Customs (CBIC), in a circular dated May 17, notified the amendments related to job-work which were announced in this year's Budget and made effective from February 2.

As per the new norms, all importers and manufacturers are now allowed to get finished goods (100% outsourced) and intermediate goods (partially outsourced) manufactured on a job-work basis.

Importers are now given an option to import capital goods for the specified purpose at a concessional rate and clear the same after use on payment of applicable customs duties along with interest on the depreciated value. The government has also modified the approval system to a one-time intimation which needs to be sent by the importer, reducing the compliance-related paperwork, experts said.

An association said that the new rules will ensure that job work to vendors by the industry majors can now be performed seamlessly after the clarifications.

"They can also distribute from major warehousing nodes without unnecessary interference from customs field formations. The machinery can be imported duty free. Communications including consumption return to the customs will be accepted by email," Association said.

The Economic Times, May 25, 2021

19.RBI to survey Covid impact on small and medium businesses

The Reserve Bank of India (RBI) has begun approaching a number of small and medium entities in MSME, retail, restaurants, malls and hospitality sectors as a part of its newest survey to gauge the impact of the second Covid-19 wave that has additional pushed these businesses to the wall. RBI has mandated a number of banks to determine small and medium businesses in these sectors and to line up on-line conferences as a part of the central financial institution's initiatives.

"The regulator is trying to ascertain the most impacted sectors due to the second wave," mentioned a banker asking not to be recognized. "We have seen that the borrowers who have taken moratorium or availed restructuring during the first wave are the ones which are facing trouble even now."

The RBI-mandated survey of small and medium enterprise entities might be a precursor both to a authorities stimulus bundle or to present them with additional banking reliefs like extra loans or additional restructuring of their money owed, sources mentioned.

Retailers, restaurant operators, malls, lodges and varied different small and medium businesses have been already reeling underneath the impact of lethal coronavirus outbreak and the extra virulent second wave has introduced lots of them to the brink of collapse as varied states are nonetheless observing strict weeks-long lockdowns to curb the unfold of the illness.
The Economic Times, May 26, 2021

20.Economy added 16.9 lakh less jobs in FY21: SBI Research

Net job creation in the economy fell by 16.9 lakh in FY21 over the previous fiscal, shows an SBI Research analysis of EPFO payroll data. However, the FY21 numbers are better than the FY20 net job creation, which had declined by 28.9 lakh, further cementing the view that the economy is not creating new employment opportunities. The latest EPFO data shows that net new EPF subscribers stood at 94.5 lakh in FY21, and NPS added 5.82 lakh, taking the cumulative net addition to 100.4 lakh, which is marginally down from 102.3 lakh in FY20.
However, according to Soumya Kanti Ghosh, SBI's group chief economic adviser, "this does not represent the correct picture as the data include the number of exited members who re-joined and re-subscribed, and thus not fresh job creation." "An estimate of the actual net new payroll (first job) adjusted for re-joined/re-subscribed members and formalization (based on ECR data), shows the actual net new payroll is only 44 lakh is FY21, which is 16.9 lakh less than the net new payroll generated in FY20, when the new payroll declined by almost 28.9 lakh," he said. Ghosh also said most of the 44 lakh additions are low quality jobs. The second job (or the exited members who re-joined and re-subscribed) rose by 17.9 lakh in FY21.
However, the number of new members who joined declined by 6.9 lakh in FY21 compared to an increase of 1.5 lakh in FY20. This indicates that lower number of people exited from job market in search for better/new jobs (which was obviously scarce during the pandemic-hit year). "A breakup of the 95.4 lakhs job created by the EPFO payrolls, 41.2 lakh were through second jobs, 44 lakh through first jobs and 9.3 lakh were through formalization," he said. Ghosh added that the official numbers did not capture the 16.9 lakh decline in first-time jobs in FY21, though the number of second time jobs or those members who rejoined the payroll rose by 17.9 lakh.
Even the rate of formalisation declined by 1.2 lakh, reflecting the disruptions in MSME sector. "Cumulatively, total payroll generation of EPFO and NPS was almost 19 lakh less than the previous fiscal," he says, adding in the private sector, most job losses were in smaller companies. The ratio of women enrolment to total enrolment in the EPFO data was 23 per cent in FY20 and has not changed significantly in FY21.
According to him, the problem with the EPFO/NPS data is that it does not exclude the number of retirees. The latest World Bank data shows a deep compression in the labour force from 495 million in 2019 to 472 million in 2020, primarily due to the first wave of the pandemic. As per CMIE data, in April 2021 alone the economy shed as many as 75 lakh jobs in the second wave of the pandemic.
The Times of India, May 28, 2021

21.Govt expands credit lifeline for MSMEs amid second wave of Covid-19

The government has expanded the Rs 3-trillion Emergency Credit Line Guarantee Scheme (ECLGS) to help businesses hit by the second wave of the Covid-19 pandemic. Dubbed ECLGS 4.0, the scheme has added the civil aviation sector and loan to health institutions for on-site oxygen generation plants. The Centre has also removed the loan outstanding ceiling of Rs 500 crore of loan outstanding. However, the maximum additional loans they can take under the scheme is limited to 40 per cent of the outstanding loan, or Rs 200 crore, whichever is lower. Loans given under ECLGS 1.0 will be eligible for additional assistance up to 10 per cent, raising the total guaranteed loan up to 30 per cent of outstanding as on February 29, 2020.

The 100 per cent guarantee cover offered to hospitals, nursing homes, clinics, and medical colleges for setting up oxygen plants will be available for loans up to Rs 2 crore, with the interest rate capped at 7.5 per cent. Lenders said they have room to lend another Rs 45,000 crore under the scheme. Of the guarantee cover of Rs 3 trillion, about Rs 2.54 trillion has been sanctioned, and disbursements stand at Rs 2.4 trillion, said an expert.

In a statement, the finance ministry said: “The modifications would enhance the utility and impact of ECLGS by providing additional support to MSMEs (micro, small and medium enterprises), safeguarding livelihoods, and helping in seamless resumption of business activity. These changes will further facilitate flow of institutional credit at reasonable terms.” The validity of the scheme has been extended to September 30 or till guarantees of Rs 3 trillion are issued. Disbursements can be made until December 31. The repayment period for restructured loans has been enhanced by one year to five years for loans under ECLGS 1.0.

Another expert said: “Many borrowers who used ECLGS 1.0 have also been impacted in the second wave. They need additional funds and more time for repayments. This revision will actually reduce chances of defaults.” Relief measures under the ECLGS will help borrowers’ liquidity position in light of the incremental stress on debt servicing brought on by the second wave, said the expert. “The government will also not be burdened with additional cost. This will also improve the utilisation of ECLGS funding pool,” he said.

On the extended repayment period, the government said the scheme would help borrowers eligible for restructuring under the Reserve Bank of India’s guidelines and had availed of loans under ECLGS 1.0. The overall tenure consisted of repayment of interest during the first 12 months, with the remaining repayment of principal and interest being spread over the subsequent 36 months. These borrowers will get a five-year repayment period, involving interest repayment for the first 24 months, and principal and interest in the subsequent 36 months. ECLGS 2.0 had a loan tenure of five years with a 12-month moratorium on repayment of principal, and ECLGS 3.0 six years, including a moratorium period of 2 years.

Business Standard, May 31, 2021

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

www.ficci-cmsme.in
www.ficcicmsmeconnect.in