



# NEWSLETTER

# MSME NEWS UPDATE

## 1. Scope and sweep of MSMEs just got bigger

Extending a lifeline to India's struggling micro, small and medium enterprises (MSMEs), which are badly hit by the nationwide lockdown due to the Covid-19 pandemic, the Union Cabinet approved tweaking the definition of MSMEs in such a way that more companies can claim the benefits available for small businesses. The Cabinet Committee on Economic Affairs (CCEA), chaired by Prime Minister Narendra Modi, also approved provisioning of Rs 20,000 crore as subordinated debt (unsecured loan) to provide equity support to stressed MSMEs.

In other decisions, the Cabinet also cleared equity infusion of Rs 50,000 crore for small scale units through a Fund of Funds, which will help MSMEs to be listed and be able to raise funds from the market. According to the new definitions, MSMEs with an investment of Rs 1 crore and turnover of Rs 5 crore will be classified as micro-units, units with an investment of Rs 10 crore and turnover of Rs 50 crore as small units and those with investment of Rs 50 crore and turnover of up to Rs 250 crore as medium units.

The policy change was already announced by Finance Minister Nirmala Sitharaman last month as part of Aatmnirbhar Bharat package. While the FM had proposed definition for medium enterprises as companies with investment up to Rs 20 crore and turnover of Rs 100 crore, companies requested her to enhance it further, which has now been accepted.

"This will help in attracting investments and creating more jobs in the MSME sector," an official statement said. Nitin Gadkari, Union minister for MSMEs, said the sector is very critical for the economy and 60 million MSMEs contribute as much as 29% to India's GDP, 48% of total exports, and generate 110 million jobs. Exporters welcomed the move saying the change in definition will not only help in ease of doing business, but also attract more investment.

The New Indian Express, June 02, 2020

## 2. SBI creates new vertical to drive MSMEs, agri finance

In a major restructuring exercise, State Bank of India (SBI) has created a separate Financial Inclusion and Micro Market (FI&MM) vertical with a focus on rural and semi-urban areas to improve customer experience. Under this newly launched vertical, the bank will offer loans mainly for agriculture and allied activities, and micro and small enterprises, the bank said on Tuesday. Around 8,000 branches in rural and semi-urban areas have been identified for providing specialised services to micro segment, including micro credit for small businesses and farmers, it said.

Tribune, June 03, 2020

## 3. Online portal for MSMEs

The Haryana Government has launched a dedicated portal, 'Haryana Udhyaam Sahyog', to capture the Micro, Small and Medium Enterprises (MSME) grievances in obtaining loans. The portal aims to enable MSMEs to take maximum

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benefits under the 'Atmanirbhar Bharat Abhiyan' economic package. An official spokesman said understanding the severity of challenges posed by the Covid pandemic, the portal aimed to help the MSMEs in facing financial duress.

Tribune, June 04, 2020

### 4. Big firms may have to inform on MSME dues

The government is mulling to make it mandatory for large firms to disclose their dues to the micro, small and medium enterprises (MSMEs) to ensure timely payments to them, Union Minister Nitin Gadkari said.

He said despite various interventions, including promising MSMEs that payments by the Centre and its undertakings will be made within 45 days of delivery of goods or services, a satisfactory solution to the problem had been elusive.

"We are thinking of various ways on how MSMEs can get their money. One attempt is to make the bigger firms declare whether they have paid MSMEs or not and make the same binding for them," he said.

The Hindu, June 05, 2020

### 5. FDI in non-bank lenders needs to be explored for greater support to MSMEs

Union Minister Nitin Gadkari said foreign direct investment (FDI) can be explored in the non-banking financial companies (NBFC) sector, which in return will prove to be a huge support to micro, small and medium enterprises (MSMEs).

The Minister opined that strengthening of non-banking lenders or NBFCs, state cooperative banks, district cooperative banks, credit societies, etc is required to extend support to MSMEs during this challenging time. Further, FDI can be explored in NBFCs to strengthen them, which will lead towards greater support to MSMEs, an official statement said quoting the minister. He said a credit rating mechanism can be devised for NBFCs also to support them adding that a possibility needs to be explored to get some foreign investment in the NBFC space.

He said in a situation where an NBFC has a good credit rating, it can be a good thing if such a company can also attract foreign investment, but a criterion needs to be fixed for this purpose. Regarding request for extension of interest subvention scheme for MSMEs, which was in place until March 31, 2020, Gadkari said: "We have already recommended to the Finance Ministry for giving extension to this scheme. I am trying my level best to get it approved... If I get it, definitely we will continue this scheme".

The Pioneer, June 05, 2020

### 6. Govt to consider extension in deadline for availing 15% corporate tax rate benefit: FM Nirmala Sitharaman

Finance Minister Nirmala Sitharaman said the government will consider an extension in the deadline for availing the lower 15 per cent corporate tax rate on new investments, due to the COVID-19 pandemic. In the biggest reduction in 28 years, the government in September last year slashed corporate tax rates by up to 10 percentage points to

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attract private investment and push sagging economic growth. Base corporate tax for existing companies was reduced to 22 per cent from 30 per cent, and to 15 per cent from 25 per cent for new manufacturing firms incorporated after October 1, 2019 and starting operations before March 31, 2023.

"I will see what can be done. We want industry to benefit from the 15 per cent corporate tax rate on new investments and I take your point for considering an extension in the deadline of March 31, 2023,". Sitharaman clarified that the COVID-19 Emergency Credit Facility covers all companies and not just micro, small and medium enterprises (MSMEs). On the question of liquidity, she said, "We have fairly clearly addressed the issue of liquidity. There is definitely the availability of the liquidity. We will look into it if there are still issues." She also said every government department has been told to clear dues and if there is any issue with any department, the government will look into it. The finance minister also said the government will consider an extension in the deadline for availing the 15 per cent corporate tax rate on new investments. With regard to the need for reduction in GST rates in the badly affected sectors, she said, "GST rate reduction will go to the Council. But the GST Council is also looking for revenue. The decision for reduction in rate for any sector has to be taken by the Council." Revenue Secretary Ajay Bhushan Pandey told FICCI members that income tax refund to the corporates has also started and income tax refunds of Rs 35,000 crore have been issued in the past few weeks.

Deccan Herald, June 08, 2020

### 7. GeM taking steps to onboard products of MSMEs, craftsman, weavers, SHGs

The public procurement portal GeM is taking a host of steps to onboard products of self-help groups (SHGs), tribal communities, craftsmen, weavers, and MSMEs with a view to making the platform more inclusive, a senior government official said. The team of Government e-marketplace (GeM) is in consultation with the ministry of textiles to pull data of 21 lakh weavers and 18 lakh craftsmen for onboarding on the platform.

Similarly, they are in discussions with the and MSME (micro, small and medium enterprises) ministry to onboard 92 lakh such units, GeM Chief Executive Officer Talleen Kumar said. "The vision expounded by the Prime Minister for GeM is to drive the three pillars of inclusivity; efficiency with attendant cost savings; and transparency along with more and more usability. This is reflective of an appetite to reimagine the status quo and usher in structural reforms through technology.

"The GeM platform is an example of how digital platforms created with a strategic, clear-minded intent to reinvigorate and reimagine legacy processes can bring about lasting change for the nation and for the underserved," Kumar told. He said so far as inclusivity on the platform is concerned, about 49 per cent of the orders worth Rs 10,000 or less have been supplied by 25,000 sellers in 2019-2020.

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Kumar informed the share of MSMEs, women entrepreneurs and startups in all procurement in 2019-20 has shot up to 69 per cent. The number of product categories has increased to 6,399 from 3,486 a year ago and the number of service categories too have jumped from 75 to 121 at present. Similarly, the number of buyers has increased from 35,467 to 44,829 and the number of sellers has gone up from 2.29 lakhs to 3.81 lakhs.

On the advanced version of the platform which is on the anvil, he said implementation of an advanced technology roadmap to bridge gaps in features and functionalities and to improve usability and transparency on the platform is an integral part of GeM 4.0. The new version will encourage wider participation by sellers and its enhanced adoption by Indian vendors and will also allow sellers to diversify their businesses, he added. Further, he said that for the first time, the platform can accurately provide information as to whether timely payments are being made to suppliers including MSMEs and startups.

"We are now moving towards deemed acceptance as timely payments to suppliers is a must for the successful development of a strong buyer-supplier ecosystem in an e-marketplace," he added. The new features of GeM 4.0 include item wise consignee wise bidding, demand aggregation, price variation clauses, installation, testing, staggered delivery, timely payments to sellers, facility of publishing bids for goods and services on GeM in case of non-availability or partial availability of products and services and one-time caution money deposit for sellers for purchase of up to Rs 5 lakh will be implemented.

The Economic Times, June 08, 2020

### 8. Govt hikes import duty on bamboo to 25 percent

The government hiked import duty on bamboo to 25 per cent with a view to encourage domestic agarbatti makers to use local bamboo. "Customs duty on bamboo imports by agarbatti manufacturers hiked from 10 per cent to 25 per cent with immediate effect to encourage use of domestic bamboo for AatmaNirbhar Bharat," the Central Board of Indirect Taxes and Customs (CBIC) said in a tweet. The 25 per cent customs duty rate shall now uniformly apply to any import of bamboo, including by traders, it said. The uniform rate will help in avoiding misuse and rates-related disputes, it added. "This measure will benefit farmers immensely. MSME agarbatti manufacturers also to gain, as earlier only the large agarbatti manufacturers were able to import bamboo at lower rate," CBIC said.

The New Indian Express, June 09, 2020

### 9. Bio-fuel boost: Govt to allow ethanol production from surplus rice, says MSME minister Nitin Gadkari

Transport and MSME minister Nitin Gadkari said the government is considering allowing ethanol production from surplus rice, and not just from cane juice or molasses. Gadkari said he had a meeting with PK Sinha, advisor to

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Prime Minister Narendra Modi, and secretaries from the departments of petroleum, food, agriculture and MSME, and chairman of the food corporation of India (FCI) in this regard.

Once the proposal is finally implemented, it will be for the first time that the country will be using grains fit for human consumption to manufacture bio-fuel, industry executives say. This also signals a fundamental shift in the approach of the government that had in the past refrained from such a move for fear of jeopardising food security. Given that the country has become self-sufficient in rice production, allowing only a part of the surplus stocks for ethanol production makes much sense, according to a senior government official.

A part of the surplus rice with the FCI, as determined by the government, could be diverted towards ethanol, the industry executives say. Until now, while the sugar industry remains the biggest producer of ethanol, some amount of this biofuel is also manufactured from damaged grains (mainly broken rice) that are not fit for consumption. "We are targeting to raise annual domestic ethanol production value from about Rs 20,000 crore to Rs 1 lakh crore in a few years," he said in a webinar. Higher use of ethanol in petrol will not just help cut oil import bill but also trim the pollution level, Gadkari said.

The sugar industry has already supplied over 80 crore litres of ethanol to oil-marketing companies for blending with petrol in the current marketing year that started in December 2019, while the biofuel made from damaged grains amounted to 2.9 crore. Analysts say the ethanol blending level will improve to 6-6.5% in the current marketing year, against a record 5% in 2018-19.

The government had first proposed a 5% blending of ethanol with petrol in 2003 and made it mandatory in 2007. In December 2013, the Sharad Pawar panel mooted doubling the blending limit to 10%, which was reiterated by the Cabinet Committee on Economic Affairs in April 2015. In August 2015, Prime Minister Narendra Modi directed ministries concerned to look for ways to make the proposed blending programme a reality soon.

According to an earlier report prepared jointly by Dehradun-based University of Petroleum and Energy Studies and Bengaluru-based Centre for Study of Science, Technology and Policy, if the blending programme can be implemented consistently (and actual blending is raised to 20%), the country could potentially save \$6.12 billion by 2021-22. In August 2015, a study by McKinsey had said the country could potentially save as much as \$1.7 billion a year if the proposed 10% blending programme is strictly implemented.

Financial Express, June 12, 2020

### 10. GST Council halves interest on delayed filing of GST returns

In a relief to small taxpayers with turnover up to ₹5 crore, the GST Council on Friday halved the interest on delayed filing of GST returns for February, March and April to 9%, provided the returns are filed by September 2020. Also,

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the deadline for filing returns for May, June and July has been extended till September, without any interest or late fee, Finance Minister Nirmala Sitharaman said after a meeting of the council.

Ms. Sitharaman said no late fee will be levied for delayed filing of GST returns by registered entities with nil liability between July 2017 to January 2020. Briefing reporters after GST Council meeting, she said late fee for non-filing of monthly sales return for others has been reduced to a maximum of ₹500 for July 2017 to January 2020 period. The GST Council - the apex decision making body of the indirect tax regime - discussed the impact of COVID-19, she said. Inverted duty structure hitting GST collections was discussed, she said, adding the panel was looking at correction of duty inversion in footwear, fertiliser and textiles. Ms. Sitharaman said discussion on taxing pan masala will hopefully be taken up at GST Council's next regular meeting. A special one-agenda meeting will happen in July to discuss compensation requirements of state, she added.

The Hindu, June 12, 2020

### 11. GDP contraction poses 'existential threat' to MSMEs, policy measures offer little succour: Report

A 5 per cent contraction in gross domestic product (GDP) during 2020-21 may lead to a 15 per cent fall in corporate India's revenues and poses an "existential threat" for small businesses, a report said. However, policy interventions by the Reserve Bank of India (RBI) and the finance ministry offer little hope because they cannot revive demand, which is crucial for the small businesses, the report said.

The micro, small and medium enterprise (MSME) sector will have to face a sharper decline in revenues of up to 21 per cent, while operating profit margins will narrow to 4-5 per cent, said the research wing of domestic ratings agency Crisil.

"MSMEs face existential crisis, revenue to fall a fifth...a sharp decline at the operating level will also impact creditworthiness, aggravating the liquidity stretch these units have been grappling with, particularly on the working capital front," the agency said. It said there are gains to be made out of the lower commodity prices but the weak demand in the economy will ensure that the small business segment is unable to capitalise on those, it said.

The average interest service coverage ratio could slide to 1-1.5 times from 2.4 times seen between the financial years 2016-17 and 2019-20, even after factoring in the benefit of moratorium on interest payments announced by the RBI, it said adding that without the moratorium, the ratio would have gone below one. The hardest hit will be the micro enterprise segment, which accounts for 32 per cent of the overall MSME debt, and are facing material stress in terms of revenue growth, operating profit margins and working capital stretch, it said.

Drawing from precedents, it said previous downturns have shown that micro and small enterprises are unable to manage transient working capital challenges as easily as their large and medium peers. The policy interventions

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from the RBI and the finance ministry will help them tide over tapered cash flows, it said adding that the biggest concern is demand that needs to be revived for the betterment of this crucial sector. However, the report was not so optimistic on the policy interventions' ability to drive demand in the economy.

"The current facilitations may not have the heft to crank up demand in the near term because fiscal stimulus is limited and only to vulnerable households," its chief operating officer Amish Mehta said. "It is critical that the demand curve is yanked steeply northwards, especially in discretionary products and services," he added.

He said a three-pronged strategy is essential now, which should include improvement in the sentiment around job security for formal and informal workers to boost consumption, hastening implementation of the Aatmanirbhar scheme to ensure flow of liquidity to MSMEs continues, and lenders going beyond traditional credit processes because they have to play a seminal role in recovery.

From a sectoral perspective, it said consumer discretionary, construction, and export-linked ones will bear the brunt, while small real-estate contractors into EPC (engineering, procurement, construction) projects, and ceramics and textiles makers have been significantly impacted so their credit profiles are the most vulnerable. Revenue growth of MSMEs in the real estate EPC segment could almost halve with demand sliding even as rising costs, supply chain disruptions and labour issues exert severe pressure on margins, it added.

Lower utilisation and partial absorption of BS-VI price hike could erode margins of auto-component MSMEs this financial year despite lower raw material prices, it said. The bigger companies are not expected to be impacted as much by the challenges, and the overall revenue growth will decline 15 per cent only while the operating profit margins will be down by a fourth, it said.

The Times of India, June 15, 2020

### 12. Nursing homes, clinics granted MSME status

The government accorded medium, small and micro enterprises (MSME) status to health services being offered by doctors through self-owned nursing homes and clinics. This has paved the way for benefits of Covid-19 economic package to be extended to such establishments.

The Tribune, June 15, 2020

### 13. BIS announces relaxation for MSMEs

Bureau of Indian Standards (BIS) in view of the extra ordinary situation in the country due to lockdown and to lessen the financial burden for MSME manufacturers holding or seeking BIS licence in the country, has announced several relaxations in fee for both the grant of licence and renewal of a licence under product certification (ISI mark) scheme as per BIS (Conformity Assessment) Regulations, 2018 to MSME units during 2020-21, such as an additional rebate

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of 20 per cent in minimum marking fee, option to pay marking fee in two instalments of 6 months without additional cost, rebate of 20 per cent on inspection fee for all new applications and special visits, inclusion request fee charges of Rs 5000 irrespective of number of varieties, etc.

Hindustan Times, June 18, 2020

### 14. In relief for SMEs, govt seeks to decriminalise compoundable offences under LLP Act

In what could be major relief for small and medium businesses, the Centre proposes to decriminalise compoundable offences under the Limited Liability Partnership Act, 2008. This is expected to provide greater ease of doing business in India to law abiding LLPs. More than 1.45 lakh LLPs in the country are registered under the LLP Act and a majority of them are small and medium enterprises. LLP is an alternative corporate business vehicle that provides the benefits of limited liability but allows its members the flexibility of organising their internal structure as a partnership based on a mutually arrived agreement.

The Government plan is to decriminalise compoundable offences involving minor, procedural or technical violations, or offences which may not involve any harm to public interest. The Corporate Affairs Ministry (MCA) has invited public comments. While listing out 20 provisions of the LLP Act along with the current punishment prescribed for violation of those provisions, the MCA has sought suggestions for the same.

The exercise to identify and decriminalise the provisions of LLP Act is aimed at incentivising compliance, declogging of criminal justice system and promoting congenial business climate, the MCA said. Criminalisation of minor violations acts as an avoidable deterrent and impinges upon the business sentiments, it added.

The offences proposed to be decriminalised include non-compliance with norms regarding (i) eligibility and appointment of designated partners (ii) registration of changes in partners (iii) maintenance of books of account, other records and audit and (iv) filing of annual return.

The Hindu Business Line, June 22, 2020

### 15. Indigenous production of fight category equipment at 45 pc huge opportunity for MSMEs Navy official

The indigenous production of "fight" category equipment, which includes weapons and radars, for the Indian Navy is nearly 45 per cent and it is a huge opportunity for micro, small and medium enterprises (MSMEs) that can enhance their manufacturing, said a senior Navy official.

"Indian shipyards have already 130 ships and submarines. And further, 46 ships and submarines have been ordered for construction in our shipyards. It is a matter of pride that with the help of our stakeholders, almost 90 per cent of equipment in the "float" category and 65 per cent of the equipment in the "move" category is indigenous production," said Rear Admiral S N Alamanda at a webinar.

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The "float" category encompasses all material, equipment and systems associated with the structures and fittings of the ship's hull. Equipment under the "move" category encompasses propulsion systems, power generation turbine engines, firefighting systems. Equipment under the "fight" category encompasses all types of ship borne weapons and sensor systems that affect the combat capability of the ship.

"Our cumulative indigenous production in the 'fight' category, which covers weapons, sensors, radars and advanced stealth technology, is presently relatively low close to 45 per cent," Alamanda noted. "In fact, I see this percentage as a huge and a great opportunity for MSMEs to enhance their contribution to the Navy," he said at the webinar.

"In achieving this, our MSMEs will need to work out various options, including collaborating with large scale units and also interacting with the DRDO very closely," the Rear Admiral added. Commodore R K Kamboj said at the webinar that indigenisation is required for equipment like aircraft landing systems, night vision equipment, multi-function phased array radars, low frequency interception radars and surface to surface missiles.

The Week, June 23, 2020



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**Mr. Kandarp Shah Technical Marketing Director Mobile: +91-9727722740**  
**Works: Plot No.657, G.I.D.C Makarpura, Vadodara-390010 (Gujarat) INDIA,**  
**E-mail: [radheiottechno@gmail.com](mailto:radheiottechno@gmail.com)**  
**Website: [www.radheiot.com](http://www.radheiot.com)**

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### 16. Stamp duty, divergent interest rates, hindering government's MSME rescue plan

Micro, Small and Medium Enterprises (MSMEs) looking to avail fresh loans under the government's ambitious ₹3 lakh crore liquidity program for the sector are running into additional costs in the form of stamp duty, a proposition that many of these businesses are finding difficult, said two people aware of the development.

According to people cited above, the issue was raised at a meeting with finance minister Nirmala Sitharaman but is taking time to be resolved as individual states will have to grant an exception.

According to a banker, lenders pointed out how smaller micro, small and medium enterprises (MSMEs) are not able to pay the stamp duties and are not using the facility.

"These stamp duties vary from state to state and are becoming a burden on businesses with little cashflows. While the loan was touted to be hassle-free and devoid of any fresh collateral, a document called the memorandum of deposit of title deed is needed to be registered for the loan. That is where the stamp duties are applicable," said the first person quoted above.

The first of the two people said the finance ministry has assured that the issue will be taken up with the states, seeking a waiver of stamp duties on these guaranteed loans.

"I do not see a major challenge in the scheme as of now—just that there is a minor deterrent in the additional cost of stamp duty that companies in some states may have to bear for the creation of a second charge for this loan (on the present security)," Manish Kothari, president and business head - corporate banking (large corporates, MNC, SME & new age companies), Kotak Mahindra Bank Ltd told.

According to the second person, small business borrowers from private banks are having to pay more interest than their counterparts in state-owned lenders. The private banks, this person added, are charging an interest of 9.25% or the upper limit allowed by the government, adding to the cost for these small businesses.

"Public lenders are giving out these loans at a much lower interest rate of 7.5% as these are linked to an external benchmark, usually the Reserve Bank of India (RBI) repo rate," said the second person.

The RBI repo rate stands at 4%, after a 115-basis point (bps) reduction since March. Under the scheme, while non-banking financial companies (NBFCs) can charge an interest of up to 14% on the extra credit, banks can charge up to 9.25%.

The person said that some borrowers being approached by banks for these funds are saying it does not make sense for them to pay a large stamp duty for a small loan. "For larger MSMEs also, it is more like an added cost that they do not want to shell out in these times," said the second person.

Live Mint, June 24, 2020

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### 17. Govt e-market asks sellers to declare country of origin

The Government e-Marketplace (GeM) under the ministry of commerce and industry has made it mandatory for sellers to enter the 'country of origin' while registering new products on it. The main platform for various official procurements has also stipulated that sellers, who has already uploaded their products, are being reminded regularly to update the 'country of origin', failing which their items will be removed from the platform, it said in a statement.

GeM says it has taken this step to promote 'Make in India' and 'Aatmanirbhar Bharat' (Self-reliant India). The government has ramped up efforts to curb the inflows of such low-grade imports and their consumption here. Industry executives have often pointed out that several Chinese sellers are supplying to Indian consumers through online platforms in contravention of various rules.

"GeM has also enabled a provision for indication of the percentage of local content in products. With this new feature, now, the country of origin as well as the local content percentage are visible in the marketplace for all items," it says. Announcing the Budget for FY21, finance minister Nirmala Sitharaman had said the government was aiming at raising the turnover of GeM to Rs 3 lakh crore. Public procurement worth Rs 50,000 crore was expected to take place through GeM in FY20, against Rs 33,366 crore in the previous year.

The platform has also enabled a 'Make in India' filter. Buyers can choose to buy only those products that meet a minimum 50% local content criteria. In case of bids, buyers can now reserve any bid for class-I local suppliers (local content in excess of 50%). For those bids below Rs 200 crore, only class-I and class-II local suppliers (local content above 50% and above 20%, respectively) are eligible to bid, with class-I supplier getting purchase preference.

Separately, the industry ministry, earlier this month, notified that no global tender will be floated for official procurement up to Rs 200 crore, in sync with its announcements last month under the Atmanirbhar package to ensure that local businesses, especially the small and medium ones, don't face unfair competition from large foreign companies with deep pockets. Earlier, no global tenders were floated for purchases up to just Rs 50 lakh. Class-I suppliers are to get preference over others, as per this notification as well.

Financial Express, June 24, 2020

### 18. Gadkari launches credit guarantee scheme worth Rs 20,000 cr for MSMEs

Union Minister Nitin Gadkari launched the Credit Guarantee Scheme for Sub-ordinate Debt to provide Rs 20,000 crore of guarantee cover to 200,000 micro, small and medium enterprises. The funding scheme to help the distressed MSME sector entails a sub-debt facility to the promoters of those operational MSMEs that are distressed or non-performing assets (NPAs). It is also called the 'Distressed Assets Fund Sub-ordinate Debt for MSMEs'.

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According to the scheme, the guarantee cover worth Rs 20,000 crore will be provided to the promoters who can take debt from the banks to further invest in their stressed MSME units as equity. "It was being felt that the biggest challenge for stressed MSMEs was in getting capital either in the form of debt or equity. Therefore, as part of Atmanirbhar Bharat package, Finance Minister (Nirmala Sitharaman) had announced this scheme of sub-ordinate debt to the promoters of operational but stressed MSMEs," an official statement said.

After completion of the necessary formalities including approval of the Cabinet Committee on Economic Affairs and consultation with the finance ministry, SIDBI and the Reserve Bank of India (RBI), the scheme was formally launched by Gadkari in Nagpur.

The scheme seeks to extend support to the promoters of the operational MSMEs that are stressed and have become NPAs as on April 30, 2020. Promoters of the MSMEs will be given credit equal to 15 per cent of their stake (equity plus debt) or Rs 75 lakh, whichever is lower. The promoters will in turn infuse this amount into the MSME unit as equity and thereby enhance the liquidity and maintain debt-equity ratio.

Ninety per cent guarantee coverage for this sub-debt will be given under the scheme, whereas the remaining 10 per cent would come from the promoters concerned. There will be a moratorium of seven years on payment of principal amount, whereas maximum tenor for repayment will be 10 years.

"It is expected that this scheme would provide much-required support to around 200,000 MSMEs and will help in reviving the economic activity in and through this sector. It will also help in protecting the livelihoods and jobs of millions of people who depend on them," the statement said. Promoters of MSMEs meeting the eligibility criteria may approach any scheduled commercial banks to avail benefit under the scheme. The scheme will be operationalised through Credit Guarantee Fund Trust for MSEs (CGTMSE).

Business Standard, June 24, 2020

### 19. Govt to provide 2% interest subsidy to 'Shishu' borrowers under Mudra Yojna

The government decided to provide 2% interest subvention to borrowers under the 'Shishu' category of the flagship Pradhan Mantri MUDRA Yojana (PMMY). Under the Shishu category, collateral free loans of up to ₹50,000 are given to beneficiaries.

The Union Cabinet approved the scheme for interest subvention of 2% to Shishu loan category borrowers under PMMY, outstanding as on March 31, 2020, for a period of 12 months to eligible borrowers, Information and Broadcasting Minister Prakash Javadekar said.

The PMMY was launched by Prime Minister Narendra Modi on April 8, 2015 for providing loans up to ₹10 lakh to non-corporate, non-farm small/micro enterprises. Under Shishu category, loans upto ₹50,000 can be availed. These

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loans are classified as MUDRA loans under PMMY. These loans are given by commercial banks, RRBs, small finance banks, MFIs and NBFCs.

The Hindu, June 24, 2020

### 20. Indian embassies suggest various measures to boost exports

Certain Indian embassies in Europe have suggested the commerce department various measures, including increasing presence of domestic exporters in proper ways to resolve trade disputes, to boost the country's exports, according to an official.

They recommended that sectors such as electronic, telecommunications, textile, garments, leather and footwear, food products and agriculture, automotive, steel, and pharmaceuticals have huge potential in European markets for Indian exporters, the official added.

The commerce ministry has shared a list of over 1,500 products with Indian missions to explore export opportunities in their respective countries for domestic firms.

The other suggestions include providing credit to domestic firms for acquiring SMEs, increasing quality consciousness, defined guidelines regarding resolving trade disputes, scale up presence of Indian exporters in German trade fairs, pushing apparel and consumer goods exports through e-commerce portals, and exploring opportunities in healthcare services.

It was also recommended that there is a good demand for PPEs (personal protection equipment) and organic foods in Belgium, while in the Netherlands, significant potential is there for agri commodities like groundnut, processed vegetables, cocoa and basmati rice.

The Outlook, June 26, 2020

### 21. Udyam: New Name for MSMEs

A micro, small or medium enterprise in the country will now be known as 'Udyam' since the term comes closer to the meaning of an enterprise, the government said in a notification. Udyam Registration, as it will be termed now, can be filed online based on self-declaration with no requirement for documents of proof, barring Aadhaar, as per the notification issued by the MSME ministry. Udyam Registration has also been fully integrated with the IT and GST systems. Finance Minister Nir mala Sitharaman in May announced the change in definition of MSMEs as part of the relief package for the industry amid Covid-19.

The new definition classifies a micro enterprise where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees, a small enterprise as that where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed

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fifty crore rupees and a medium enterprise, as one where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees.

The Economic Times, June 27, 2020

### 22. Special MSME focus in new industrial policy: BS Yediyurappa

Karnataka's new industrial policy will have a special focus on the MSME sector, Chief Minister BS Yediyurappa said, while assuring small businesses that the government will give them a friendly investment climate. Yediyurappa spoke at the virtual launch of a report. "Karnataka will soon launch its new industrial policy. The policy has special focus on encouraging the MSMEs to become more competitive at the global stage," Yediyurappa said. The new industrial policy will replace one that covered the 2014-2019 period. "My team has been tirelessly working to provide support to MSMEs. We've helped industries with their labour requirements, facilitated the movement of goods, ensured adequate safety and fast tracked government approvals for resuming operations," Yediyurappa said. Yediyurappa also hailed the proposed amendments to the Karnataka Land Reforms Act and the Karnataka Industries (Facilitation) Act. "We're also working on the policy front to provide a supportive business environment. We've recently announced land and labour reforms that will help industry set up faster and operate more efficiently," he said. "We're also amending the Industries Facilitation Act to create an MSME-friendly investment climate," he said. "Through these amendments, industries can start operations without obtaining approvals from different departments like trade licences, building plan approvals etc." Karnataka will introduce "self-certification" provisions in the approval process for new investments, the CM said. "The requirements to start a new business in the state will be simplified," he added. The Centre and the state governments have been working to improve the business environment for MSMEs through "targeted schemes and policies," Yediyurappa said. "During these unprecedented times, the PM has given the 'vocal for local' call. Strengthening the MSME sector is the primary step to achieve this," he said.

Deccan Herald, June 27, 2020

### 23. SBI working on setting up e-commerce portal for MSMEs: Rajnish Kumar

State Bank of India is working on setting up an e-commerce portal for marketing of products manufactured by micro, small and medium enterprises (MSMEs) in the country, its chairman Rajnish Kumar said. The portal called Bharat Craft would be jointly run by the bank and the government.

"It is a work in progress. We have conceptualised how it should be done and the development work on this platform is going to commence soon," Kumar said at a webinar. "This is one of the things that MSME Minister Nitin Gadkari once mentioned about Bharat Craft where SBI will develop this platform. We are very much dwelling on the subject.

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It requires a lot of elements to be put together. It is definitely on our radar and we are going to do it," he said. He, however, did not elaborate on the contours of it and the timeline by which it should be operationalised.

"Government is planning to launch Bharat Craft, an e-commerce portal, on the lines of Alibaba, and should soon see turnover on the platform to the tune of ₹10 lakh crore in the next few years and this would benefit MSMEs in a big way," MSME Minister Nitin Gadkari had said last year.

MSMEs share in the country's GDP and employment it has generated currently stands at 29 per cent and around 11 crore people that the government is looking to increase to 50 per cent and 15 crore people in the coming five years, the minister had said.

Emphasising that the MSME sector is a very important segment of the economy, Kumar said the government has announced a slew of measures, including changing definition of the sector to support them in these difficult times.

Various steps announced by the government will at least reduce the pain for them if not eliminate, he added.

Pointing that MSME comes under the 40 per cent priority sector lending category, he said that with the change in the definition, the flow of credit will be encouraged.

"Earlier there were several classifications but now we have a simple definition which takes into account both the turnover as well as the investment. It is a very good step and it should help in increasing the flow of the credit to the MSMEs. And it will also enable," he said. He also said SBI has sanctioned loans to over 4 lakh accounts under the ₹3-lakh crore Emergency Credit Line Guarantee Scheme (ECLGS) for MSME sector. About ₹20,000 crore has been sanctioned to eligible MSME customers under the scheme which was launched on June 1.

Live Mint, June 27, 2020

### 24. Nitin Gadkari highlights need for import substitution in MSMEs

Union minister for micro, small and medium enterprises (MSME) Nitin Gadkari said "import substitution", a term policy-makers use for economic self-reliance, was important for the country, underscoring the National Democratic Alliance (NDA) government's tilt toward a model of growth that seeks to boost exports and minimise imports.

"When I look at Varanasi, I get worried that it is importing silk from China. We have a good sericulture sector," he said, adding local handloom and handicraft units needed a boost.

Import substitution was the country's main economic and industrial policy during the first few five-yearly plan periods. Such a policy focuses on replacing foreign imports with domestically produced goods.

He said the government planned to have one industry in each panchayat, boost exports and rely on "import substitution" for growth and jobs.

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Gadkari said boosting exports of small and rural industries, creating a sustainable economy, with less pollution, decongestion of cities and building industrial hubs along 22 green expressways were priorities of the government. "Our 117 aspirational districts are low on many indicators. We are focusing on creating sustainable development in these districts," the minister said.

Small enterprises are the backbone of Indian manufacturing. They account for 29% of the country's gross domestic product (GDP), have 22% share in exports and employ over 100 million people.

Hindustan Times, June 28, 2020

### 25. Gadkari urges trade, finance ministers to allow imports that have been paid for

Nitin Gadkari has requested his counterparts in finance and trade ministries to allow imports of goods that have already been paid for. Thee calls by the micro, small and medium enterprises (MSMEs) minister comes amidst piling up of Chinese goods at Indian shores that has left Indian manufacturers in crying need of raw materials to finish their product.

A senior government official told Mint that small businesses are often dependent on Chinese imports to manufacture products and a larger policy should be worked out to deal with the issue of dependence on Chinese imports. However, small businesses that have already made payments are grappling with stuck consignments. "It's a challenge for them," the official cited above said.

"MSMEs need to plan goods -- raw materials machinery parts -- that need to be imported (from China) three-four months in advance. The orders that they had placed few months ago are arriving now and are stuck at the ports and airports," the official said.

The official clarified said that India will continue focus on becoming 'Aatma Nirbhar' or self reliant and dependence on Chinese imports has to be lowered.

Earlier this week, according to a Press Trust of India news report, export promotion body Federation of Indian Exports Organizations (FIEO) had said that some exporters have raised concerns over consignments being held back by Hong Kong and Chinese customs, in response to a similar action allegedly being taken by Indian authorities at Chennai port. China accounted for almost 14% of India's total imports in 2018-19, official data showed.

India is reviewing its trade policy with China amid rising tensions between India and China at the Line of Actual Control (LAC), where 20 Indian troops were killed in a violent face-off with Chinese troops in the Galwan area of Ladakh earlier this month. Maharashtra has already put some deals with Chinese firms on hold, railways has junked a project with a Beijing-based company citing poor progress and the power minister has also said that if possible,

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Indian companies shall look at ways of getting out of contracts inked with Chinese firms, given that power is a strategic and sensitive sector.

The Mint, June 28, 2020

### 26. SBI will focus on lending to MSMEs, says chairman

SBI chairman Rajnish Kumar said that the lender, which until now was chasing home loans because of the security they offered, is shifting focus to micro, small and medium enterprises (MSMEs). The availability of data and technology in the form of analytics has made it easier to automate lending decisions to the sector, which until now posed challenges.

“For the bank, housing loan had become the most popular product as it was safe to lend. I am now shifting focus. We appointed 90 deputy general managers across the country, whose primary focus is MSMEs,” said Kumar at an online event on small and medium enterprises.

The SBI chief said while there had been some hesitancy to lend to the sector, it was because of the experience of loans going bad. However, technology had now made it much easier to lend, he said. The SBI chief’s statements come at a time when the government is going all out to reduce the pain in the MSME segment due to the lockdown. The government has agreed to guarantee an additional 20% credit limit to MSMEs, provide them with risk capital. It is also pushing banks to do more.

Kumar said due to the availability of data on GST, borrowers’ credit history and income tax, it was possible to automate lending to small businesses. “We have recently given Rs 200 crore of e-Mudra loans through end-to-end digitisation,” said Kumar. “Use of technology in lending and the availability of data is helping banks underwrite loans on a more scientific basis. SBI has sanctioned more than 4 lakh loans a month, thanks to technology,” said Kumar. Highlighting Germany’s experience, Kumar said that MSMEs can be drivers of an economy.

Speaking at the same event, Kotak Mahindra Bank VC & CEO Uday Kotak said that private banks have taken longer in disbursing loans under the government guarantee scheme, but the numbers would pick up soon. He also highlighted the need for MSMEs to raise risk capital from any route to enable them to withstand shocks from a sudden change in the external environment. “In view of the revision in turnover limit for MSMEs from Rs 100 crore to Rs 250 crore, the eligibility conditions for the government guarantee scheme should also be relaxed similarly” said Kotak. According to the SBI chief, the new definition of MSMEs, which includes both turnover and investment limits, has also made it easier to lend to the sector. Meanwhile, industry bodies have made a representation to banks seeking to revise the eligibility for the government guarantee scheme in line with the new definition of MSMEs.

Times of India, June 29, 2020

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### 27. Over Rs 3 lakh crore dues, IBC changes add to MSMEs' liquidity woes

Recent changes in the Insolvency and Bankruptcy Code (IBC), raising the threshold for invoking insolvency to Rs 1 crore from Rs 1 lakh, is among one of the reasons MSMEs are finding it difficult to recover their dues from large corporates. Even as government departments have started clearing up dues of MSMEs with the Finance Ministry stressing timely clearance of funds, many micro and small firms are stuck with pending payments of more than Rs 3 lakh crore with large firms with no easy legal recourse.

Industry sources said the IBC had empowered many small companies with dues of — say Rs 40-50 lakh — to get their dues cleared by threatening to take bigger companies to NCLT for non-payment. This gave them a negotiating lever in early clearance of their dues, because a company being dragged to National Company Law Tribunal can have adverse ramifications. On March 24, the government decided to raise “the threshold of default under Section 4 of the IBC 2016 to Rs 1 crore” due to emerging financial distress for most companies. While the intention was to provide some breathing space to companies facing distress due to pandemic, it had an unintended effect of slowing down payments by big corporates to smaller firms.

“Even a small company doing a monthly billing of Rs 1 crore usually has pending payments of Rs 30-40 lakhs. Now they are stuck. They can request for clearance of dues, stop partial supplies but cannot use the IBC,” said one expert. The threshold for invoking insolvency could have been raised 10 times to Rs 10 lakh instead of it being raised 100 times to Rs 1 crore, as that would prevent most frivolous cases being filed under the law, he said. MSMEs used this legal provision as a bargaining tool to get their dues on time and it worked in many cases.

As per a recent Brickwork Ratings study, MSMEs have nearly Rs 3.3 lakh crore of their funds stuck with strong large corporates in form of receivables. “The liquidity crunch being faced by MSMEs is on account of two key issues, including the lack of a funding line from the banking system and stretched working capital because of low bargaining power with large corporates to have payments released,” it said.

The pandemic has led to large corporates being on a much stronger footing financially compared to smaller firms especially since April who have lost bargaining power to claim dues. Reduction in days for which dues are pending would substantially improve liquidity conditions for MSMEs. While banks have started disbursing funds to MSMEs under the 100 per cent Emergency Credit Line Guarantee Scheme announced by government last month, credit availability remains a challenge for stressed firms.

Till March, 2020, 157 corporate insolvency resolution plans were withdrawn under Section 12A of the IBC, of which 64 cases involved amounts less than Rs 1 crore, as per data from the Insolvency and Bankruptcy Board of India. The reasons for early withdrawal of cases were full settlement with the applicant and other settlement with creditors.



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“The IBC law is working as a deterrent as many times debtors settle the case on receipt of a notice for repayment. In many cases, we have observed that dues are recovered after an application is filed but before it’s admitted by the NCLT bench. Settlement prior to admission of the case cost effective for both parties and it works well for smaller companies,” said a Delhi-based lawyer. Even for banks and financial institutions, IBC has resulted in higher recoveries compared to other platforms.

As a percentage of claims, banks recovered on average 42.5 per cent of the amount filed through the IBC in 2018-19, against 14.5 per cent through the SARFAESI, 5.3 per cent through Lok Adalats and 3.5 per cent through Debt Recovery Tribunals, as per latest available RBI data.

The Indian Express, June 30, 2020

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