



IN THIS ISSUE.....

● MSME News Update..... 01

MSME News Update

1. **'Good response to MSME revival plan'**

Union Minister of Micro, Small and Medium Enterprises (MSME) Kalraj Mishra said that the revival and rehabilitation package for MSMEs launched four months ago has received good response.

Though he did not have the exact number of sick MSMEs, he could safely say that several industries had approached the Committee for Distressed MSMEs, which banks had set up at zonal or district levels.

Based on the industries' submission, the committee would prepare a corrective action plan.

Mr. Mishra said that of the Rs. 1.13 lakh-crore non-performing assets (NPAs), between Rs. 40,000 crore and Rs. 50,000 crore were from the MSME sector. His Ministry was working to reduce the number of sick units and also the NPAs.

In addressing the issue, one of the problems that MSME unit owners had raised was interest rate, which they said was high.

His Ministry was holding talks with the Reserve Bank of India to address the issue. To promote business, the Ministry had introduced the Udyog Aadhar Memorandum to simplify the process of filling up entrepreneurs' memorandum.

(The Hindu, January 4th, 2016)

2. **Govt. clears credit guarantee fund for MUDRA loans**

The Union Cabinet has given its approval for the creation of a credit guarantee fund for Micro Units Development Refinance Agency (MUDRA) loans. It has also decided to convert MUDRA Ltd. into MUDRA Small Industries Development Bank of India (SIDBI) Bank as a wholly owned subsidiary of SIDBI.

The fund is expected to guarantee more than Rs 1 lakh crore worth of loans to micro and small units. Finance Minister Arun Jaitley said the MUDRA scheme has 1.73 crore beneficiaries.

The features of the scheme include establishment of Credit Guarantee Fund for MUDRA Units (CGFMU) for guaranteeing loans sanctioned under Pradhan Mantri Mudra Yojana with effect from April, 2015 with the objective to reduce the credit risk to banks, NBFCs, MFIs and other financial intermediaries, who are member lending institutions (MLIs).

The National Credit Guarantee Trustee Company Ltd. (NCGTC Ltd.), a wholly owned company of Government of India, constituted under the Companies Act, 1956 (2013) to manage and operate various credit guarantee funds, will be the trustee of the Fund.

The guarantee would be provided on portfolio basis to a maximum extent of 50% of amount in default in the portfolio.

(The Tribune, January 6th, 2016)

3. **Comprehensive MSME policy soon: Mishra**

Government will come out with a comprehensive policy for the micro, small and medium enterprises (MSME) sector, to be drafted by a panel headed by former Cabinet Secretary Prabhat Kumar, Union MSME Minister Kalraj Mishra has said. Mishra said the committee will submit its report as early as possible, but certainly not later than June. At the moment, there is no integrated approach for the development of MSMEs despite the fact that the sector accounts for 40 per cent of India's manufacturing and 45 per cent of exports.

(The Economic Times, June 8th, 2016)

4. **Fillip to 'Make in India' in Defense Purchases**

Attempting to streamline defense acquisitions and give a big impetus to indigenization through the 'Make in India' initiative, the government has approved major changes to the Defense Procurement Procedure (DPP).

The Defense Acquisition Council (DAC) chaired by Defense Minister Manohar Parrikar met to discuss the new DDP and gave its approval to the changes.

The highlights of the new procedure are a new category to promote domestic manufacturing, including government funding for Research & Development (R&D) and recognition of the Micro, Small and Medium Enterprises (MSME) in technology development.

"Recommendations of the expert committee headed by former Home Secretary Dhirendra Singh were considered and most of them were approved," Mr. Parrikar said.

The DPP 2016 will have a new category, Indigenously Designed, Developed and Manufactured (IDDM) platforms, which will be the priority route for procurements. Within this two sub-categories have been created, one with mandatory 40 percent domestic content for a domestic design and the other mandating 60 percent local content if the design is not Indian. The domestic companies eligible under this will have majority Indian control and operated by Indian nationals.

In addition to building a technology base in the country, the government through the Department of Defense Production will fund private R&D for which various norms have been stipulated. Under this projects are eligible for up to 90 percent funding. Of this 20 percent will be given in advance and the tender issued in 24 months. In case the tender is not issued the development will be refunded. There is also a Rs. 10 crore for MSMEs.

In another significant change, the contentious issue of offsets has been amended from the current Rs. 300 crore to Rs. 2000 crore giving flexibility for foreign companies. Offset clause mandates that a foreign company should invest 30 percent of the contract value back into the country with a view to bring in technology. Offsets push up cost of contracts by 14-18 percent, officials said.

(The Hindu, January 12th, 2016)

5. **SBI to set up trade receivables platform**

State Bank of India will partner with SIDBI and National Stock Exchange (NSE) to set up a trade receivables platform to facilitate better credit flow to small and medium enterprises (SMEs).

This was stated by SBI Chairman Arundhati Bhattacharya. This platform, which will be among the three-four such platforms expected to come up in the country, will go live in the next one year, she said.

Setting up a trade receivables platform could benefit several small traders and SMEs who find it difficult to recover payments for the goods and services supplied to large industries. The inability to get payments in time has led to small traders facing "stress", she noted.

Elaborating on how the new platform is expected to function, the SBI chief said that small traders would be required to register and put in their bills with the platform.

"We will send the bills to the industry majors. We are hoping that there would be some force of law to get the industry majors to say yes or no within 30 days. Once accepted, the traders can send the bill for discounting and take the money," she said.

(Business Line, January 12th, 2016)

6. **Jaya eases loan burden off MSMEs, offers Vendors Credit**

Tamil Nadu Chief Minister J Jayalithaa announced special concessions and interest-free loans to small, medium and micro industries, besides vendors affected by the recent floods in the State.

In a statement, she said street vendors selling flowers, fruits and vegetables, besides those running small shops had lost their investments in the floods. They would be given Rs 5,000 interest-free loans through cooperative banks, she said and added that the State government would pay the 11 per cent interest to the banks.

Further, the Electricity Board would bear the cost of fitting new meters at the companies that were affected by the floods. Those companies which received aid from the Tamil Nadu Industrial Investment Corporation would be given a moratorium of one to two years for repaying the principal amount of the loans. Loans would be given to repair or buy new machines. The companies which had repaid the loans till October 31, 2015 would be exempted from penalty for six months or till they resume their works, whichever is the earliest. She further said the infrastructure of industrial estates would be repaired at a cost of Rs 25 crore.

(Indian Express, January 15th, 2016)

7. **PM Modi announces big push for start-ups**

Prime Minister Narendra Modi launched the new "Start-Up India" scheme to promote and nurse entrepreneurship in the country ensuring minimum interference from the government with attractive tax incentives.

"I had spoken about 'Startup India' from the Red Fort and today we are seeing what this is all about. We are here so that you can tell us what we should not do," the Prime Minister said.

Unveiling a slew of incentives to boost start-up businesses, he offered them a tax holiday and inspector raj-free regime for three years, capital gains tax exemption and Rs 10,000 crore corpus to fund them.

He also announced a self-certification scheme in respect of 9 labour and environment laws and said there will be no inspection during the first three years of launch of the venture.

Also, a liberalized patent regime is being brought to help start-up businesses register patents, for which the fee will be slashed by 80 per cent.

Addressing the first conference of start-up entrepreneurs, Modi announced an action plan to boost such ventures which are seen as key to employment generation and wealth creation.

India, which has the third-largest number of start-ups globally, will also support the ventures by removing the criteria of experience and turnover for bagging government procurement contracts.

Modi said profits earned by start-ups will be exempted from payment of income tax during the first three years of business. To boost financing, a 20 per cent tax on capital gains made on investments by entrepreneurs after selling own assets as well as government-recognised venture capitalists will also be exempt.

He further said an unencumbered easy exit option will be provided under the bankruptcy Act so that start-ups can exit within 90 days.

(Millenium Post January 17th, 2016)

8. **Plastic packaging industry to touch \$73 Billion by 2020**

Growing at 18 per cent per annum, country's plastic packaging industry is expected to reach USD 73 billion in the next four years, says a report.

The size of the industry in India is about USD 32 billion, which constitutes only 4 per cent of the global packaging industry, said the joint report by FICCI and Tata Strategic Management Group (TSMG) on plastic industry.

The per capita packaging consumption in India is quite low at 4.3 kg, compared to countries like Germany and Taiwan where it is 42 kg and 19 kg, respectively, it added.

"In the coming years it is expected to grow at 18 per cent per annum. The overall packaging industry in India has a huge growth potential and is expected to reach USD 73 billion in the year 2020," the report said.

The industry is driven by key factors like rising population, increase in income levels and changing lifestyles. Demand from rural sector for packaged products is being fuelled by increasing media penetration through the means of internet and television.

"Organised retail and boom in e-commerce will fuel growth of plastic packaging and per capita consumption to be doubled in five years," the report observes.

India is a growing market for plastics and consumes about 12.8 million tonnes of plastics annually against the global consumption of 285 million tonnes per year.

The plastics and polymer consumption is growing at an average rate of 10 per cent. About 30,000 processing units with 1, 13,000 processing machines have created manufacturing capacity of 30 million tonnes per annum in India.

(The Economic Times, January 19th, 2016)

9. **China MSMEs to invest in Haryana**

Haryana is expecting a spike in foreign investments from China after over 100 small and medium enterprises here agreed to invest over \$1 billion in the state. The assurance was given to Chief Minister Manohar Lal Khattar, who is visiting the country along with a business delegation, to attract foreign investment in the state, according to a press release issued by the state government. The chief minister interacted with business leaders and Indian diaspora based here to encourage them to invest in the state and take advantage of the new business friendly administration.

(The Economic Times, January 23rd, 2016)

10. **Major relief in Service Tax Likely for Small Biz**

The government is likely to raise the service tax exemption threshold for small businesses sharply besides introducing a simple turnover-based regime for those just above the limit for goods.

The moves will mark a significant advance in ease of doing business and pave the way for the goods and services tax (GST), one of the most crucial reforms on the government's agenda.

Lifting the cap will keep small businesses outside the service tax net while significantly easing the compliance burden on the indirect tax administration, allowing it to focus on bigger taxpayers.

(The Economic Times, January 26th, 2016)

11. Nandan Nilekani steps in as strategic investor in Power2SME.

Infosys co-founder and billionaire Nandan Nilekani has stepped in as a strategic investor in Power2SME, an online buying platform for small and medium businesses. Existing investors Accel Partners, Kalaari Capital and Inventus Capital also participated in this funding round.

The Gurgaon-based startup uses technology and a unique business model to help small and medium enterprises procure raw material at competitive prices. It also enables financial assistance through its partners like financial institutions.

'Competitive pricing' is setting the price of a product or service based on what the competition is charging. In the last three years, Power2SME has worked with about 30,000 small and medium businesses.

"Power2SME has a unique business model that focuses on making small and medium enterprises bankable and profitable," said Mr. Nilekani in a statement. "I am excited to watch the growth journey of this company."

Power2SME founder R. Narayan said the firm was working towards creating an ecosystem that addresses challenges for small businesses to procure raw material and get financial assistance.

About 70 per cent of monthly recurring cost for a manufacturing SME is incurred in purchasing raw material, as per an internal survey by Power2SME. Operating in an unstructured market, small businesses find it difficult to access quality raw material at right price. Lack of access to easy finance and credit are other major challenges for them.

(The Hindu, January 26th, 2016)

12. SEZ firms may be allowed to sell in India

The commerce ministry wants units located in special economic zones (SEZs) to be allowed to sell their products in the domestic market after paying the same preferential tariffs applicable to manufacturers in countries with which India has a free-trade agreement.

The proposal is part of a plan to increase the economic viability of the economic enclaves, encourage more firms to manufacture locally (thereby giving a fillip to Prime Minister Narendra Modi's Make in India policy) and create jobs.

"The finance ministry has to be on board as there is a duty loss involved. This has been taken up quite strongly by the commerce minister (Nirmala Sitharaman) with finance minister Arun Jaitley. We are expecting an announcement in the upcoming budget," said a commerce ministry official.

The official admitted that this could mean an undue advantage to units in the SEZs over those located elsewhere but said this was a better option to favouring "companies operating in" countries with which India has a free-trade agreement (FTA).

(Live Mint, January 29th, 2016)

13. New Law to acquire land for SSIs: Minister

Small Scale Industries Minister Satish Jarkiholi has said a new Act would be brought in to empower the Karnataka State Small Industries Development Corporation (KSSIDC) to acquire land, so that more industrial estates could be developed fast.

Speaking at an interaction programme with industrialists, he said the plan was to allow KSSIDC to hold negotiations with farmers directly and acquire land up to 50 acres for each industrial estate.

New industrial estates could not be developed in the past several years due to lack of land. After placing the demand, the Karnataka Industrial Area Development Board, which comes under the Major Industries Department, takes several years to allot land to develop industrial estates. A proposal to allow KSSIDC to acquire land for developing industrial estates would be submitted to the government within a month, the minister said.

Of the 391 grievances received from small scale industries, only 100 could be redressed so far, as the officials concerned are busy with 'Invest Karnataka'.

The remaining grievances would be redressed after holding meetings with other departments concerned after the investment meet and attempts would be also made to get funds in the budget for the development of industrial estates, Jarkiholi added.

(Deccan Herald, January 29th, 2016)

14. K K Jalan is now MSME Secretary

In a bureaucratic reshuffle, the government has transferred Central Provident Fund Commissioner KK Jalan as Secretary, Ministry of Micro, Small and Medium Enterprises (MSME).

“The Appointments Committee of the Cabinet has approved the appointment,” said an official release. A 1982 batch IAS officer from the Haryana cadre, Jalan will take over from current incumbent Anup K Pujari on his retirement.

Also, Shobhana K Pattanayak, a 1982 Karnataka cadre officer, has been appointed as Secretary, Department of Agriculture, Cooperation and Farmers Welfare, following the retirement of Siraj Hussain, a 1979 batch Uttar Pradesh cadre officer.

Avinash K Srivastava, (UP-1982), at present Special Secretary, Department of Agriculture, will now be Secretary, Ministry of Food Processing Industries, following the retirement of Ranglal Jamuda (Odisha-1981).

Vinod Agrawal, (Jharkhand-1980), at present Secretary, National Commission for Scheduled Castes, will take over as Secretary, Department of Empowerment of Persons with Disabilities, Ministry of Social Justice and Empowerment, following the retirement of Lov Verma, (Uttar Pradesh-1978).

Shyam S Agarwal, (Rajasthan-1980), Secretary, National Commission for Scheduled Tribes, will be the new Secretary, Ministry of Tribal Affairs.

(Business Line, January 29th, 2016)

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