



*IN THIS ISSUE.....*

- MSME News Update..... 01
- Article
  - Budget 2017-18: Big relief for Small Businesses..... 05

# MSME News Update

## 1. Budget gives 'big relief' to MSME sector: Union Minister Kalraj Mishra

Asserting that the Budget provides a 'big relief' to the MSME sector, Union Minister Kalraj Mishra said announcements like the lowering of income tax for smaller firms and doubling the lending target under MUDRA Yojana will benefit small entrepreneurs in the country.

Observing that smaller firms had "faced difficulties" post demonetisation, Mishra said that the move to slash income tax for firms having turnover up to Rs 50 crore will provide a "big relief to the MSME sector". Mishra said the announcement to double the lending target to Rs 2.44 lakh crore under the Pradhan Mantri Mudra Yojana for 2017-18 will immensely benefit the small entrepreneurs.

The minister said the government's thrust on skilling youth and enhancing their employability potential will provide a skilled workforce to the micro, small and medium enterprises.

Finance Minister Arun Jaitley reduced the income tax for smaller companies with annual turnover up to Rs 50 crore to 25 per cent, to make MSME companies more viable and also to encourage firms to migrate to company format.

Unveiling the budgetary proposals for 2017-18, Jaitley said: "As per the data of assessment year 2015-16, there are 6.94 lakh companies filing returns, out of which 6.67 lakh companies fall in this category. Therefore percentage wise, the 96 per cent companies will get the benefit of this lower taxation".

Observing that the Pradhan Mantri Mudra Yojana has contributed significantly to funding the unfunded and the underfunded, Jaitley said: "Last year, the target of Rs 1.22 lakh crores was exceeded. For 2017-18, I propose to double the lending target of 2015-16 and set it at Rs 2.44 lakh crores.

(The Economic Times, February 01<sup>st</sup>, 2017)

## 2. The Khadi Spree

In line with the clarion call given by the Prime Minister that "Khadi for Nation, should now be Khadi for fashion", KVIC (Khadi and Village Industries Commission) is setting up modern high end Khadi outlets named Khadi India lounge which will showcase designer line of garments and exclusive fabric for men and women in major metropolitan cities.

Kalraj Mishra, Union Minister, MSME, inaugurated one such high end Khadi India outlet at State Emporia Complex at Baba Kadak Singh Marg at C.P New Delhi in presence of Haribhai Chaudhary, MoS, MSME, V.K. Saxena, Chairman, KVIC, K.K. Jalan Secretary, MSME and fashion designer Ritu Beri.

The designer wear includes high fashion garments including ready to wear designed by Ritu Beri, the acclaimed fashion designer.

This store will provide Khadi a niche among the fashion conscious Delhiites and trend conscious youth with modern hand spun fabric and garments. Similar such high end stores were inaugurated in Mumbai and Jaipur on 7th January and 17th January respectively. In one month three such high end stores were inaugurated.

The idea of lounge series of Khadi outlet is to showcase countries best handcrafted fabric and products in the modern outlet.

The first of these outlets has been designed and set up in the premises of KVIC at Vile Parle, Mumbai.

Mishra said that buying one piece of cloth will generate employment for one artisan. He added, "As on today MSME is generating 94 per cent employment and only 4 per cent is done by public sector. Not only this, 65 per cent of GDP growth is from MSME sector. Walking with pace of time all the product information, procurement system are being developed digitally."

Commenting on this initiative V.K Saxena, Chairman KVIC said, the Khadi lounge will be opened at Delhi, Mumbai and Jaipur which will stock premium collection varieties of elegant, stylish Khadi silk and newly designed ready-mades which will satisfy the quest of Khadi lovers.

With this KVIC reconfirms its commitment towards 'Make in India' initiative and aligned with Prime Minister's vision for Khadi.

This will create multiple employment opportunities and will empower the artisans, especially women in rural India by selling their premium products.

This lounge will cater to the taste of the fashionistas and will promote the sales of khadi to a significant extent and empowering the artisans and enriching their livelihood

(The Pioneer, February 2<sup>nd</sup>, 2017)

### **3. More resources needed for corporate tax cut: Adhia**

Revenue secretary Hasmukh Adhia today explained why corporate India's expectation of a reduction in corporate tax after the jolt of demonetization could not be met in the budget. He said a cut in tax on companies was not feasible until and unless total income tax collections increased and India became a more tax-compliant society.

"Lowering corporate tax is a challenge unless personal I-T collections increase and people pay taxes. It will cost Rs 18,000-19,000 crore if corporate tax is to be cut by one per cent," Mr. Adhia said at a Federation of Indian Chambers of Commerce and Industry (FICCI) event.

Finance Minister Arun Jaitley, in his second budget in February 2015, had announced reduction of the corporate tax rate to 25 per cent from 30 per cent in a phased manner over the next four years starting 2015-16, accompanied by fewer exemptions. However, in this Budget the government reduced the corporate tax rate to 25 per cent for small and medium firms with an annual turnover of less than Rs. 50 crore. The MSME sector was hit the most during the entire demonetization period as several small industries were forced to shut down.

Citing the government's limitation, Mr. Adhia said it would have to consider lowering the corporate tax for everyone but there are Budget constraints and the challenge is to raise resources for the move. He added: "We are comparing ourselves with China, not with the USA. The USA is 40 per cent, but we don't do that. In comparison to China, it is said we should reduce it to 25 per cent."

On GST, Mr. Adhia said it is well on track, with the Centre and state governments on board and hoped that on 1 July 2017, it would become a reality.

Ruling out rollback of the proposal to restrict tax incentive for a second home to Rs. 2 lakh per annum, Mr. Adhia said there is no point in subsidizing purchase of second property by those who have surplus funds.

(Statesman, February 5<sup>th</sup>, 2017)

### **4. 'MSMEs, SMEs to pay 25% tax event even if Rs. 50 crore limit is crossed in FY17'**

The I-T department said companies that had a turnover of less than Rs 50 crore in 2015-16 will pay tax at the reduced rate of 25 per cent from April 1 even if they cross the threshold in 2016-17 or 2017-18.

Central Board of Direct Taxes (CBDT) chairman Sushil Chandra said the income tax department will come out with a clarification on which companies would be eligible to avail the tax benefit. Finance Minister Arun Jaitley in Budget 2017-18 reduced the income tax for smaller companies with annual turnover up to Rs 50 crore to 25 per cent as against the usual rate of 30 per cent.

"If your turnover in 2015-16 was Rs 50 crore then you will be subject to 25 per cent tax. We will come out with clarification on (applicability of the tax benefit to) new companies," Chandra said.

According to the memorandum to the Finance Bill 2017, in case of domestic company, the rate of income-tax shall be 25 per cent of the total income if the total turnover or gross receipts in the previous year, 2015-16, did not exceed Rs 50 crore.

Concerns have been raised whether a company having breached turnover threshold of Rs 50 crore in 2016-17 or 2017-18 would be entitled to concessional tax rate of 25%. A Ministry official said that firms with total income of less than Rs 50 crore in 2015-16 can continue to avail the tax benefit even if the turnover had been breached in subsequent years.

(Deccan Chronicle, February 6<sup>th</sup>, 2017)

### **5. RBI organizes workshop for special MSME bank branches**

The third workshop of National Mission for Capacity Building of Bankers for Financing MSME sector (NAMCABS) was organized by RBI at Hotel Fortune Inn Riviera, Jammu on February 6 and 9, 2017.

The workshop was inaugurated by N.K Sahu, Regional Director for Jammu & Kashmir, in which 20 banks functioning in the State participated. In this inaugural address Sahu highlighted the importance of MSME sector, their contribution in GDP, country's exports, providers of employment and the important role to be played by banks.

He impressed upon the need of concerted efforts and commitment from banking community for development of the MSME sector. He appealed to the bank officials to enhance lending to MSMEs in the State and be more sensitive to the needs of the small entrepreneurs.

The training sessions focused on the entrepreneurial sensitivity, soft skills required to handle the first generation entrepreneurs as well as existing MSME borrowers; timely and adequate funding to the MSME customers and prompt rehabilitation measures to revive viable MSME units, etc.



Experts from RBI as well as SMVDU, SIDBI and different banks conducted different sessions on Central/State Government Initiatives and Schemes on MSME, CGTMSE Scheme, Understanding entrepreneurial sensitivity, Credit Appraisal Techniques and Risk Mitigation in Financing of MSMEs, Credit Monitoring System, Management of NPAs, restructuring, revival and rehabilitation of MSME Accounts, SME Lending under Basel Regime and Technology Platform for financing MSMEs etc. (State Times, February 10<sup>th</sup>, 2017)

## 6. **Aero show: Karnataka offers strategic help to small enterprises**

With an aim to strengthen Bengaluru's aerospace ecosystem and tap defence offset opportunities, the Karnataka government has offered free exhibition space to small and medium enterprises (SMEs) at the Aero India 2017. Aero India 2017 event is being organised and conducted by the Defence Exhibition Organisation (DEO) from February 14 to 18 at the Air Force Station, Yelahanka in Bengaluru.

The Karnataka government has procured 60 square metres of exhibition space from the Central government at a concessional rate and in turn is offering free exhibition space to SMEs. "The State government is offering free space to about 50 companies registered under National Small Industries Corporation Ltd (NSIC) on first-cum-first-serve basis," RV Deshpande, Karnataka Minister for Industries, said.

"This has been done with a strategic intent and solely to maintain our strength in aerospace sector and also help SMEs to scale up their business with international exposure," he added.

Karnataka is fast becoming a critical destination in the aerospace value chain, said a report 'Karnataka – Aerospace hub of India' brought out by PricewaterhouseCoopers India.

The State provides a balanced ecosystem for manufacturing and services companies. While many large firms like operate from Bengaluru, other new companies are establishing operations in the city's outskirts, in key industrial belts surrounding the city and in Belagavi in north Karnataka.

"The growth of other allied industries has also helped the aviation manufacturing industry. The State is also unique as it has a large density of aerospace institutions and has the potential of developing into an innovation and R&D hub," said Dhiraj Mathur Executive Director & Leader, Aerospace & Defence Practice PricewaterhouseCoopers (PWC) India.

(Business Line, February 10<sup>th</sup>, 2017)

## 7. **Govt. earmarks Rs. 340 cr for khadi, eyes 20% rise in sales**

Aiming at a 20 per cent increase in production and sales of Khadi products over the next three years, government has allocated Rs 340 crore towards setting up of Khadi plazas and Modified Market Development Assistance scheme in the Budget.

The provision made in the Output Outcome framework of schemes for 2017-18 will help increase the wages of artisans and benefit 1,500 Khadi institutions.

A major chunk of the Rs 6,481.96 crore allocated to the Ministry of Micro, Small and Medium Enterprises has been provided to the Credit Guarantee Scheme (Rs 3,002 crore).

The Credit Guarantee Scheme (CGS) seeks to reassure the lender that, in the event of a MSE unit, which availed credit facilities, fails to discharge its liabilities, the Guarantee Trust would make good the loss incurred by the lender up to 50/75/80/85 per cent of the credit facility.

(The Times of India, February 13<sup>th</sup>, 2017)

## 8. **Implementation of Finance Bill will benefit MSMEs: Amit Mitra**

Over 1 lakh Micro, Small and Medium Enterprises (MSME) would be benefited with the implementation of the Finance Bill 2017, said Finance Minister Mr. Amit Mitra while tabling the bill in the Assembly today.

"The state government has paid special attention in reviving the MSME sector. Around 1.6 lakh small enterprises are likely to benefit with the Bill. We want to create a situation for businessman to do business with ease," said the minister.

While referring to the provisions of the Bill, he said, that the government would provide relief by way of exempting from payment of entry tax to dealers having turnover of imports upto rupees five lakh during a return period, subject to a maximum of total deduction of rupees twenty lakhs in a year.

"We would extend the benefit of composition scheme of composition scheme to small manufacturing dealers and give them an option to pay tax at a small percentage of the turnover. The government would also reduce the penalty for seizure of goods from 25 per cent to 15 per cent in case of goods taxable at the lower VAT of 5 per cent," said Mr. Mitra.

With an aim to reduce pollution, the government has completely exempt payment of tax on biodiesel. Moreover, the Bill also tends to lower the rate of tax on sales of machinery for generation of electricity from waste from 14.5 per cent to 5 per cent.

Along with finance Bill, appropriation Bill of around 14,708 crores was also passed in the Assembly.

In other development, around eight MLAs four each from Opposition and ruling was summoned by the secretary to the Assembly in correction with the ruckus inside the House on 8 February.

They were called to record their statement about what had transpired that day.

The Opposition MLAs particularly Congress and the Left have accused the marshalls inside the House of misbehaving with them by pushing two Women legislators and the Leaders of the Opposition Mr. Abdul Mannan out of the House.

(Statesman, February 18<sup>th</sup>, 2017)

## **9. SIDBI to bring in 'standup India Clinic' to Karnataka**

With an aim to promote financing and development of the Micro, Small and Medium Enterprise (MSME) sector in Karnataka, Lucknow-headquartered Small Industries Development Bank of India (SIDBI) will soon introduce 'Standup India Clinic' concept here soon, a top executive said.

SIDBI's Deputy Managing Director Manoj Mittal said, "This concept has been recently experimented in Andhra Pradesh, Maharashtra, Kerala, Tamil Nadu and Uttar Pradesh. Very soon we will be carrying out in Karnataka. In these clinics expert support is extended to applicants who have not been picked/rejected by banks on the 'standupmitra portal' for loan sanctions." Under the 'Standup India' scheme, launched by Prime Minister Narendra Modi, banks will give loans from Rs 10 lakh to Rs 1 crore to SC/ST and women entrepreneurs and also 17,000 handholding agencies provide handholding support to prospective entrepreneurs. So far over 18,000 enterprises have been assisted under the scheme.

Set up on April 2, 1990, SIDBI, has a balance sheet of Rs 76,000 crore comprising both refinance and direct finance operations, as on March 31, 2016. It has 79 offices, 15 regional offices covering all major manufacturing MSME cluster across India. It has over 1,200 staff. When asked about the Karnataka market, Mittal said, "We find lot of potential here and looking forward for more partnerships."

(Deccan Herald, February 26<sup>th</sup>, 2017)

# ARTICLE

## Budget 2017-18: Big relief for Small Businesses

**By: Sanjay Bhatia**  
*President, FICCI-CMSME &  
Managing Director, Hindustan Tin Works Ltd.*

In the past few years, a lot has been consistently done by the Government to support the growth of Indian MSMEs. The Government has also been working towards ease of doing business and simplifying procedures and regulatory compliances, all aimed to make MSMEs overcome the challenges faced by them in terms of taxation, credit, labour laws, etc.

The announcements made by the Hon'ble Prime Minister on New Year's Eve, signifies the Government's focus on MSME development. Doubling of threshold limit of CGTMSE to Rs. 2 Crore, increase in cash credit limit for small business to 25% from 20% and increased working capital loans from 20% of turnover to 30% for enterprises that transact digitally are good initiatives for addressing the financing challenges faced by MSMEs and also for instilling usage of ICT tools among them.

In the Union Budget 2017-18 also the Hon'ble Finance Minister has announced specific steps that provide a positive direction to not only for the growth of the MSME sector but will also facilitate enhanced employment opportunities. At the taxation front, several progressive measures have been announced such as the announcement of 5% reduction in Corporate Tax rate to 25% as against 30% for companies with annual turnover upto Rs. 50 Crores. This will certainly reduce the tax burden of Small companies as well as ease the demonetization effect being faced them.

In the last year's budget the threshold limit for audit was increased to Rs. 2 crores from Rs. 1 crore under the presumptive income scheme. This year's announcement of reduction in the presumptive taxation criteria for small business having turnover upto Rs. 2 crores has been reduced to 6% from 8% will further boost confidence & competitiveness in the MSME sector and is a great move towards ease of doing business. These measures would also lead to employment generation besides movement of small business to digital means of payment from conventional cash based payments.

The announcement of doubling the lending target of Pradhan Mantri Mudra Yojana (Mudra Scheme) by setting up the lending target at Rs 2.44 lakh crore for 2017-18 as against Rs. 1.44 lakh crore earlier and an about three-fold increase in the Prime Minister's Employment Generation Program (PMEGP) will certainly benefit millions of micro & small business aspirants as well as support several other entrepreneurs to reap the benefits of these schemes. As the leading target set for the previous year had already been achieved the announced move would also lead to further job creation. However, efforts are required to ensure effective implementation of these measures in the rural areas.

FICCI has been consistently providing and perusing reforms in labour laws and had submitted a detailed note to the Sub-Group X on Institutional Structure constituted by Working Group on MSMEs Growth for the 12th Five Year Plan (2012-17) suggesting the categorization of labour laws in four sets. In this year's budget, we are happy with the announcement of undertaking legislative reforms to foster a conducive labour environment aimed towards simplify, rationalize and amalgamate the existing labour laws into 4 Codes i.e. wages; industrial relations; social security and welfare; and safety and working conditions which is indeed a welcome move. This will certainly result in improving Ease of Doing Business ranking of India.

As the announcements made in budget 2017-18 will take some time to give visible results we are hopeful that the Government would continue to make concerted efforts for the development of Indian MSMEs. We are also hopeful that the upcoming National MSME policy will also be announced soon and would provide further impetus to the MSME sector.



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