

MSME – BENEFITS AND REGISTRATION

I. What is MSME?

As the abbreviation suggests, MSME are the Micro-Small & Medium Enterprises (MSMEs) of India. MSMEs come under the Ministry of Micro, Small & Medium Enterprises and are required to be registered to avail benefits under the Micro, Small and Medium Enterprises Development (MSMED) Act. MSME registration is important, as it enables these enterprises in availing benefits from various government-initiated schemes. MSMEs are classified in two categories, such as manufacturing and service enterprises.

II. Eligibility for MSME Registration (for manufacturers and service providers i.e. not for traders)

Criteria – Investment and annual turnover			
Classification	Micro	Small	Medium
<u>Manufacturing & Services</u>	Investment < INR 1 Crore (EUR 125.000) and Turnover < INR 5 Crore (EUR 625.000)	Investment < INR 10 Crore (EUR 1,250.000) and Turnover < INR 50 Crore (EUR 6,250.000)	Investment < INR 20 Crore (2,500.000) and Turnover < INR 100 Crore (EUR 12,500.000)

There are many advantages of obtaining MSME registration in India, which can be only availed if the business had registered itself as an MSME under MSME Act. The following are some of the advantages of obtaining MSME registration in India:

1. Bank Loans (Collateral Free)

The Government of India has made collateral-free credit available to all small and micro business sectors. This initiative guarantees funds to micro and small sector enterprises. Under this scheme, both the old as well as the new enterprises can claim the benefits. A trust named The Credit Guarantee Trust Fund Scheme was introduced by the GOI (Government Of India), SIDBI (Small Industries Development Bank Of India) and the Ministry of Micro, Small and Medium Enterprise to make sure this scheme is implemented (Credit Guarantee Scheme) for all Micro and Small Enterprise.

2. Subsidy on Patent Registration

A 50% subsidy is given to the Enterprise that has the certificate of registration granted by MSME. This subsidy can be availed for patent registration by giving application to respective ministry.

3. Overdraft Interest Rate Exemption

Businesses or enterprises registered under MSME can avail a benefit of 1% on the Over-Draft as mentioned in a scheme that differs from bank to bank.

4. Industrial Promotion Subsidy Eligibility

Enterprises registered under MSME are also eligible for a subsidy for Industrial Promotion as suggested by the Government.

5. Protection against Payments (Delayed Payments)

At times, the buyers (customers) of services or products from the MSME's tend to delay the payment. The Ministry of Micro, Small and Medium Enterprise help such enterprises by giving them the right to collect interest on the payments that are delayed from the buyer's side. The settlement of such disputes must be done in minimum time through conciliation and arbitration.

In case, if any MSME registered enterprise supplies any goods or services to a buyer, then the buyer is required to make the payment on or before the agreed date of payment or within 15 days from the day they had accepted the goods and services from MSME registered business(if there is no mention of the date of payment).

If the buyer delays the payment for more than 45 days after accepting the products or services, then the buyer has to pay compound interest along with interests (monthly) on the amount that was agreed to be paid. The interest rate is three times the rate that is notified by the Reserve Bank of India.

6. Fewer Electricity Bills

This concession is available to all the Enterprises that have the MSME Registration Certificate by providing an application to the department of the electricity along with the certificate of registration by MSME.

7. ISO Certification Charges Reimbursement

The registered MSME enterprises can claim the reimbursement of the expenses that were spent for the ISO certification.

Apart from above, Indian Finance Minister has announced the below liquidity measures for the MSME on Wednesday 13th May 2020:

1. Collateral-free automatic loan worth Rs 3-lakh crore (EUR 37.5 billion) will be provided to MSME. Borrowers with up to Rs 25 crore (EUR 3.1 million) outstanding and Rs 100 crore (EUR 12.5 million) turnover are eligible. Emergency Credit Line will be provided to Businesses / MSMEs from Banks and NBFCs up to 20% of entire outstanding credit as on 29.2.2020.

These loans will have a 4-year tenure and moratorium for 12 months on principal repayment. There will be a 100% credit guarantee cover to Banks and NBFC's and on principal and interest and the scheme can be availed till October 31, 2020.

2. To provide stressed MSMEs with equity support, Government will also facilitate provision of INR 20,000 crore (EUR 2.5 billion) as subordinate debt. For the Subordinate debt for stressed MSMEs, promoters of the MSME will be given debt by banks, which will then be infused by promoter as equity in the Unit.
3. There is also a Rs 50,000 crore or EUR 6.25 billion equity infusion for MSMEs through Fund of Funds; to be operated through a Mother Fund and few daughter funds; this will help to expand MSME in size as well as capacity and it will also encourage MSME's to get listed in stock exchanges.

III. Point of Concern

Before applying for the MSME registration, the company has to keep in mind its large customers. As some of the large enterprises who operates with long credit period (such as 60 days or 90 days) may not find suitable to engage with a supplier who is registered under MSME as they would then have pay that supplier within 45 days. Thus, the relative competitiveness of the MSME compared to unregistered similar companies may reduce.

IV. How can Octagona assist?

Octagona can assist in complying with the above-mentioned new requirements for a fee of INR **3.500 +GST.** The fees shall be chargeable through an invoice after completion of the task. For any doubts, please feel free to contact the following:

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