

MICRO, SMALL & MEDIUM ENTERPRISES (MSME) & UNDERLYING BENEFITS

CA JULFESH SHAH

Member, Committee on Insolvency & Bankruptcy Code,
ICAI, New Delhi.

Former Vice-Chairman, WIRC of ICAI

Former Chairman, Nagpur Branch of WIRC of ICAI.

Legal Framework

- The Small and Medium Enterprises Development Bill 2005 which was enacted in June 2006 was renamed as “Micro, Small & Medium Enterprises Development Act, 2006”
- Aims at facilitating the promotion and development of small and medium enterprises.
- MSMEs are governed by Micro, Small & Medium Enterprises Development Act, 2006 (MSMED Act, 2006 – hereafter referred as “Act”) which came into force w.e.f. 02.10.2006.

Salient Feature of the Act:

- Setting up of a National Board for MSME's
- Classification of Enterprises
- Advisory committees to support MSME's
- Measures for promotion development and enhancement of MSME's
- Schemes to control delayed payments to MSME's
- Enactment of rules by State Governments to implement the MSME's Act, 2006 in their respective states.

Enterprise means

- An Industrial undertaking or a business concern or any other establishment, by whatever name called
- engaged in manufacture or production of goods,
- or engaged in providing or rendering of any service or services .

Thus broadly MSME are classified in two categories:

- **Manufacturing Enterprises:** The enterprises engaged in the manufacture or production of goods pertaining to any industry specified in the first schedule to the industries (Development and regulation) Act, 1951)9 or employing plant and machinery in the process of value addition to the final product having a distinct name or character or use.
- **Service Enterprises:** The enterprises engaged in providing or rendering of service.

Existing MSME Classification

Criteria: Investment in Plant Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment < Rs.25 Lakhs	Investment < Rs.5 Crores	Investment < Rs.10 Crores
Service Enterprise	Investment < Rs.10 Lakhs	Investment < Rs.2 Crores	Investment < Rs.5 Crores

Revised MSME Classification w.e.f 01.07.2020

Criteria: Investment & Annual Turnover			
Classification	Micro	Small	Medium
Mfg. & Service Enterprises	Investment < Rs.1 Crore & Turnover < 5 Crore	Investment < Rs.10 Crore & Turnover < 50 Crore	Investment < Rs.20 Crore & Turnover < 250 Crore

Note: The turnover with respect to exports will not be counted in the limits of turnover for any category of MSME units whether micro, small or medium.

MSME notification causes confusion

shishir.Arya@timesgroup.com

Nagpur: Even as the central government has further revised the criterion for defining micro, small and medium enterprises (MSMEs), a disparity in the cabinet note and the gazette notification has left industrialists confused.

Under the new definition, industries having an investment into plant and machinery up to Rs50 crore and a turnover of Rs250 crore will now come under the MSME segment. The press release following the cabinet meet also said that for counting the limits, the turnover in respect of exports will not be considered. So, the Rs250 crore limit has to be only for domestic sales.

“However, the final notification does not have any mention of excluding the export turnover while calculating



the limit,” said Julfesh Shah, a chartered accountant and project finance expert.

“The bureaucracy will always go by the notification that has followed the cabinet decision,” added Shah.

This has left many industrialists confused, according to Shah. “The gazette only has the fresh investment and turnover criterion,” he said.

An official in the MSME department also accepted that there was a lack of clarity. “Export turnover can involve substantial amount after conversion from exchange,” he said.

The final notification does not have any mention of excluding export turnover while calculating the limit

The fresh revision in criterion is expected to bring a major increase in the number of industries being classified as MSMEs in Vidarbha.

Sources say the state may have to take a call to whether include the new entrants into the MSME segment for the benefits under its package scheme of incentives (PSI). This is because it may lead to a substantial outgo of funds.

At present MSMEs having an investment up to Rs50 crore in land, plant and machinery have been included in the state’s PSI. The scheme provides full refund of the gross liability

towards the state goods and service tax (SGST) for period ranging from seven to 10 years.

Under the current definition industries up to an investment only in plant and machinery up to Rs50 crore and a turnover of Rs250 crore will be treated as MSMEs.

To provide tax refund to the new industries covered under the definition the state government will have to amend its industrial policy.

The state government shells out around Rs4000 crore a year as SGST refund to all types of industries. The refund is available to large industries too but on the net SGST liability.

Atul Pandey, the president of Vidarbha Industries Association (VIA), said despite the issues related to finer points, the revision in criterion is welcome as it was long pending.

BENEFITS OF REGISTRATION AS MSME

- 1. Collateral free credit:** Under CGTMSE (Credit Guarantee Funds Trust for Micro and Small Enterprises) scheme, MSME's can avail maximum collateral free credit (Fund based / non fund based – LC, BG etc) upto of Rs. 200 Lacs from Eligible Institutions.
- 2. Protection against delay in payment:** The buyer has to make payment to MSME seller for the goods/ services within the time period mentioned in the written agreement which,
 - In no case, shall exceed **45 days** from date of acceptance or date of deemed acceptance.
 - If the buyer fails to pay within the prescribed time limit, then, notwithstanding anything contained in any agreement between buyer and seller or in any law for the time being in force, he has to pay **compound interest with monthly rest at three time of bank rate** on the due amount to the seller (Section 16 of the Act).

3. Trade Receivables Discounting System (TReDS):

TReDS is an electronic platform for

- facilitating the financing / discounting of trade receivables of Micro, Small and Medium Enterprises (MSMEs) through multiple financiers.
- These receivables can be due from corporates and other buyers, including Government Departments and Public Sector Undertakings (PSUs).
- It enables market making and discovery of competitive rates for invoice/exchange bills of MSME sellers through an auction mechanism to ensure the prompt realisation of trade receivables at competitive market rates.
- The TReDS could deal with both receivables factoring as well as reverse factoring.

4. Interest Equalization Scheme: Under the “Interest Equalisation Scheme on Pre and Post Shipment Rupee Export Credit”, the Interest Equalisation @ **5% per annum** is available to all MSME exporters across all their merchandise exports. This scheme have be en **extended till 31/03/2021**.

5. Credit Facilitation Through Bank: NSIC has entered into a Memorandum of Understanding with various Nationalized and Private Sector Banks. Through association with these banks, NSIC arranges for credit support (fund or non fund based limits) from banks for the MSMEs.

- **Term loans** for acquisition of fixed assets (viz, land/building, plant/machinery, other fixed assets) towards setting up of new units and for expansion, modernization and diversification in case of existing units.
- **Working Capital** requirement facility to meet the working capital needs of the MSME units in the form of open cash credit, overdraft against book debts and bill discounting facility.
- **Non fund based limits** such as guarantees, letter of credit, foreign bank guarantees, foreign letter of credit etc. are provided.

6. Technology Upgradation support: Credit Linked Capital Subsidy Scheme (CLCSS) for technology upgradation, provides an upfront capital subsidy for upgrading technology for new or existing Micro, Small and Medium Enterprises (MSMEs). The scheme provides upfront **capital subsidy of 15 per cent** (on institutional finance of upto Rs 1 crore availed by them) to MSMEs. Maximum Rs. 15 Lakhs.

7. Reimbursement of certification fees for acquiring ISO standards: The scheme envisages reimbursement of charges incurred for acquisition of ISO-9000/ISO- 14001/HACCP certification to the extent of 75% of expenditure, subject to a maximum of Rs.75,000/- in each case. **It includes 75% of the certification expenses up to a maximum of Rs.75,000/-** (Rupees seventy five thousand only) to each unit as one-time reimbursement only to those MSEs which have acquired Quality Management Systems (QMS)/ISO 9001 and /or Environment Management Systems (EMS)/ ISO14001 and / or Food Safety Systems (HACCP) Certification.

8. Credit rating support: Under this scheme (as per the turnover of the MSE) a percent of Rating Agency charges are reimbursed by Ministry of MSME through NSIC. The fee to be paid to the rating agencies shall be based on the turnover of the MSEs which has been categorized into three slabs. The slabs of the Turnover and the share of Ministry of MSME towards the fee charged by the Rating Agency have been indicated in the table given below:

Turnover	Fee to be reimbursed by Ministry of MSME
Upto 50 Lacs	75% of the fee or Rs. 25,000 (whichever is less)
Above Rs. 50 to 200 lacs	75% of the fee or INR30,000 (whichever is less)
More than Rs. 200 lacs	75% of the fee or INR40,000 (whichever is less)

9. Energy Conservation support: Under this scheme, enterprises having MSME Registration can avail a concession in electricity bills by making an application to Electricity board along with MSME Registration Certificate.

10. Priority Sector Lending (PSL): Banks, by virtue of the directions issued by the Reserve Bank of India, have certain earmarked funds that have to mandatorily be given to MSMEs (at present 7.5 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent Amount of Off-Balance Sheet Exposure (CEOBSE)).

In addition to this, to ensure that MSMEs do not remain small and medium units merely to remain eligible for priority sector status, the MSME units shall continue to enjoy the priority sector lending status up to three years after they grow out of the MSME category concerned.

11. Marketing Support/Assistance to MSMEs (Bar Code): Under this scheme, the Ministry of MSME will reimburse 75% of the one-time registration fees for bar coding and 75% of the annual renewal fees incurred **for the first three years.**

12. Raw Material Assistance Scheme by NSIC: Under this scheme, Manufacturing MSME having Udyog Aadhaar Memorandum (UAM) gets finance assistance for procurement of Raw Material (both indigenous & imported) upto 90 Days. Main aims of this scheme is to make availability of Raw material on credit and enable MSMEs to execute the orders in hands.

13. Single Point Registration Scheme: The Government is the single largest buyer of a variety of goods. With a view to increase the share of purchases from the small-scale sector, the Government Stores Purchase Programme was launched in 1955-56. NSIC registers Micro & small Enterprises (MSEs) under Single Point Registration scheme (SPRS) for participation in Government Purchases. Some of Benefits of this schemes are:

- Issue of tender sets free of cost
- Exemption from payment of Earnest Money
- Advantage in Tender Participation and Procurement from MSES.
- GeM Portal

14. All new industrial units in public IT parks are exempted from payment of stamp duty and registration fees.

15. Incentives: Almost all State Governments offer subsidy in the form of various incentives to MSMEs for promotion of Industrial development in their state.



STIMULUS PACKAGE FOR MSMEs
UNDER COVID-19

COVID₁₉ RELIEF AND ATMANIRBHAR PACKAGE FOR MSMEs ANNOUNCED ON 13TH MAY 2020:

A. Emergency Credit Line: Banks and NBFCs to provide Emergency Credit Line to MSMEs to up to **20% of entire outstanding credit** as on 29.2.2020. 100% of such credit shall receive a guarantee cover by government.

Eligible Borrowers: Up to Rs 25 crore of outstanding loan and up to Rs 100 crore of turnover.

- **Loan Tenure:** 4 years with 1 year moratorium
- **Interest:** Interest Capped and No Guarantee Fee
- **Validity:** Scheme available till 31st Oct 2020

B. Subordinated Debt along with partial guarantee support from government to banks for providing Rs 20,000 crore subordinated debt to stressed and NPA MSMEs. Government to take the risk cover up to first 20% of the loss.

C. **Fund of Funds** with a corpus of Rs 10000 crore to be set up to provide equity funding support to MSMEs with high growth potential.

D. **Global Tenders** for any government procurement of up to Rs 200 crore disallowed which means more opportunity for domestic MSMEs.

E. All MSME receivables from Gov and CPSEs to be released in the **next 45 days**.

**(1) Emergency Credit Line
Guarantee Scheme (ECLGS)
Under Stimulus Package**

(Operational Guidelines)

Purpose of the Scheme:

- To provide 100% guarantee coverage to
- Pre-approved sanction limit of up to **20%** of loan **outstanding** as on **29th February, 2020** to **eligible borrowers**
- In the form of additional working capital term loan facility (in case of banks and Financial Institutions)
- In the form of additional term loan facility (in case of NBFCs) from all **Member Lending Institutions (MLIs)** to **eligible Business Enterprises / Micro, Small and Medium Enterprise (MSME)** borrowers, including interested PMMY borrowers

Date of commencement:

Scheme shall come into force from the date of issue of these guidelines by National Credit Guarantee Trustee Company (NCGTC).

Applicable from 23rd May,2020 to 31st Oct,2020.

Credit facility :

Means financial assistance provided under the Scheme by way of:

- Additional working capital term loan facility (in case of banks and Financial Institutions),
- and additional term loan facility (in case of NBFCs) extended by all Member Lending Institution (MLI)
- to eligible Business Enterprises / Micro, Small and Medium Enterprise (MSME) borrowers.

Note: The financial assistance provided as part of the Scheme is to be operated as a separate loan account.

Eligible borrower: (Only Existing Borrowers)

- All MSME borrower accounts with combined outstanding loans across all MLIs of up to Rs. 25 crore as on 29.2.2020, and annual turnover of up to Rs. 100 crore in FY 2019-20. In case accounts for FY 2019-20 are yet to be audited/finalized, the MLI may rely upon the borrower's declaration of turnover.
- Borrower accounts should be classified as regular, SMA-0 or SMA-1 as on 29.2.2020. Accounts classified as NPA or SMA-2 as on 29.2.2020 will not be eligible under the Scheme.
- The MSME borrower must be GST registered in all cases where such registration is mandatory. This condition will not apply to MSMEs that are not required to obtain GST registration.
- Loans provided in individual capacity will not be covered under the Scheme.

- **Member Lending Institution(s)” (MLI) :**
 - Banks: All Scheduled Commercial Banks (As per Annex-1)
 - Financial Institutions: As defined in sub-clause (i) of clause (c) of Section 45-I of Reserve Bank of India Act. (As per Annex-2)
 - NBFC: "Non-Banking Financial Company” means a non-banking financial company as defined in clause (f) of section 45-I of the RBI Act, 1934 and which has its principal business as defined by RBI and has been granted a certificate of registration under sub-section (1) of section 3 of the Act. All NBFCs which have been in operation for 2 years as on 29th February, 2020 would be eligible under the Scheme.

- **Non-Performing Assets:** Means an asset classified as non-performing based on the instructions and guidelines issued by the Reserve Bank of India from time to time .

Annex-1

List of Scheduled Commercial Banks

	<u>PUBLIC SECTOR BANKS</u>		<u>PRIVATE BANKS</u>
1	State Bank of India	1	Axis Bank Ltd.
2	Allahabad Bank	2	Catholic Syrian Bank Ltd.
3	Andhra Bank	3	City Union Bank Ltd.
4	Bank of Baroda	4	Development Credit Bank Ltd.
5	Bank of India	5	Dhanlaxmi Bank Ltd.
6	Bank of Maharashtra	6	Federal Bank Ltd.
7	Canara Bank	7	HDFC Bank Ltd.
8	Central Bank of India	8	ICICI Bank Ltd.
9	Corporation Bank	9	IndusInd Bank Ltd.
10	Dena Bank	10	Jammu & Kashmir Bank Ltd.
11	Indian Bank	11	Karnataka Bank Ltd.
12	Indian Overseas Bank	12	Karur Vysya Bank Ltd.
13	Oriental Bank of Commerce	13	Kotak Mahindra Bank Ltd.
14	Punjab National Bank	14	Lakshmi Vilas Bank Ltd.
15	Punjab & Sind Bank	15	Nainital Bank Ltd.
16	Syndicate Bank	16	Ratnakar Bank Ltd.
17	Union Bank of India	17	South Indian Bank Ltd.
18	United Bank of India	18	Tamilnad Mercantile Bank Ltd.
19	UCO Bank	19	Yes Bank Ltd.
20	Vijaya Bank	20	Bandhan Bank
21	IDBI Bank Ltd	21	IDFC Bank Ltd.

Annex-2

List of Financial Institutions in India

Bajaj Finserv	Capital First	Citicorp Finance (India) Limited
Credila	DHFL	India Infoline Finance Limited
Indiabulls	LIC Housing Finance Limited	Manappuram Finance
Muthoot Finance	PNB Housing	Tata Capital
Reliance Home Finance	Shriram Housing Finance	Sundaram Finance

Eligible Borrowers

Name of the Borrower	Overall Outstanding of the Borrower across MLIs (INR Crore)	Overall Outstanding of the Borrower with MLI (INR Crore)	DPD of borrower as on 29 th Feb 2020 (Days)	Turnover as per latest available financials (INR Crore)	
Borrower A	30	15	30	90	Not eligible
Borrower B	30	15	62	90	Not eligible
Borrower C	25	25	59	75	Eligible
Borrower D	15	10	0	80	Eligible
Borrower E	20	10	0	125	Not Eligible

Loan Amount eligible under the Guarantee Coverage

Name of the Borrower	Overall Outstanding of the Borrower across MLIs (INR Crore)	Overall Outstanding of the Borrower with MLI (INR Crore)	Total Maximum Loan Amount allowed under the scheme (INR Crore)	Total Maximum Loan Amount allowed without NOC for MLI (INR Crore)
	A	B	C= 20% of A	D= 20% of B
Borrower A	20	15	4	3
Borrower B	5	2	1	0.4
Borrower C	25	2.5	5	0.5
Borrower D	15	10	3	2

Interest Rate of Credit under the Scheme

- For Banks and FIs: External benchmark rates prescribed by RBI +1% subject to a maximum of 9.25% per annum.
- Presently in the range of 7.40 % to 8.50%. Maximum cap 9.25% even if changes in interest rate subsequently
- For NBFCs: Interest rate on GECL shall not exceed 14% per annum.
- No additional processing fee
- No Guarantee Fees
- No penal interest due to any non-compliance of the already accepted covenants on the existing credit facilities may be charged on additional loans during the sanction time.

Nature of account and Tenor of Credit under the Scheme

- A separate loan account should be opened for the borrower
- Loan Tenor is 4 yrs. from the date of disbursement
- 1 Year Moratorium Period on Principal amount
- The principal shall be repaid in 36 installments after the moratorium period is over.
- No pre-payment penalty
- The account may be operated in combination with applicable Interest Subvention Scheme(s) as far as feasible
- RBI's approval: Keeping risk weight for loans provided under GECL at zero

Security

- The additional WCTL facility granted under GECL shall rank *pari passu* with the existing credit facilities in terms of cash flows and security.
- Charge on the assets financed under the Scheme to be created within a period of three months from the date of disbursal.
- No additional collateral shall be asked for additional funding under GECL.

- **Invocation of guarantee :**

- ✓ The Member Lending Institutions (MLIs) are required to inform the date on which the account was classified as NPA within 90 days of the account being classified as NPA
- ✓ The Trustee Company shall pay 75 per cent of the guaranteed amount within 30 days of preferring of eligible claim by the lending institution, subject to the claim being otherwise found in order and complete in all respects. The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings or till the decree gets time barred, whichever is earlier.

- **Appropriation of amount realized by the lending institution in respect of a credit facility after the guarantee has been invoked :**

Post invocation of the guarantee claim, if any recoveries are made in the account, MLIs shall first adjust such recoveries towards the legal costs incurred by them for recovery of the amount and shall thereafter remit to NCGTC the balance recoveries.

Other IMP points of the Scheme:

- MLIs- To create awareness of the scheme by undertaking e-mail and SMS campaign to eligible borrowers.
- MLIs- To be liberal in sanctioning loans, evaluate credit proposals by prudent banking judgment and due diligence.
- MLIs- To closely monitor the borrower account.
- MLIs- To safeguard the primary securities.
- MLIs- To ensure that the guarantee claim is lodged with the trusty company within specified time.
- MLIs- To exercise all necessary precautions and maintain its recourse to the borrower.
- MLIs- To ensure either through a stipulation in an agreement with the borrower that it shall not create any charge on the security held in the account covered by the guarantee for the benefit of any amount not covered by the guarantee.

- **Modifications in the Scheme :** Any changes to the current structure of the Scheme, including but not limited to the eligibility criteria, guarantee fee, rate of interest and tenor of GECL under the Scheme, shall be decided by the Management Committee for the ECLGS Fund.

FAQs about ECLGS

Que 1: I run a business enterprise and have a GST registration. However, I am not registered as an MSME nor do I have Udyog Aadhaar. My Bank also does not classify me as an MSME borrower. Am I eligible under the scheme?

Ans: You are eligible if:

- You have total credit outstanding of Rs. 25 Crore or less as on 29th Feb 2020
- Your turnover for 2019-20 was upto Rs. 100 Cr.
- You have a GST registration (if mandatory to obtain such GST registration under GST Act)
- Udyog Aadhaar is not mandatorily required under this Scheme

Que 2: My Bank/ NBFC has offered me a preapproved loan of 15% only though the scheme mentions 20%. Can the Bank/ NBFC do so?

Ans: Under ECLGS, Banks/ NBFCs are to offer loans upto 20%. Actual loan extended can therefore be less than 20%. While the Bank/ NBFC is expected to be liberal in sanctioning such loans, it is also expected to evaluate credit proposals by using prudent banking judgment and use business discretion / due diligence in selecting commercially viable proposals and conduct the account(s) of the borrowers with normal banking prudence.

Que 3: I run a retail shop. Am I eligible for coverage?

Ans: Same as Que No.1

Que 4: Will loans under the Scheme be automatically given without any application or solicitation from the borrower?

Ans: This is a pre-approved loan. An offer will go out from the MLI to the eligible borrowers for a pre-approved loan which the borrower may choose to accept. If the MSME accepts the offer, it will be required to complete requisite documentation. Thus, an 'opt-out' option will be provided to eligible borrowers under the Scheme, i.e., if the borrower is not interested in availing the loan, he/she may indicate accordingly.

Que 5: I operate a lending business. Am I eligible?

Ans: No please. Typically lending institutions get funds from banks/ NBFCs through on lending, refinance, asset purchase, securitization, assignment etc. There are therefore other windows available including the Partial Credit Guarantee Scheme and the Special Liquidity Facility.

Que 6: Can this facility be used to repay high cost debt, unsecured loans from outside source?

Ans: No. This facility is to support the business for restarting the operations after impact due to COVID-19. Hence, it should not be permitted for the purpose other than what is permitted in the scheme.

(2) Subordinate Debt to Stressed

MSMEs:

- MSMEs survive on thin margins and come under financial stress at slightest disruption.
- To support MSME units which have become stressed, there is a need to infuse capital in the MSME unit in the form of equity or sub debt so that they can be revived.
- MSMEs declared NPAs or those stressed will be eligible for equity support as the government will facilitate the provision of Rs 20,000 crore as subordinate debt.
- The government will also provide Rs 4,000 crore to CGTMSE that will offer partial credit guarantee support to banks for lending to MSMEs.

- The Distressed Assets Fund–Sub Debt Scheme seeks to extend support to the promoter(s) of the distressed units MSMEs by providing a debt facility of upto 15% of the promoter contribution or Rs 75 lakhs , to the Promoter(s);
- Promoter(s) in turn will infuse the amount in the MSME unit as equity and thereby enhance the liquidity and maintain debt-equity ratio.

Nature of Assistance

Guarantee for fund raising for Revival: GOI will provide guarantee coverage :

- upto 85% for loans upto Rs. 5 lakh and
- 75% for loans beyond Rs 5 lakh to MSMEs for them to raise funds from Financial Institutions.

Salient Features

- The quasi-equity provision with the guarantee balances the risks and rewards between the lender (bank) and the customer. In a situation where an outright loan is too risky, quasi-equity with guarantee will provide the requisite financing to the company;
- Subordinate debt will be of substantial help in sustaining and reviving the MSMEs which have either become NPA or are on the brink of becoming NPA.

Expected Impact

- Provision for sub debt will be of Rs.20000 crores which is likely to benefit two lakh MSMEs;
- A bigger number of MSME promoter(s) can do business without worry and avail present opportunities;
- These MSMEs will continue to function, provide jobs and contribute in National Economy.

Who Can Apply

- Functioning MSMEs which are NPA or are stressed will be eligible
- Promoter(s) of such units can apply

How to Apply

- Promoter(s) of MSMEs meeting the eligibility criteria may approach scheduled commercial banks to avail benefit under the scheme

(3) Fund of Funds:

- MSMEs face severe shortage of equity. The Fund of Funds will provide equity funding for MSMEs with growth potential and viability with the ultimate aim of encouraging MSMEs to grow.
- The government will infuse Rs 50,000 in equity in MSMEs through a Fund of Funds that will be operated through a Mother fund and a few daughter fund.
- The Fund of Funds will be set-up with a corpus of Rs 10,000 crore to give equity-based funding to MSMEs having growth potential and viability.
- It will also urge MSMEs to list on stock exchanges.

- VCs / PEs firms do offer early stage funding but very few of them provide growth stage funding;
- With Government intervention, this scheme would be able to intermediate different types of funds into under served MSMEs and address the growth needs of viable and high growth MSMEs.

Nature of Assistance – FOF Scheme

Growth Funding to MSMEs through equity financing:

- GOI will support VC/PE firms in investing in commercially viable MSMEs in meeting their growth requirements. The proposed fund of funds will encourage private sector investments in the MSME sector and leverage Rs.50,000 crore. The actual investment may be even higher.

Private funding leverage:

- Fund of Funds aims to achieve private funding leverage through the use of professional fund managers with access to funding and strategic performance oversight. This will help attract a wide range of investors, including financial institutions, corporate investors, banks, other government funds, HNW individuals to invest into MSMEs.

Salient Features

- Under the scheme, there would be a Mother Fund, where Government of India will be Anchor Investor;
- The Mother Fund can invest daughter funds who can deploy the investments in targeted MSMEs;
- This will create a partnership with MSMEs in their growth journey and enable them to grow bigger and get listed on stock exchanges.

Expected Impact

The scheme is expected to facilitate equity financing of Rs.50,000 crore in the MSME Sector

Who Can Apply

All MSMEs are eligible

How to Apply

Through Investor Funds on boarded and registered with proposed Fund of Funds

(4) No Global Tenders upto 200 Crores:

- Amendments in General Financial Rules mandating no global tenders for procurement upto 200 crores.
- The new rules have already been issued and effected.
- This will open up new business avenues for Indian MSMEs.

(5) MSME Payments within 45 days:

To ensure that MSME payments are released within the timeframe of 45 days, directions have been issued at the level of Cabinet Secretary, Expenditure Secretary and Secretary, MSME.

**Maharashtra Industrial Policy
&
Package Scheme of Incentives 2019**

1.0 Preamble:

- Maharashtra has been the Leader on industrial front of India. It has always been the endeavour to develop sustaining industrial growth, facilitate speedier flow of investment.
- The State Government has recently declared the New Industrial Policy - 2019 to ensure sustained industrial growth through various innovative initiatives.
- PSI-2013, in the light of the Industrial Policy-2019 and introduce a new "PSI-2019", containing details of eligibility criteria, quantum of incentives.
- And monitoring mechanism for administering the incentives during the period from **1st April, 2019 to 31 March, 2024**.

2.0 Objectives:

- In the phase of second generation economic reforms, the objective of Maharashtra Industrial Policy 2019 is to further accelerate the flow of investment in industry.
- Infrastructure, promoting IT, high-tech,
- Knowledge based and biotech industries, augmenting exports.

3.0 Approach:

- The approach of the policy is to ensure sustainable industrial growth by introducing structural changes, in the wake of national consensus to discontinuing sales tax based incentives, for development of high-tech and other industries.

4.0 Strengths of Maharashtra:

4.1 Economic indicators:

- Maharashtra ranks first amongst major States in terms of State Domestic Product and accounts for 15% of the National Income.
- The largest share of public funds amongst any other States for development of industrial and social infrastructure -a hallmark of State policy.
- Contributes 22% of India's net value added in organized industrial sector.
- 40% of India's Internet users are in Maharashtra and the State accounts for around 30% of software export.

4.2 Infrastructure:

Physical:

- Power generation capacity highest in the country, at more than 14,000 MW.
- More than 215 industrial estates including 9 five star industrial estates and 63 growth centres developed by the MIDC,
- The country's largest and most diverse infrastructure for the IT industry emerged along the 'Knowledge Corridor' between Mumbai, Navi Mumbai and Pune as also elsewhere in the State, at Nagpur, Aurangabad and other places.
- Well spread out network of roads and railways with two international seaports and one international airport besides four domestic airports in operation.

1. APPLICABILITY OF PSI-2019

Period of Operation of PSI-2019

- The PSI - 2019, as may be amended by the Government from time to time, shall remain in operation from the 1st April 2019 up to 31st March, 2024 or till the new Package Scheme of Incentives comes into force.

1. APPLICABILITY OF PSI-2019

Coverage under the PSI -2019

- The following categories of Eligible Industrial Units in the Private Sector, Cooperative Sector, State Public Sector / Joint Sector shall be eligible to be considered for incentives under the PSI- 2019
 - i) Industries listed in the First Schedule of the Industries.
 - ii) Manufacturing Enterprises as defined in the MSMED Act, 2006.
 - iii) Information Technology Manufacturing Units registered with the Directorate of Industries or the MIDC or the Development Commissioner, Santa Cruz Electronic Export Processing Zone (SEEPZ) or Software Technology Parks of India (STPI) in the State.

1. APPLICABILITY OF PSI-2019

Coverage under the PSI -2019

- iv. Bio-technology Manufacturing Units as specified by the Government from time to time.
- v. Mechanized, Food / Agro Processing Industries in the following sectors:
 - Dairy, Fruit and Vegetable Processing.
 - Grain Processing.
 - Fish / Meat / Poultry Processing.
 - Consumer foods including Packed foods.
 - Nonalcoholic beverages from fruits and vegetables

(Note: Only secondary and tertiary agro and food processing units shall be eligible for incentives. This condition will not be applicable to processing / manufacturing units set up by Farmer's Producer Companies and the units set up in government assisted Food Parks and carrying out primary processing activity also).

● **Note:**

1. The units manufacturing the following products shall not be eligible for incentives under PSI – 2019 :
 - (a) Beer, liquor manufacturing industries
 - (b) Cigarette, bidi or any other tobacco containing products, manufacturing industries
 - (c) Gutka and pan masala manufacturing industries.
 - (d) Any other product(s) banned by Central / State Government.

2. Units manufacturing all types of textiles including cotton ginning and pressing, sizing, spinning, weaving, bleaching, dyeing, mercerizing etc. covered under the Textile Policy – 2018 -23 of Maharashtra State shall be eligible only for incentives other than those offered by the other State Government Agencies.

District wise Classification of Areas for PSI-2019

- (i) **Group A** : Denotes industrially developed areas
- (ii) **Group B**: Denotes areas where some industrial development has taken place, but are less developed than the areas under Group A.
- (iii) **Group C**: Denotes areas, which are less developed than those covered under Group B.
- (iv) **Group D**: Denotes the lesser-developed areas of the State, not covered under Group A/ Group B/ Group C.
- (v) **Group D+**: Denotes the least developed areas, not covered under Group A/ Group B/ Group C/ Group D.
- (vi) **No Industry District**: Denotes District having no industries viz Hingoli and Gadchiroli.
- (vii) **Naxalism Affected Area**: Denotes area affected by naxalism,
- (viii) **Aspirational Districts**: defined by Government of India viz. Washim, Gadchiroli, Osmanabad and Nandurbar.

Micro, Small & Medium Manufacturing Enterprises (MSMEs) and Small Industries

- MSMEs shall be construed as per their definition in the Micro, Small and Medium Enterprises Development Act, 2006. (MSMED Act, 2006) published vide GoI's extraordinary gazette dated 30th September, 2006
- **Units outside the definition of MSMEs published vide GoI's extraordinary gazette dated 30th September, 2006, with total Gross Fixed Capital Investment (FCI) upto Rs. 50 crores.**

Large Scale Industries :-

- Industrial Units, having investment more than the Medium Manufacturing Enterprises as defined under the MSMED Act, 2006.
- FCI of **Rs. 100 crores** but less than the Mega Projects.

Eligibility Criteria for LSI

Taluka / Area Classification	Minimum Qualifying FCI (INR crore)	Minimum Direct Employment (number of people)
A & B	750	1000
C	500	750
D	250	500
D+	150	400
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	100	300
No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**	100	250

* Naxalism affected areas as per Government Resolution No.: PSI -2013 / (CR- 54)/IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.

** Aspirational Districts - Osmanabad, Gadchiroli, Washim and Nandurbar

Special Large Scale Industries :-

- (a) **Special LSIs:** For MSME unit, the ceiling of gross fixed capital investment is Rs. 50 Crores. For unit having eligible FCI more than Rs. 50 Crores & up to the minimum investment stipulated for qualifying as LSI unit, will essentially be LSI but will have separate dispensation for incentives.
- (b) However, units falling under this category, located in "A" & "B" Zones will not be eligible for any incentives.

Mega Projects / Ultra Mega Projects:

- Industrial Units satisfying the minimum threshold limits of Fixed Capital Investment **OR** Direct Employment prescribed in the following table shall be classified as Mega Projects / Ultra Mega Projects.

Eligibility Criteria for Mega and Ultra-Mega Units

Type of Unit	Taluka/ Area Classification	Minimum Qualifying Fixed Capital Investment (INR crore)	Minimum Direct Employment (number of people)
Mega Industrial Units	A & B	1,500	2,000
	C	1,000	1,500
	D	750	1000
	D+	500	750
	Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	350	500
	No Industry Districts, Naxalism Affected Areas and Aspirational Districts	200	350
Ultra-Mega Industrial Units	Entire State	4,000	4,000

**Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54)/IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.*

*** Aspirational Districts - Osmanabad, Gadchiroli, Washim and Nandurbar*

Existing Unit

- Unit set up & is in production prior to 1st April 2019
- Has been granted EC or availed any incentives under earlier schemes.
- Filed a valid application for grant of EC under PSI-2013 before 31st March 2019

New Unit

- Unit set for the first time in any taluka where there is no existing unit by the said entity provided :
 - It is not an existing unit
 - At least one of the effective steps completed on or after 1st April 2019 for setting the unit
 - It is not formed as a result of re-establishment mere change of ownership, change in constitution , reconstruction or revival of an existing unit

Expansion / Diversification

- An investment shall be regarded as expansion project or a diversification project provided it satisfies :
 - Add FCI \geq 25% of Gross FCI (minimum FCI of Rs. 5 Crs for non MSMEs & 25 Lacs for MSME's)
 - Additional FCI should result in increase of existing installed capacity by at least 25%
 - Such Expansion/Diversification should increase the employment in non supervisory category at least to the extent of 10%
 - 80 percent of such additional employment should be from amongst local persons.

Eligibility Certificate

- Eligibility Certificate shall mean the certificate issued by the Implementing Agency to the Eligible Unit under the PSI which indicates the accepted FCI.
- The eligibility Certificate shall be issued by the implementing agency once the eligible unit commences production.
- An eligible unit which intends to avail benefits under PSI - 2019 for its proposed new or independent expansion unit shall obtain a separate registration as allowed in section 25(2) of Maharashtra Goods and Service Tax Act, 2017 (Notification No. 2/2019- State Tax) read with rule 11 of Maharashtra Goods and Service Tax Rules, 2017. (Notification No. 3/2019- State Tax).

Eligibility Period

For IPS, Interest Subsidy & other incentives period of eligibility shall be computed from the effective date of eligibility and depend on nature of location of eligible unit

Operative Period :

“Operative Period” shall mean and include the minimum period of Operation of Unit as laid down under the Government Resolution, Industries, Energy and Labour Department, No PSI-2108/CR 35 /IND-8, dated the 21st May, 2008 or as may be amended from time to time

Investment Period

- It is period for unit to acquire the fixed assets at site and put them to use for commercial production. For claiming the eligibility under the PSI-2019, any New / Expansion / Diversification, Eligible Unit shall commence the commercial production and also acquire the fixed assets at site, put them to use, having paid for the same, and paid for it within the permissible investment period.
- For MSME -- 3 years
- For Special LSI -- 4 years
- For LSI -- 4 years
- For MEGA/ Ultra MEGA –5 Years from the date of Application or as may be approved by High Power Committee

Effective Steps

- Shall mean and include :
 - Effective possession of land/shed/gala by an eligible unit.
 - Registration in case of Firm/Company/Trust/Society/Co.Op Society
 - Enterprises memorandum(EM)/Letter of intent(LOI)/LOI from GOI/permission from State Govt for setting up/ Shifting of the unit
 - **Consent to establish from MPCB for MSME Units.**
 - A copy of Industrial Entrepreneur's Memorandum(IEM) in case of LSI / Mega / Ultramega unit or LOI as the case may be. (For units others than MSME)

Gross Fixed Capital Investment (FCI)

Gross FCI shall in the case of new fixed assets mean & include the capitalized value of new fixed assets acquired and also put into use at site & duly paid for during the eligible investment period.

Provided that :

- Only new fixed assets based on project appraisal done by the lender which are acquired by an enterprises within the relevant period. (The cost of land purchased prior to submission of valid application shall be considered for Fixed Capital Investment).
- Value for which imported second hand F.A are acquired shall have residual life of minimum 10 years
- Investment in intangible assets – only upto 10% of total project cost.
- Fixed Assets acquired cannot be disposed off / sold / shifted / written off without prior permission.
- Gross FCI = Gross FCI at the beginning of the year
(+) Additions during the year
(-) Original value of any F.A disposed off

FINANCIAL INCENTIVES FOR MSMEs.

- New MSME Units and Small Industries will be eligible for a basket of incentives.
- The total quantum of incentives will be linked upto the percentage actual eligible Fixed Capital Investment as per the Taluka category mentioned in table below
- The incentives will be granted to the units on first-cum-first serve basis.

FINANCIAL INCENTIVES FOR MSMEs.

Basket of Incentives for MSMEs :

Taluka / Area Classification	Maximum Permissible Fixed Capital Investment (INR crore)	Maximum Ceiling of basket of incentives as % of FCI	Eligibility Period (Years)
A	For the purpose of this policy, MSME shall include units as per the MSMED Act, 2006, as well as the units with FCI of upto INR 50 crore	--	-
B		30%	7
C		40%	7
D		50%	10
D+		60%	10
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule		80%	10
No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**		100%	10

**Naxalism affected areas as per Government Resolution No.: PSI -2013/ (CR- 54) /IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.*

*** Aspirational Districts are Osmanabad, Gadchiroli, Washim and Nandurbar*

Note on Financial Incentives:

- The incentives at Para No. 4.8 will also be available to MSME Units in Group A and B areas as well.
- The total quantum of incentives for the food / agro processing units (secondary and tertiary processing units and Primary Processing Units set up by Farmer's Producer Companies and the units set up in government assisted Food Parks) mentioned in Para No. 1.2 (vi), eligible green energy / bio-fuel manufacturing units and Units carrying out Industry 4.0 activity, will be 20% over and above the limits mentioned above and such units will get two more years of eligibility to avail the incentives. However, in any case total incentives admissible to the eligible unit will not exceed 100 % of eligible FCI.

Expansion / Diversification Units:

- Existing / New Micro, Small and Medium Manufacturing Enterprises and Small Industries (including Manufacturing IT/BT) Units, qualifying as Expansion / Diversification Units.
- It also be eligible to get the incentives for Expansion / Diversification, equivalent to 80% of the incentives admissible for New Units.
- The eligibility period for availing of the incentives will however be reduced by one year than that admissible to a New Unit in case of Expansion / Diversification Units.

Industrial Promotion Subsidy (IPS)

- The eligible New / Expansion Micro, Small and Medium Manufacturing Enterprises, which are set up in different parts of the State.
- It will be eligible for IPS, as per there District Categorization.
- **Eligible MSME shall be offered IPS on 100 % Gross SGST payable by the unit on the first sale of eligible products billed and delivered within Maharashtra.**

Interest Subsidy

- All eligible new MSMME will be eligible for interest subsidy in respect of interest actually paid to the Banks and Public Financial Institutions (excluding unsecured loans, private loans / borrowings, loans from NBFCs etc.) for claim period, on the amount of term loans taken for acquisition of new Fixed Assets required for the project accepted by the implementing agency.
- The amount of interest subsidy will be calculated @ effective rate of interest, after deducting the interest subsidy receivable from any agency of the State Government or under any Govt. of India Scheme and the penal / compound interest or 5% per annum, whichever is less.
- The quantum of interest subsidy payable to the eligible unit every year will not exceed the bills paid for electricity consumed during the relevant year.

Exemption from Electricity Duty

- All Eligible New Units in Group C, D, and D+ areas, No-Industry District(s), Aspirational Districts and Naxalism affected Area will be exempted from payment of Electricity Duty during applicable eligibility period.
- In Group A and B areas, only eligible 100% Export Oriented Units (EOUs), Information Technology Manufacturing Units and Bio-Technology Manufacturing units will also be exempted from payment of Electricity Duty for a period of 7 Years.
- Necessary Notification under the provisions of the Electricity Duty Act 1958 will be issued separately by the Energy Department.

Waiver of Stamp Duty

- New Units as well as Units undertaking Expansion / Diversification will be exempted from payment of Stamp duty during the Investment period in Group C, D, D+ Talukas, No Industry Districts, Aspirational Districts and Naxalism affected areas for acquiring land (including assignment of lease rights and sale certificate) and for term loan purposes.

However, in Group A and B areas, stamp duty exemption would be available as given below:

- BT Manufacturing and IT Manufacturing Units in Public IT / BT Parks: 100%
- BT Manufacturing and IT Manufacturing Units in Private IT / BT Parks: 75%

Power Tariff Subsidy

- Eligible New MSME and Small Industries will be eligible for power tariff subsidy.
- The subsidy will be to the tune of Rs 1/- per unit for the Units located in Vidarbha, Marathwada, North Maharashtra and the Districts of Raigad, Ratnagiri and Sindhudurg in Kokan Region, No Industry Districts, Naxalism Affected Areas and Aspirational Districts
- Rs 0.50 per unit for the Units in other areas of the State for a period of 3 years from the date of commencement of commercial production, for the energy consumed and paid.
- The Units in Group "A" areas will however not be eligible for this incentive.

Additional Incentives for Strengthening MSMEs (4.8)

- A. Expansion projects of MSMEs and Small Industries will be eligible for following incentives.
- 5% subsidy only on additional capital equipment acquired for Technology Up-gradation, subject to a maximum of Rs. 25 lakh.
 - 75 % subsidy on the expenses incurred on quality certification limited to Rs. 1 Lakh.
 - 25% subsidy on additional capital equipment acquired for cleaner production measures, limited to Rs. 5 Lakhs.
 - 75 % subsidy on the expenses incurred on patent registration limited to Rs.10 Lakh for the National patents and Rs. 20 lakh for the International patents.
 - 75% of cost of water audit limited to Rs. 1.00 lakh.
 - 75% of cost of energy audit limited to Rs. 2.00 lakh.
 - 50% of the cost of Capital Equipment under the measures to conserve/recycle water, limited to Rs. 5 lakh.
 - 50% of the cost of additional Capital Equipment for improving energy Efficiency, limited to Rs. 5 lakh.

Additional Incentives for Strengthening MSMEs.

- B. Incentives for Credit Rating of MSMEs, 75% of the cost of carrying out Credit Rating by Small Industries Development Bank of India/ Government accredited Credit Rating Agency, limited to Rs. 40,000.

- C. During the policy period, first 250 SMEs in all areas of the State, based in Maharashtra, fulfilling the criteria for listing, which will be enlisted on the SME Stock Exchange, Mumbai will be given refund of listing expenses equal to Rs. 6 lakhs or actual C.A. certified listing expenses, whichever is lower.

Incentives for LSI and Spl. LSI Units / Projects

Taluka / Area Classification	Minimum Qualifying Fixed Capital Investment (INR crore)	Minimum Direct Employment (number of people)	Maximum Ceiling of basket as % of FCI	Incentive period in years
A & B (Only LSI)	750	1000	25%	7
C	500	750	40%	7
D	250	500	60%	7
D+	150	400	70%	7
Vidarbha, Marathwada, Ratnagiri, Sindhudurg & Dhule	100	300	80%	9
No Industry Districts, Naxalism Affected Areas* and Aspirational Districts**	100	250	100%	9

* Naxalism affected areas as per Government Resolution No.: PSI -2013 / (CR- 54)/IND-8 Dated 1st April 2013 issued by Government of Maharashtra Industries, Energy and Labour Department.

** Aspirational Districts - Osmanabad, Gadchiroli, Washim and Nandurbar

Incentives for LSI and Spl. LSI Units / Projects

- **Expansion / Diversification Units:**

- Existing / New Large Scale Industries (LSIs) and Special LSIs (including Manufacturing IT/BT) Units, qualifying as Expansion / Diversification Units, will also be eligible to get the incentives for Expansion / Diversification, equivalent to 80% of the incentives admissible for New Units.
- The eligibility period for availing of the incentives will however be reduced by one year than that admissible to a New Unit in case of Expansion / Diversification Units.

Incentives for LSI and Spl. LSI Units / Projects

Industrial Promotion Subsidy for Large Scale Industries and Special LSIs :

- The eligible New / Expansion / Diversification Large Scale Industries, which are set up at single location, will be eligible for IPS.
- Eligible LSI units shall be offered IPS on 50 % of Gross SGST payable by the unit on the first sale of eligible product(s) billed and delivered within Maharashtra.
- Eligible Special LSI units shall be offered IPS @ 40 % of NET SGST paid by the unit on the first sale of eligible product(s) billed and delivered within Maharashtra.
- However, units falling under this category located in "A" & "B" Zones will not be eligible for Incentives.

Incentives for LSI and Spl. LSI Units / Projects

Exemption from Electricity Duty

- All Eligible New Units in Group C, D, and D+ areas and No-Industry District(s), Aspirational Districts and Naxalism affected Area will be exempted from payment of Electricity Duty.
- In Group A and B areas, only eligible 100% EOUs, Information Technology Manufacturing Units and Bio-Technology Manufacturing units will also be exempted from payment of Electricity Duty for a period of 7 Years.

Incentives for LSI and Spl. LSI Units / Projects

Waiver of Stamp Duty

- New Units as well as Units undertaking Expansion / Diversification will be exempted from payment of Stamp duty during the Investment period in Group C, D, D+ Talukas.

However, in Group A and B areas, stamp duty exemption would be available as given below:

- BT Manufacturing and IT Manufacturing Units in Public IT / BT Parks: 100%
- BT Manufacturing and IT Manufacturing Units in Private IT / BT Parks: 75%
- Large Projects and mega and ultra-mega projects : 50% for first lease / conveyance deed only

Incentives For Mega Projects / Ultra-Mega Projects

- The template for quantum of incentives for Mega Projects and Ultra Mega Projects shall be decided by the High Power Committee under the chairmanship of the Chief Secretary, Government of Maharashtra.
- However, the Cabinet Sub Committee for mega projects, under the chairmanship of the Chief Minister of Maharashtra will have the powers to **sanction customized package of incentives** and even offer special / extra incentives for prestigious Mega Projects I Ultra Mega Projects, on a case to case basis with recommendation of High Power Committee.

Incentives For Mega Projects / Ultra-Mega Projects

- Ultra-Mega/ Mega projects based on employment criteria shall be required to maintain the qualifying direct employment on rolls of the company throughout the year.
- If the employment criteria is not maintained for any period of the year, then Industrial Promotion Subsidy shall not be admissible for such year(s).
- Minimum Direct Employment prescribed above should be created within a period of two years from the date of commercial production.

Incentives For Mega Projects / Ultra-Mega Projects

- The investment in Captive Power Plant including solar power plant shall be considered for determining the qualifying criteria for eligibility as Mega Project / Ultra Mega Project. But, shall not be incentivized (However Investment in captive power plant will be limited to 20% of total project cost).
-
- 100% Captive Process Vendor (CPV) investment can be considered as a part of admissible FCI. However, CPV investment will not be counted for determining qualifying criteria as Mega/ Ultra Mega Projects.

Yearly Cap For The Incentives

- The amount of incentives to be disbursed to the MSMEs, LSI, Special LSI and Mega / Ultra Mega Units every year will be limited to the total quantum of incentives divided by the number of years.
- As per the applicable Eligibility period with the provision of carrying forward the surplus differential between the actual sanctioned amount for a given year and the yearly disbursement limit.
- **Deficit differential will not be carried forward.**

PROCEDURE FOR APPLICATION UNDER PSI - 2019

Application for Eligibility

- (1) An application for eligibility under the PSI - 2019 Scheme shall be submitted to the Implementing Agency by an Eligible Unit only after it has taken all the Effective Steps but not later than the 31st March, 2024. It shall be supported by documentary evidence with regard to completion of the Effective Steps.
- (2) For claiming eligibility under the PSI-2019, any New/Expansion/Diversification, Eligible Unit shall commence the commercial production and also acquire the fixed assets at site, put them to use, having paid for the same, and paid for it within the permissible investment period. The permissible Investment Period for
 - MSMME – 3 years
 - LSI and Special LSI units – 4 years.
 - Mega Projects /Ultra Mega Projects, - 5 years

PROCEDURE FOR APPLICATION UNDER PSI - 2019

Application for Eligibility

- (3) If a Unit has completed all Effective steps but not started the production before the 1st April, 2019 and has not filed a valid application with the Implementing Agency under PSI 2013, such unit can submit the application under PSI - 2019, However, the incentives applicable to such Eligible Unit shall be as per PSI-2013 or PSI - 2019, whichever is lower. **For such units incentives will be sanctioned by considering the investment after 1st April, 2019.**
- (4) In respect of a Mega Project, wherein a customized package has been approved by the High Power committee or the Infrastructure Committee / Cabinet Sub Committee under PSI – 2013.
- (5) A valid application for eligibility shall be submitted to the Implementing Agency on or before the date of commencement of commercial production

Procedure For Claiming Benefits Under Expansion / Diversification

- The eligible unit claiming, benefits under Expansion / Diversification shall be required to maintain separate record of production for such expansion.
- In case, however, maintaining separate record is not possible, the benefits for such eligible units shall be available in the ratio of additional FCI to the total gross FCI.
- There will be limit of two number of expansions/diversifications in the Scheme period.

Claim for Incentives

- No right or claim for any incentives under the PSI -2019 shall be deemed to have been conferred by the PSI - 2019 merely because the applicant Unit has fulfilled the conditions of the PS1-2019.
- The incentives under the PSI - 2019 (except Stamp Duty Exemption and incentives in Para 4.8 and Para 5.7) cannot be claimed unless an EC has been issued under the PSI - 2019 by the Implementing Agency and the Eligible Unit has complied with the stipulations/conditions of the EC.
- The Implementing Agency shall issue EC to the Eligible Unit normally within 30 days of the Unit complying with the stipulations of the PSI - 2019 and submitting documentary evidence thereof.

Procedure for filing Claims:

- For filing Claim for refund of SGST:

Following Annexures/Documents need to be filed:

- ❖ Annexure-A (Certified by the Unit Owner)
- ❖ Annexure-B (to be Certified by GST Auditor)
- ❖ Annexure-C (to be Certified by Auditor)
- ❖ Annexure-D (Certified by the Unit Owner)
- ❖ If GST Audit is not completed-
GST Annual Returns-9, GSTR-3B monthly returns
- ❖ If GST Audit is completed:
GST Audit report in form 9-C duly certified by GST Auditor
- ❖ Electricity Duty Exemption certificate from MSEDCL/Power Agency

Procedure for filing Claims:

- For filing Claim for Interest Subsidy:

Following Annexures/Documents need to be filed:

- ❖ Appendix-A- Application for Incentives under para 4.9
(self attested)
- ❖ CA Certificate in Appendix-II/I
- ❖ Interest Certificate from Lending Bank

Procedure for filing Claims:

- For filing Claim for Electricity Tariff Subsidy:

Following Annexures/Documents need to be filed:

- ❖ Appendix-A- Application for Incentives under para 4.9
(self attested)
- ❖ CA Certificate in Appendix-II/H
- ❖ Electricity Bills for Months in Operation

Procedure for filing Claims:

- For filing Claim for Expenditure incurred on Technology Upgradation :

Following Annexures/Documents need to be filed:

- ❖ Appendix-A- Application for Incentives under para 4.9 (self attested)
- ❖ Chartered Engineer Certificate in Appendix-II/A
- ❖ All the Invoices of Capital Expenditure on TUG

Procedure for filing Claims:

- For filing Claim for Expenditure incurred on installing Equipments for improving Energy Efficiency:

Following Annexures/Documents need to be filed:

- ❖ Appendix-A- Application for Incentives under para 4.9 (self attested)
- ❖ Certificate of Empanelled Agency in Appendix-II/F
- ❖ All the Invoices of Capital Expenditure on energy efficient equipments

Procedure for filing Claims:

- For filing Claim for Expenditure incurred on Cost of Energy Audit:
Following Annexures/Documents need to be filed:
 - ❖ Appendix-A- Application for Incentives under para 4.9 (self attested)
 - ❖ Certificate of Approved Energy Auditor in Appendix-II/E
 - ❖ Energy Auditor Invoice
 - ❖ Energy Audit Report

Monitoring And Review

Monitoring and Review of the Fixed Capital Investment and Production activities of the Eligible Unit-

- The Eligible Unit shall submit a report duly signed by its authorized representative covering information and details regarding production and sales, indicating the period of stoppage of, production and/or closure of the Unit, if any, with reasons therefore, addition to the FCI, disposal of Fixed Assets, and changes in the constitution of the Eligible Unit.
- The Eligible Unit shall also submit to the Implementing Agency, within a period of 9 months from the close of every year, a certified true copy of the audited annual statement of accounts and Balance Sheet for the said year.
- The Implementing Agency shall be entitled to call for any information and details for a shorter period even prior to the close of the' year.

आप सब की दोस्ती सात सुरो का साज़ है,
और आप जैसे दोस्तो पर हमे नाज़ है,
चाहे कुछ भी हो जाये ज़न्दिगी में,
दोस्ती कल भी वैसी रहेंगी जैसी आज है!!

