

STARTUPS AND MSME's IN INDIA

**Professional Opportunities for
financing options for MSME's and
Startups**



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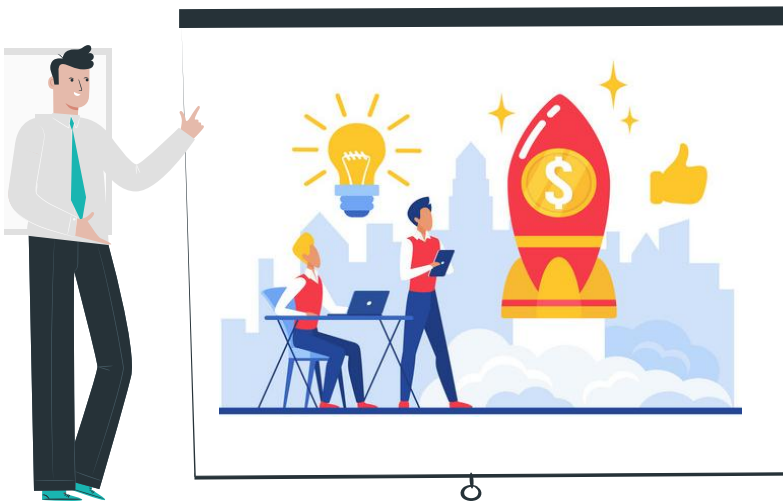
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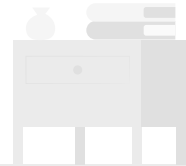
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STARTUP:

A startup is an entity that is :

- headquartered in India,
- which was opened less than 10 years ago, and
- has an annual turnover less than ₹100 crores



HOW STARTUP DEFINITION IS BROADENED?

With a view to enhancing the availability of capital for startups, the government has now broadened the definition of a startup.

- Now, an entity shall be called a Start-ups till the period of **10 years** from the very date of company incorporation. **Earlier**, this duration was of **7 years**.
- Likewise, an entity shall now continue to be considered as a Start-up, if annual turnover for any of the financial years since company formation does not exceed **₹100 crore**.

Earlier this threshold was **₹25 crore**.



Is Your Company A Startup?

Your company must meet the following criteria to be considered eligible for DPIIT startup recognition.



Company Age

Period of existence and operations should not be exceeding 10 years from the Date of Incorporation



Company Type

Incorporated as a Private Limited Company, a Registered Partnership Firm or a Limited Liability Partnership



Annual Turnover

Should have an annual turnover not exceeding Rs. 100 crore for any of the financial years since its Incorporation



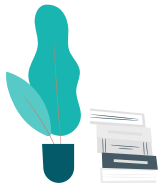
Original Entity

Entity should not have been formed by splitting up or reconstructing an already existing business



Innovative & Scalable

Should work towards development or improvement of a product, process or service and/or have scalable business model with high potential for creation of wealth & employment



Professional Opportunities in Funding

- | | |
|--|---|
| 1. Company/Partnership/LLP Registration | 14. CMA (Credit Monitoring Arrangement) Data |
| 2. Preparation of Project Report | 15. Provisional Balance Sheet |
| 3. GST Registration | 16. Audited Balance Sheet |
| 4. Udyam Registration | 17. GST Filing |
| 5. PAN & TAN Application | 18. GST Audit |
| 6. Net Worth Certification of directors/Partners/Proprietors. | 19. QIS (Quarterly Information System) Statement |
| 7. PIPR (Project Implementation Progress Report) Certification | 20. Part time CFOs in multiple companies |
| 8. Investment Certificate. | 21. Overall consultancy on turnkey basis |
| 9. FORM 15CA & 15CB | 22. Retainership |
| 10. IE Code Registration | |
| 11. Certification of Book Debts (Quarterly) | |
| 12. Turnover Certificate | |
| 13. Export Performance Certificate | |

REGISTRATION PROCESS

How to register your startup with Startup India ?

Step 1: Incorporate your business.

Step 2: Register with Startup India.

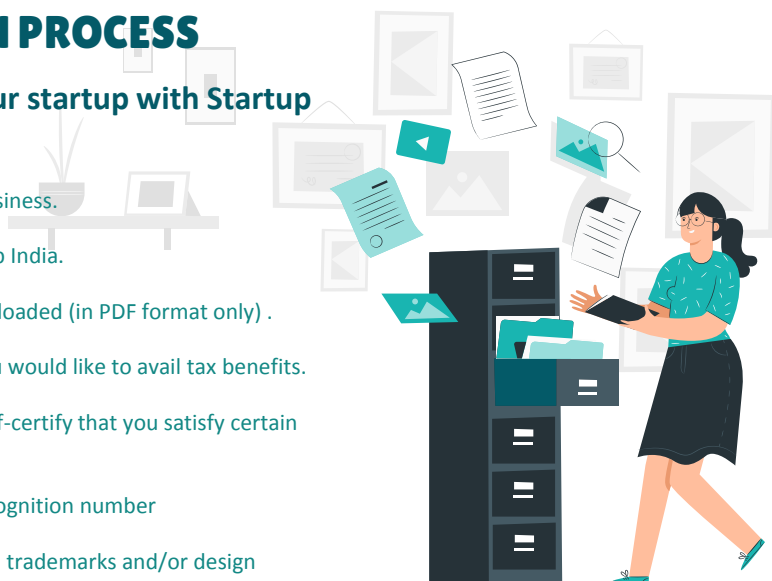
Step 3: Documents to be uploaded (in PDF format only) .

Step 4: Answer whether you would like to avail tax benefits.

Step 5: Finally, you must self-certify that you satisfy certain conditions.

Step 6: Immediately get recognition number

Step 7: Other areas: Patents, trademarks and/or design registration, Funding



<https://www.startupindia.gov.in/>



DPIIT STARTUP RECOGNITION

Department for Promotion of Industry and Internal Trade (DPIIT)

1. Register on the Startup India portal.

2. Post registration, apply for DPIIT (Department for Industrial Policy and Promotion) recognition.

3. A startup has to obtain two certificates, one for eligible startup and another certificate for tax benefits for eligible business. Though the profits of eligible start-ups are eligible for tax holiday, these profits will be **subject to minimum alternate tax (MAT) applicable @ 18.5% plus surcharge and cess (effectively 20.4%)**. Hence, the MAT could impact the cash flow of start-ups in initial years. However, the credit of the MAT is available in later years.

Portal:
<https://dipp.gov.in/>



3. The existing provisions of **section 80-IAC** of the Act provide for a deduction of an amount equal to one hundred per cent of the profits and gains derived from an eligible business by an eligible start-up for three consecutive assessment years out of seven years, at the option of the assessee, subject to the condition that the eligible start-up is incorporated **on or after 1st April, 2016 but before 1st April, 2021** and the total turnover of its business does not exceed Rs.25crores.

4. Exemptions has been given to startups under **section 56(2)7B**, if

(i) it has been recognised by DPIIT under **para 2(iii)(a) of the notification G.S.R. 127(E)** or as per any earlier notification on the subject

(ii) Aggregate amount of paid up share capital and share premium of the startup after issue or proposed issue of share, if any, does not exceed, **twenty five crore rupees**.



WHAT IS MSME ?

Existing and Revised Definition of MSMEs



Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment<Rs. 25 lac	Investment<Rs. 5 cr.	Investment <Rs. 10 cr.
Services Enterprise	Investment<Rs. 10 lac	Investment< Rs. 2 cr.	Investment<Rs. 5 cr.
Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment< Rs. 1 cr. and Turnover < Rs.5 cr.	Investment< Rs. 10 cr. and Turnover < Rs.50 cr.	Investment< Rs. 20 cr. and Turnover < Rs.100 cr.

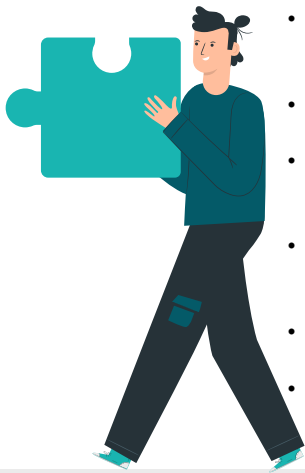
Earlier SSI Registrants and UDYOG AADHAR Registrants are also required to re-register under UDYAM Registration before 31.03.2021.

UDYAM REGISTRATION

Register a Micro, Small and Medium Enterprise

- Any person who intends to establish a micro, small or medium enterprise may file **Udyam Registration online** in the Udyam Registration portal, **based on self-declaration** with no requirement to upload documents, papers, certificates or proof
- On registration, an enterprise (referred to as “Udyam” in the Udyam Registration portal) will be assigned a permanent identity number to be known as “**Udyam Registration Number**”
- An e-certificate, namely, “**Udyam Registration Certificate**” shall be issued on completion of the registration process





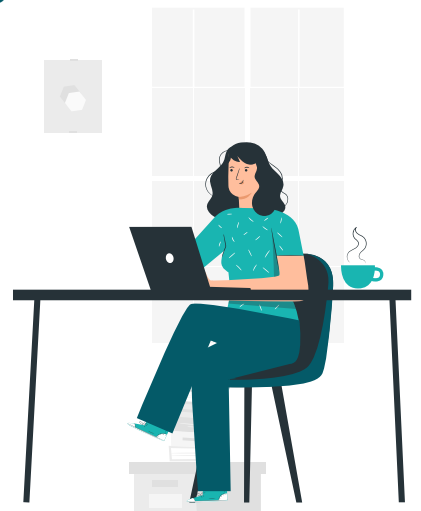
Government has organised a full system of Facilitation for Registration Process

- An enterprise for the purpose of this process will be known as Udyam and its Registration Process will be known as 'Udyam Registration'
- A permanent registration number will be given after registration.
- After completion of the process of registration, a certificate will be issued online.
- This certificate will have a dynamic QR Code from which the web page on our Portal and details about the enterprise can be accessed.
- There will be no need for renewal of Registration.
- Registration Process is totally free. No Costs or Fees are to be paid to anyone.

<https://udyamregistration.gov.in/Government-of-India/Ministry-of-MSME/online-registration.htm>

MAJOR STATISTICS

- 01** Percentage share of exports of MSMEs was 49.81% in the year 2019-20 as per the data from DGCI&S
- 02** Total Number of MSMEs registered on Udyog Aadhar Memorandum (UAM) – 6.8 mn.
- 03** About 65,312 micro-enterprises and 5,22,496 employment opportunities have been created under the Prime Minister's Employment Generation Programme (PMEGP) - a credit-linked subsidy programme.



FUNDING OPTIONS FROM BANKS , FINANCIAL INSTITUTIONS AND GOVERNMENT



FUNDING OPTIONS

SIDBI

59 MINUTES LOAN

END TO END ENERGY
EFFICIENCY

MUDRA YOJANA

STAND UP INDIA

CREDIT GUARANTEE
SCHEME

HYBRID SECURITY

ATAL INCUBATION
CENTRE

MODIFIED SPECIAL
INCENTIVE PACKAGE

SEED FUNDING
SUPPORT

PMEGP and
Expansion of
PMEGP

CMEGP

CREDIT LINKED
CAPITAL SUBSIDY

CIBIL score

KSFC

NSIC

PROJECT PROFILE

Following is a sample of a project profile:

<u>PROJECT PROFILE</u>		
1. Name and Address of the unit :		
2. Partnership/Proprietorship/Company/ Individual Trust :		
3. Location of the unit :		
4. Name and Address of the Proprietor/Partners/Directors/ Trustees :		
Name :		
S/o/ D/o/ W/o :		
Address :	Office :	Residential :
Phone :		

5. Age, qualification and experience of the Proprietor/ Partner/ Directors/Trustee :

Age :

Qualification :

Experience :

6. Type of the Unit :**7. Nature of Activity :** i. Manufacturing -

ii. Trading -

iii. Service -

8. Scope and Potentiality :

Location:

Customers:

Surroundings:

9. Cost of the Project

<u>Description</u>	<u>Value</u>
a) Land : (S. No., location, Area)	
b) Building : (Area, Place)	
c) Plant and Machineries :	
d) Furniture and Fixtures :	
e) Electrical Fittings : (.....HP)	
f) Preliminary and Pre-op Exp :	
g) Interest during const. Period :	
h) Provision for contingencies :	
i) Working Capital Requirement :	
<u>TOTAL</u>	=====
	=====

10. MEANS OF FINANCE :

(Rs. In Lakhs)

1. Term Loan from Bank	: Existing	Proposed	Total
	Amount:		
	Rate of Interest:		
	Period:		
	Bank:		
2. C.C. for Working Capital (ROI):			
3. Promoters Contribution	:		
(20% to 25%)			
TOTAL		=====	-----

11. STAFFING PATTERN OF THE UNIT:

Sl.No.	Designation	Salary p.m	No. of persons	Total Salary p.m.
1.				
2.				
	TOTAL		=====	=====

12. WORKING CAPITAL ASSESSMENT : (Rs. In Lakhs)

Projected Turnover : Rs.

Gross Profit (%): Rs.

Cost of Production : Rs.

Sl. No. Particulars Stocking period Amount

- 1.
- 2.
- 3.
- 4.
- 5.

Total Working Capital Required

Less: Promoters Margin @ 25%

C.C. Required for Working Capital

=====

13. If Existing unit

Year	Turnover	Net profit	Dep	Net Profit	Income Tax
		After Dep	+ Dep	paid	

14. Details of Securities

A. Primary

B. Collateral

15. Details of Personal / Third party guarantees

Sl.No.	Name of the person	Net worth	Annual	Income

16. ELEMENTS OF COST

	Per Unit	Per Month
Raw Materials		
Labour		
Power		
Other Overheads		
Cost of Production	-----	-----
Add: Gross Profit (%)	-----	-----
Selling Price	=====	=====

17. CAPACITY UTILISATION (100 %)

(Present Utilization %)

Sales Value =
Quantity Produced =

18. OPERATING EXPENSES (Per Month)

- i.
- ii.
- iii.

19. NET WORTH (with proof)

- i) Borrower
- ii) Guarantor

20. Brief Description of the business:-

- i. Raw materials.
- ii. Suppliers / Sources.
- iii. Products Manufactured / Service Rendered.
- iv. Major Customers.
- v. Process of Manufacturing.

21. Infrastructural facilities:

1.Factory land: (Acre- Cents)

4.Communication:

2.Factory building: (Sq. Ft.)

5.Power (HP): Source:

3.Manpower: (Availability):

6.Water: Source:

Effluent disposal:

22. If Take over

a) Original Loan Amount sanctioned

d) Purpose

b) ROI

e) Security with value

c) Name of the Bank

f) Present Balance o/s

g) Additional Amount required
(If any)

HOW THE WORKING CAPITAL LIMITS OF MSMES ARE ASSESSED?

Methods of Working capital assessment

- Turnover Method.
- MPBF method (II method of lending).
- Cash Budget method - Based on procurement and cash inflow
- Operating Cycle Method.
- Drawing Power Method

1.Turnover method :Normally banks use the turnover method (which is also called as Nayak Committee norms) for assessment of working capital limits up to Rs.2 crore Non SMEs and up to Rs.7.50 Crore for MSME

Under turnover method, the aggregate fund-based working capital limits are computed on the basis of Minimum of 20% of their projected annual turnover. The borrower has to bring the margin of 5% of the annual turnover of such borrowers as margin money. Current Ratio 1.25%

i)MPBF Method: First method MPBF is 75% of WC Gap

2. MPBF is WC Gap minus 25% of CA

Minimum Current Ratio requirement is 1.33%

iii)Cash Budget method

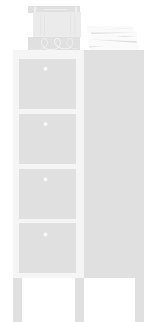
The pattern of financing the peak cash deficit(s) is followed for industries dealing in seasonal products like Sugar and Tea, Construction activities, Film industries, order based activities etc. In the above type of industries, the requirement of finance may be peak during some calendar months whereas the realizations of sale proceeds take place at a length of time. Therefore, under Cash budget method, the bank finance is sanctioned based on projected monthly cash flows estimated by the borrower and approved by the bank.

The current ratio for this kind of facility is normally 1.33: 1 (1.25:1 for MSE) as a benchmark.

		EG: FLYING MACHINE
		(IN RS)
CLOTH (1.1 METERS)		130.00
THREAD, BUTTON & OTHER CONSUMABLES		50.00
STICHING		60.00
WASHING		40.00
TRANSPORTATION COST		10.00
PACKING		10.00
OTHER PRODUCTION OVERHEADS		6.00
COST OF PRODUCTION		306.00
GROSS PROFIT: 15 % ON SALES		56.00
SELLING PRICE		370.00

ELEMENTS OF COST (per piece)

THE ELEMENTS OF COST MENTIONED HERE IS ONLY
ILLUSTRATIVE FOR PRODUCTS ELEMENTS OF COST
WILL VARY .HOWEVER CONSTANT G.P @ 15% ON
SALES WILL BE MAINTAINED



INSTALLED CAPACITY AND CAPACITY UTILISATION FOR NEXT 5 YEARS

YEAR	% OF CAPACITY UTILISATION	QUANTITY PRODUCED (IN PIECES)	VALUE ₹ IN LAKHS
2020-21	70%	126000	466.20
2021-22	75%	135000	499.50
2022-23	85%	153000	566.10
2023-24	90%	162000	599.40
2024-25	90%	162000	599.40

15,000 PIECES PER MONTH. ACCORDINGLY THE TOTAL NO OF PIECE PER ANNUM IS 1,80,000.(60 PIECES PER DAY *25 DAYS

WORKING CAPITAL ASSESSMENT FOR THE YEAR 2021-22				
				Rs. IN LAKHS
PROJECTED TURNOVER FOR THE YEAR 2021-22				500.00
✓	LESS : GROSS PROFIT 15% ON SALES			75.00
✓	COST OF PRODUCTION			425.00
				RS. IN LAKHS
SL.NO	PARTICULARS		STOCK HOLDING PERIOD	AMOUNT
1.	✓ RAW MATERIALS AND CONSUMABLES		1 MONTH	35.42
2	✓ WORK IN PROGRESS		1/2 MONTH	17.71
3	✓ FINISHED GOODS		1 1/2 MONTHS	62.50
4	✓ BOOK DEBTS MINIMUM 30 DAYS MAXIMUM 60 DAYS, AVERAGE OF 45 DAYS)		1 1/2 MONTHS	62.50
5	✓ LESS: SUNDRY CREDITORS & ADVANCE RECEIVED FROM CUSTOMERS		1 MONTH	35.42
	TOTAL WORKING CAPITAL REQUIREMNET			142.71
	✓ LESS: PROMOTER'S CONTRIBUTION @25% ON STOCK AND 30% ON BOOK DEBTS			42.71
✓	OD/CC LIMIT REQUIRED FROM BANK			100.00

MOVABLE PROPERTIES :

- 1 CASH & BANK BALANCES
- 2 FIXED / RECURRING DEPOSITS
- 3 INVESTMENT IN BUSINESS
- 4 LIFE POLICIES - PAID UP VALUE
- 5 OTHERS (GIVE DETAILS)

i) MOTOR CAR / BIKE

ii) GOLD & ORNAMENTS

iii) OTHER ASSETS

TOTAL MOVABLE ASSETS

LESS: LIABILITIES			
(RUPEES IN LAKHS)			
BORROWINGS	SOURCE	SECURITY	AMOUNT
1.			
2.			
3.			
TOTAL LIABILITIES			
NET ASSETS: Rs. (Lakhs)			
DATE :			
PLACE :			
SIGNATURE			

1.SIDBI Make in India Loan for Enterprises(SMILE)

- SIDBI Make in India Soft Loan Fund for Micro Small and Medium Enterprises (SMILE) was initiated by Government of India to make MSMEs take active part in the 'Make in India' campaign.
- The primary focus is to provide financing to small enterprises within the MSME sector.
- **The term Soft Loan was introduced to offer loan with Soft terms to meet the debt-equity ratio for establishment of an MSME.**

Portal: <https://sidbi.in/en/products/smile>



SMILE (SIDBI) 2020	
Nature	Quasi – Equity (Soft Loan)
Interest Rate	As per enterprise's profile and requirements
Min. Loan Amount	Rs. 10 lakh for equipment finance
Max. Loan Amount	Rs. 25 lakh
Repayment period	Max. 10 years, including moratorium of up to 36 months
Minimum Promoter Contribution	15% subject to Maximum Debt Equity Ratio (DER) of 3:1
Security	First charge over all assets Personal guarantee of promoters

OBJECTIVE OF THE SCHEME

The objective of the Scheme is to provide soft loan, in the nature of quasi-equity and term loan on relatively soft terms to MSMEs to meet the required debt-equity ratio for establishment of an MSME as also for pursuing opportunities for growth for existing MSMEs.

ELIGIBILITY CRITERIA

Emphasis will be on covering new enterprises in the manufacturing as well as services sector Existing enterprises undertaking expansion, to take advantage of new emerging opportunities, as also undertaking modernization, technology upgradation or other projects for growing their business will also be covered

Quantum of assistance: Minimum Loan Size - ₹ 25L
Tenure and moratorium Longer repayment period upto 10 years and moratorium of upto 18 months

Minimum Promoter Contribution of 15% subject to
Maximum DER of 3:1



<https://sidbi.in/en/products/smile>

2. 59 MINUTES LOAN

- Business Loan -Loan In-principle approval
- Mudra Loan upto INR 10 Lacs
- MSME Term Loan and Working Capital Loan from INR 1 Lac to INR 5 Crore
- The Rate of Interest starts from 8.5% onwards.
- The Platform is integrated with CGTMSE to check eligibility of borrowers.
- Personal Loan In-principle approvals are currently provided for value up to INR 20
principle approvals are currently provided for value up to INR 10 Crores and Auto
approvals are currently provided for value up to INR 1 Crore.



Portal: <https://www.psbloansin59minutes.com>

BUSINESS LOAN : HOW IT HAPPENS IN 59 MINUTES



GST Identification
Number



Income tax returns
in XML format



Bank statement
for last six months
in pdf format



Director/Owners
details: basic,
personal,
educational &
ownership details



In-principle
approval in 59
minutes

<https://www.psbloansin59minutes.com>

PARTNER BANKS



<https://www.psbloansin59minutes.com>

3. 4E (End to End Energy Efficiency)



Small Industries Development Bank of India (**SIDBI**)

SIDBI launched the 4E Intervention on the occasion of “World Environment Day” on June 5, 2014 to provide technical backstopping and support MSME clients for reducing their power & fuel cost.

Eligibility Criteria

The eligibility criteria to obtain the SIDBI 4E Scheme is explained in detail:

- The Eligible borrowers for SIDBI 4E scheme are Micro, Small or Medium Enterprises (MSME) in the Manufacturing or Service Sector
- Applicant unit should be in operation for three years. The applicant should have earned cash profits in the last two years of operation
-
- To avail Loan under SIDBI 4E scheme, the Plant has to submit Detailed Energy Audit (DEA) & Detailed Project Report (DPR).



Relevant Documents Required :

- Application form
- Filled in questionnaires
- Advance money from the enterprises as per the guidelines
- DIC / SSI / MSME registration certificate
- Udyog Aadhaar certificate
- GST Documents

OBJECTIVE OF THE SCHEME

- For implementing the Energy Efficiency measures on an end to end basis.
- For meeting the part cost of capital expenditure including for the purchase of equipment, machinery, civil works, installation and commissioning.
- For enacting the Energy Efficiency measures as recommended in the project report any other related expenditure required by the MSME unit, provided it is not more than 50% of Project Cost
- Financing for second-hand machinery or equipment; purchase of land and construction of the building (except minor civil works) will not be taken up under the scheme



4. MUDRA YOJANA

Pradhan Mantri Mudra Yojana
Govt. Of India



The Micro Units Development and Refinance Agency or MUDRA, is a flagship program by the government of India to provide funds to micro and small enterprises. What sets MUDRA apart from other loan schemes is the fact that **no collateral is required to avail this loan**. It is applicable for manufacturing, trading, and even allied agricultural services.

It has 3 modules, **Shishu** (loan up to 50,000), **Kishor** (Loan between 50,000 and 5 lakh) and **Tarun** (Loan between 5 lakh and 10 lakh).

These loans are given by Commercial Banks, RRBs, Small Finance Banks, Cooperative Banks, MFIs and NBFCs.



OBJECTIVES OF THE SCHEME:

Mudra loan is extended for a variety of purposes which provide income generation and employment creation. The loans are extended mainly for :

- Business loan for Vendors, Traders, Shopkeepers
- Service Sector activities
- Working capital loan through MUDRA Cards
- Transport Vehicle loans

Margin/Promoters Contribution

Margin/Promoters Contribution is as per the policy framework of the bank, based on overall guidelines of RBI in this regard.

Banks may not insist for margin for Shishu loans.

5. STANDUP INDIA SCHEME



- Launched in 2016, this scheme was implemented **to cater to women entrepreneurs**, as well as those from **SC and ST communities**.
- Ranging from 10 lakh to 100 lakh, it is **available for Greenfield ventures only**. **Green field signifies the first time venture of the beneficiary in the manufacturing, trading or servicing sectors**
- Under this scheme, it is mandatory for every bank to lend money to at least one woman entrepreneur and one SC/ST unit per branch. In case of non-individual businesses, the woman entrepreneur must hold at least a 51% stake in the unit.
- The loan is **repayable in 7 years** with a maximum moratorium period of 18 months.

Portal: <https://www.standupmitra.in>

- ☐ The Scheme envisages **25% margin money** which can be provided in convergence with eligible Central / State schemes. While such schemes can be drawn upon for availing admissible subsidies or for meeting margin money requirements, in all cases, the borrower shall be required to bring in **minimum of 10% of the project cost as own contribution**.
- ☐ The **rate of interest** would be lowest applicable rate of the bank for that category (rating category) not to exceed (base rate (MCLR) + 3%+ tenor premium).
- ☐ For drawal of **Working capital upto 10 lakh**, the same may be sanctioned by way of **overdraft**. Rupay debit card to be issued for convenience of the borrower.
- ☐ **Working capital limit above 10 lakh** to be sanctioned by way of **Cash Credit limit**.

6. CREDIT GUARANTEE SCHEME

Availability of bank credit without the hassles of collaterals / third party guarantees would be a major source of support to the first generation entrepreneurs to realise their dream of setting up a unit of their own Micro and Small Enterprise (MSE).

Keeping this objective in view, Ministry of Micro, Small & Medium Enterprises (MSME), Government of India launched Credit Guarantee Scheme (CGS) so as to strengthen credit delivery system and facilitate flow of credit to the MSE sector.

To operationalise the scheme, Government of India and SIDBI set up the **Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE)**.



Portal: <https://www.cgtmse.in/default.aspx>

7.HYBRID SECURITY - CGTMSE

CGTMSE has introduced a new "**Hybrid Security**" product allowing guarantee cover for the portion of credit facility not covered by collateral security.

In the partial collateral security model, the MLIs will be allowed to obtain collateral security for a part of the credit facility, whereas the remaining part of the credit facility, **up to a maximum of 200 lakh**, can be covered under Credit Guarantee Scheme of CGTMSE.

CGTMSE will, however, have pari-passu charge on the primary security as well as on the collateral security provided by the borrower for the credit facility.

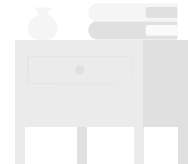


Portal: <https://www.cgtmse.in/default.aspx>

8. ATAL INCUBATION CENTRES (AIM)



- Headed by the Atal Innovation Mission, the **Atal Incubation Centres** provide grant-in-aid of **Rs. 10 Crore** to every AIC.
- The duration of the grant is a **maximum of 5 years**.
- Set up **under the NITI aayog**, the purpose of AICs will be to provide financial aid and infrastructure assistance to different startups in sectors like chemicals, technology hardware, healthcare & life sciences, aeronautics/aerospace & defence, agriculture, AI, AR/VR (augmented + virtual reality), automotive, telecommunication & networking, construction, design, non-renewable energy, renewable energy, green technology, fintech, Internet of Things, nanotechnology, and food & beverages, among others.





Conducting training and entrepreneurship workshops, organizing inspirational programs, enabling access to necessary infrastructure, prototyping or research facilities, as well as creating a group of mentors to guide the entrepreneurs, are some of the tasks that an AIC is expected to perform.

9. MODIFIED SPECIAL INCENTIVE PACKAGE SCHEME

- The Modified Special Incentive Package Scheme provides capital subsidies to manufacturing and electronic units in sectors of technology hardware, IoT, automotive, renewable and non-renewable energy sources, nanotechnology, green technology, and aerospace and defense industries.
- Under this scheme, there's a provision for **20% capital subsidy in SEZ, and 25% in non-SEZ**, for business units in manufacturing and electronics.
- The incentives are **provided on reimbursement basis** (means first investment has to be made by the unit to claim the subsidy).

10. SEED FUNDING SUPPORT

Government of Karnataka provides seed funding under the '**Idea2PoC**' scheme of Startup Policy of Karnataka 2015-20.

Idea to Proof of Concept (Idea2PoC) is a programme to provide early stage funding to ideas or concepts which are yet to establish the proof of concept in the real world. The objective is to encourage innovators to stimulate commercialization of their inventions and to help in validating Proof of Concept.

Idea2PoC is given in the form of Grant-in-aid but limited to a one time grant of up to INR 50 lakhs.

Funding is released in tranches as per the Project milestones agreed in the Memorandum of Agreement between Startup and Karnataka Biotechnology and Information Technology Services (**KBITS**).

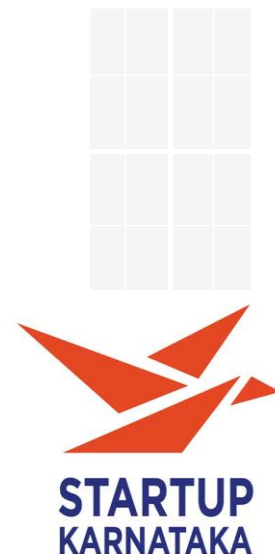
Nirmala Sitharaman presenting her second budget, the minister proposed seed funding support for 'ideation and development' of early-stage startups. The government currently has the Rs 10,000-crore Fund of Funds (FFS) scheme in place set up in SIDBI to be deployed over the 14th and 15th Finance Commission cycles. The fund had invested Rs 2,669.83 crore in 279 startups

The fund disbursement is milestone based and is released to Startup in installments over a maximum period of 2 years. The Applicant should be a Startup as per definition in Karnataka Startup Policy.

Eligibility criteria is available at portal of Elevate-Eligibility criteria. Eligible entrepreneurs can apply for the scheme incentive during call for proposal through an online portal.

The process has a mix of online and offline process which include:

- Receiving of applications online
- Pitching in-person
- Judgment offline
- Collation, compilation & declaration of results online



11. PMEGP - Prime Ministers Employment Generation Programme

The scheme is implemented by Khadi and Village Industries Commission (KVIC) functioning as the nodal agency at the national level. At the state level, the scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks. The maximum cost of the project/unit admissible in manufacturing sector is ₹ 25 lakhs and in the business/service sector, it is ₹ 10 lakhs.

Self Help Groups (including those belonging to BPL provided that they have not availed benefits under any other Scheme), Institutions registered under Societies Registration Act, 1860; Production Co-operative Societies, and Charitable Trusts are also eligible.

Existing Units (under PMRY, REGP or any other scheme of Government of India or State Government) and the units that have already availed Government Subsidy under any other scheme of Government of India or State Government are NOT eligible.



How to apply?

The State/Divisional Directors of KVIC in consultation with KVIB and Director of Industries of respective states (for DICs) will give advertisements locally through print & electronic media inviting applications along with project proposals from prospective beneficiaries desirous of establishing the enterprise/ starting of service units under PMEGP.

The beneficiaries can also submit their application online at <https://www.kviconline.gov.in/pmegpeportal/pmegphome/index.jsp> and take the printout of the application and submit the same to respective offices along with Detailed Project Report and other required documents.

Second dose of Financial Assistance under PMEGP for Expansion of the Existing Successful PMEGP/MUDRA Units

Margin-10% Subsidy-15%

The maximum cost of the project/unit admissible under manufacturing sector for up gradation is Rs. 100 Lakhs. Maximum subsidy would be Rs.15 lakhs.

Service/Trading Units, financial assistance up to an amount of Rs.25.00 lakhs

Eligibility conditions for the beneficiaries:

- i. All existing units financed under PMEGP/MUDRA Scheme whose margin money claim has been adjusted and the first loan availed should have been repaid in stipulated time are eligible to avail the benefits.
- ii. The unit should have been making profit for the last three years.
- iii. Beneficiary may apply to the same financing bank, which provided first loan, or to any other bank, which is willing to extend credit facility for second loan.
- iv Registration of Udyog Aadhaar Memorandum (UAM) is mandatory.
- v. The 2nd loan should lead to additional employment generation.

12.CMEGP(The Chief Ministers Employee Guarantee scheme)

The Government of Karnataka has launched Scheme called Chief Minister Employment Generation Programme to provide more employment opportunities to Rural Artisans. The entrepreneur who is interested to avail this benefit will be provided loan from the banks and the Margin Money will be provided by Karnataka State Khadi and Village Industries Board/District Industries Centers. This Margin Money will be adjusted to loan account of the Entrepreneur only after 3years of Successful establishment and running of the Units.The Maximum limit of project cost is Rs.10.00 lakhs.

Category Of Beneficiaries	Promoter's Contribution On Project Cost	Subsidy On The Project Cost
General	10%	25% (Maximum 2.50 lakhs)
Special Category (SC/ST, backward community, minorities, women, ex-servicemen/physically handicapped)	5%	35%(Maximum 3.50 lakhs)

13. CREDIT LINKED CAPITAL SUBSIDY SCHEME (CLCSS)

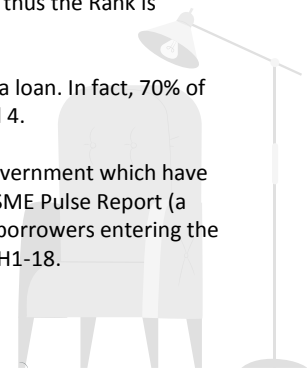
- Under MSME, the Credit Linked Capital Subsidy Scheme is a means **to provide subsidy to manufacturing units** who have upgraded their machinery with state-of-the-art equipment.
- This scheme is meant to encourage manufacturing units to buy the latest equipment, and facilitate technology upgradation.
- The way this works is that any SSI unit which has upgraded its machinery can apply for a **15% subsidy on a loan amount of up to 1 Crore.**



Portal: http://www.dcmsme.gov.in/schemes/credit_link_scheme.htm#

14.CIBIL score for MSMEs

- Some lenders offer preferential rates of interest to those MSMEs with a CIBIL Rank between 4 and 1. MSMEs can reap long-term rewards with these reduced rates of interest, which will translate into growing cash reserves.
- Lenders can take faster decisions based on access to the company's CIBIL Rank; thus the Rank is contributing to a noticeable reduction in TAT for loan approvals to MSMEs.
- The closer your company's rank is to 1, the better are your chances of securing a loan. In fact, 70% of all companies who have been sanctioned loans had a CIBIL Rank between 1 and 4.
- This growth is also supported by various financial inclusion initiatives by the government which have led to an increase in the number of MSMEs in the country. In fact, the latest MSME Pulse Report (a quarterly publication by SIDBI and TransUnion CIBIL) shows that new-to-credit borrowers entering the formal credit sector have accelerated from Rs 3 Lakh in H1-17 to Rs 5.2 Lakh in H1-18.



15.KSFC

This Scheme was started during 2015-16. Under this Scheme Women entrepreneurs are eligible to obtain loan of Rs. 5.00 lakhs to Rs. 200.00 lakhs from **Karnataka State Financial Corporation (KSFC)** to start small and medium industries and services sectors @ interest rate of 14%.

Out of which 10% of interest share will be paid by **Karnataka State Women's Development Corporation**. This 10% interest amount will be paid up to 5 years after sanctioning of loan by KSFC upto 10 crore for SC/ST and 2 cr for Women

12 months leisure period is fixed for repaying principal amount. The interest part of KSWDC will be adjusted after 4% of interest paid by the beneficiary. The period of 5 years from the date of sanction of loan.



16.NSIC (National Small Industries Corporation)

NSIC is the nodal office for several schemes of Ministry of MSME such as Performance & Credit Rating, Single Point Registration, MSME Databank, National SC ST Hub, etc. It falls under Ministry of MSME. It has various options like SINGLE POINT REGISTRATION, MSME DATA BANK, and many other tools.

ELIGIBILITY FOR REGISTRATION UNDER NSIC

- All Micro Enterprises whose investment in plant & machinery is up to INR 25 lakhs (In-service sector up to INR 10 Lakhs) or All Small Enterprises whose investment in plant & machinery is up to INR 5 Crore (In-service sector up to INR 2 crores)
- Holding MSME Certificate.
- Completed one year of business commencement

NSIC- MSME DATABANK

The objective of the MSME Databank is to create a detailed database of all MSME units in the country and help them participate in the procurement process under the Public Procurement Policy of Government of India. It allows Ministry of MSME to capture the Census data online





**BENEFITS GIVEN
TO STARTUP
ENTERPRISES
BY THE
GOVERNMENT**



1.Simple process

Government of India has launched a mobile app and a website for easy registration for startups. Anyone interested in setting up a startup can fill up a **simple form** on the website and upload certain documents. The entire process is completely online.

2. Reduction in Cost

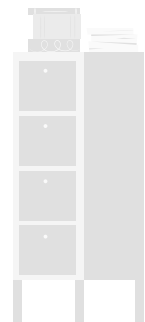
The government also provides lists of facilitators of **Patents and Trademarks**. They will provide high quality Intellectual Property Right Services including fast examination of patents at lower fees. **They will enjoy 80% reduction in cost of filing patents.**

3. Easy access to Funds

A 10,000 crore rupees fund is set-up by government to provide funds to the startups as venture capital. The government is also giving guarantee to the lenders to encourage banks and other financial institutions for providing venture capital.

4. Apply for tenders

Startups can apply for government tenders. They are exempted from the “prior experience/turnover” criteria applicable for normal companies answering to government tenders.



5. R&D facilities

Seven new Research Parks will be set up to provide facilities to startups in the R&D sector

6. No time-consuming compliances

Various compliances have been simplified for startups to save time and money. Startups shall be allowed to self-certify compliance (through the Startup mobile app) with 9 labour and 3 environment laws.

7. Tax saving for investors

People investing their capital gains in the venture funds setup by government will get exemption from capital gains. This will help startups to attract more investors.

8. Choose your investor

After this plan, the startups will have an option to choose between the VCs, giving them the liberty to choose their investors.

9. Easy exit

In case of exit – A startup can close its business within 90 days from the date of application of winding up.

10. Meet other entrepreneurs

Government has proposed to hold 2 startup fests annually both nationally and internationally to enable the various stakeholders of a startup to meet. This will provide huge networking opportunities.

FUND RAISING FROM OTHER SOURCES

- 
1. Bootstrapping/ Self funding Your Startup
 2. Crowdfunding Your Startup
 3. Through Angel Investment
 4. Through Venture Capitalists
 5. Raise Funds Through Business Incubators & Accelerators
 6. Through the 'Startup India' initiative

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).

Only MSMEs can participate as sellers in TReDS

Corporates, Government Departments, PSUs and any other entity can participate as buyers in TReDS.

Banks, NBFC - Factors and other financial institutions as permitted by the Reserve Bank of India (RBI), can participate as financiers in TReDS.

The supplier accepts the bid and the discounted amount is credited in its account in T+1 day, where T is the day of acceptance

.

The supplier accepts the bid and the discounted amount is credited in its account in T+1 day, where T is the day of acceptance

- Easy Access to Fund ,No paper Work Single Platform for sellers, Buyers and Financers
- Transact Online
- Competitive Discount Rates
- Seamless Data Flow
- Standardized Practices
- collateral- Free Working Capital
- Gain access to working capital using your unpaid invoices through bill discounting in just 24-72 Hours

CHAMPIONS: Creation and Harmonious Application Of Modern Processes for Increasing the Output and National Strength

The single window system for the MSMEs

1. REGISTER GRIVANCES
2. MAKE SUGGESTIONS
3. SEEK GUIDENCE
4. SHARE IDEAS
5. RESOURCES FOR CHAMPIANS
6. CONTROLE ROOMS
7. FEED BACK
8. EXISTING SCHEME
9. NEW SCHEMES
10. STARTER SCHEMES
11. COVID 19 Manufacturing
12. SCHEMES/ACTS/RULES
13. REGISTER MSME AND APPLY
14. GO TO START UP INDIA



SME IPO

BSE/ NSE SME exchange platform is a trading platform dedicated especially for the trading of shares of small and medium enterprises. In order to get listed on the exchange, the companies have to come out with their IPO.

The listing requirements for BSE SME IPO:

- It must be a public limited company. The company's net worth in the latest audited financial results should be at least 3 crores.
- The company's net tangible assets in the latest audited financial results should be at least Rs 3 crores.
- The company's post paid-up capital should be at least Rs 3 crores and not more than Rs 25 crores.
- Distributable profits for at least two years out of the immediately preceding three years.
- The company must have its own website with financial statements of 3 years.
- It must enter into an agreement with both depositories and mandatorily facilitate DEMAT trading of securities.
- There should be no winding-up petition by the applicant company which has been admitted by the court.
- The issue should be a 100% underwritten issue and 15% of the issue must be underwritten by the Merchant Banker in his own account.
- A minimum of 50 allottees is needed by the company at the time of listing through IPO.
- The minimum lot size for trading and application is Rs. 1,00,000.
- The company has not been referred to BIFR(Board for Industrial and Financial Reconstruction).

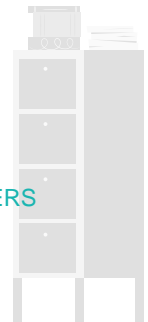
DOCUMENTS REQUIRED FOR UDYAM AADHAR REGISTRATION

- ✓ AADHAR CARD OF THE PROPRIETORS
- ✓ PAN CARD OF THE PROPRIETORS/FIRM
- ✓ BANK STATEMENT OF THE PROPRIETOR/FIRM
- ✓ ADDRESS PROOF OF THE FIRM
- ✓ INCOME TAX RETURN, BALANCE SHEET COPY, P&L COPY FOR THE LAST 3 YEARS OF THE PROPRIETORS/PARTNERS AND FIRM.



**UDYAM Registration Process
(Modified MSME Registration)**

© Compliance Calendar LLP



LIST OF DOCUMENTS REQUIRED FOR LOAN PROPOSAL

- ✓ PAN CARD OF THE BUSINESS AND THE PROPRIETOR/PARTNERS
- ✓ AADHAR CARD OF THE PROPRIETOR/PARTNERS
- ✓ GSTIN REGISTRATION
- ✓ UDYAM AADHAR REGISTRATION
- ✓ QUOTATIONS FOR VARIOUS ASSETS
- ✓ BANK STATEMENTS OF THE BUSINESS AND THE PROPRIETOR/PARTNERS
- ✓ RENT AGREEMENT COPY {IF RENTED PREMISES}
- ✓ SALE DEED {IF OWNED PREMISES}
- ✓ TRADE LICENSE OF THE BUSINESS
- ✓ PARTNERSHIP DEED OF THE FIRM {IF PARTNERSHIP FIRM}
- ✓ LOAN SANCTION LETTERS AND STATEMENTS {IF EXISTING LOANS}
- ✓ PROPERTY DOCUMENTS OF THE PROPERTY TO BE MORTGAGED
- ✓ INCOME TAX RETURNS, BALANCE SHEETS AND P&L A/C COPIES FOR THE LAST 3 YEARS OF THE BUSINESS AND THE PROPRIETOR/PARTNERS



DOCUMENTS REQUIRED FOR GST REGISTRATION

- ✓ PHOTO OF THE PROPRIETOR/ PARTNERS /DIRECTORS
- ✓ AADHAR CARD OF THE PROPRIETOR/ PARTNERS/DIRECTORS
- ✓ PAN CARD OF THE FIRM AND PROPRIETOR/ PARTNERS
- ✓ BANK STATEMENTS OF THE FIRM AND PROPRIETOR /PARTNERS /DIRECTORS
- ✓ RENT AGREEMENT COPY/ SALE DEED COPY OF THE BUSINESS PREMISES
- ✓ LATEST TAX PAID RECIEPT OF THE BUSINESS PREMISES
- ✓ LATEST ELECTRICITY BILL OF THE BUSINESS PREMISES
- ✓ COPY OF THE MEMORANDUM OF ASSOCIATION {IF COMPANY}
- ✓ DIGITAL SIGNATURE OF THE DIRECTORS {IF COMPANY}



Documents required for KIADB Land Registration

The Karnataka Industrial Areas Development Board (KIADB) and Karnataka Small Scale Industries Development Corporation (KSSIDC) allot industrial plots of up to two acres to micro, small, and medium industries.

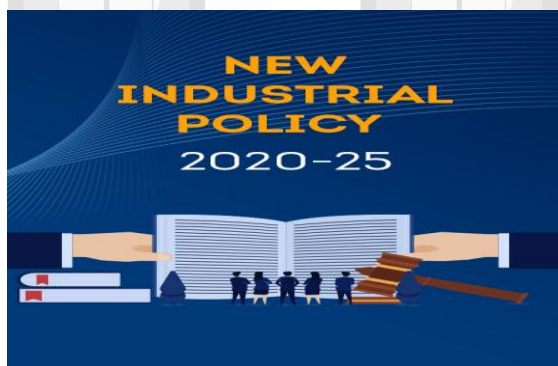
Filing online application for Land allotment with KIADB (TMTP) by applicants for setting up of Industries. Letter/GO at project clearance from SLSWCL/SHLCC.

- Brief project report/profiles.
- Land utilization sketch and IT Returns.
- Partnership deed.
- Copy of Memorandum of Association & Articles of Association.
- License of central Government/registrations/letter of internal report.

Allotment of Land by KIADB

- After approval by SLSWCC/SHLCC and on filing of online application at KIADB along with the above documents, 30% of Initial Deposit to be paid, land will be allotted on 99 years lease basis.
- After payment of 100% tentative cost of land, confirmation letter of allotment and possession of certificate of the plot will be issued.
- Lease Agreement to be executed within 30 days from the date of receipt of possession certificate.
- Allottee is required to complete the project and commence production with 36/60 months from the date of Possession Certificate.

**HIGHLIGHTS OF NEW INDUSTRIAL POLICY
OF THE GOVERNMENT OF KARNATAKA
2020-25**



NEW INDUSTRIAL POLICY 2020-25

The focus of the New Industrial Policy 2020-25 is to exploit Karnataka's industrial prowess, creation of enabling environment, development of infrastructure, provide equitable opportunities for the people of the state particularly in industrially backward districts.

Prior to the New Industrial Policy of 2020-25, the Industrial Policy of 2014-19 was applicable till a new policy would be announced.

The New Industrial Policy 2020-25 and package of incentives and concessions shall come into effect from **13.08.2020** and will be valid for a period of 5 years or till a new policy is announced.

The new industrial policy categorizes the state's districts into zones. This is aimed at developing industrially backwards areas.

Zone 1 and 2: industrially backward districts.

Zone 3 and 4: industrially developed districts like Bengaluru and Mysuru.



S.NO	DISTRICTS	NO.OF.TALUKS	ZONE 1	ZONE 2	ZONE 3	ZONE 4
1.	DAKSHINA KANNADA	9		<ul style="list-style-type: none"> • Bantwal • Ullal • Moodbidri • Kadaba • Mangalore • Sullya • Belthangadi • Puttur • Mulki 		
2	UDUPI	7		<ul style="list-style-type: none"> • Karkala • Brahmavara • Udupi • Kundapura • Kapu • Hebri • Baindur 		

LIST OF ENTERPRISES ELIGIBLE FOR INCENTIVES AND CONCESSIONS

Applicable to projects approved by District Level Single Window Clearance Committee (DLSWCC), State Level Single Window Clearance Committee (SLSWCC), State High Level Clearance Committee (SHLCC) except Micro Enterprises.

1. Powder coating / Chrome plating / Industrial Electro plating /Painting Enterprises, Industrial paintings engaged in job work.
2. Weigh bridges set up within the KIADB / KSSIDC industrial areas / estates.
3. Material / Product Testing Laboratory.
4. Off-set printing, digital printing {exctuding digital photo printing, flex printing}
5. Comman Effluent Treatment plant.
6. Industrial Hazardous waste management facility

7. General Engineering, Fabrication

8. Flour Mill

9. Logistic Facilities supporting to Industries

- Dry Ports (ICD/ CFSI /AFS)
- Industrial warehousing in Industrial areas / estates (>50,000 sq.ft of storage area) including material handling equipment (except transport vehicles & goods carriers)
- Cold Storages (> 20,000 sq. f. of storage area) facility supporting other than Agro and Food processing industry.
- Free Trade Warehouse Zones (FTWZ)

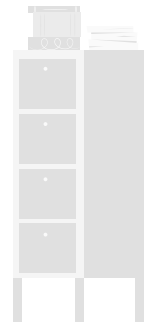
State Level Coordination Committee is empowered to add / delete service activities listed in this Annexure.

(The above points are as per Annexure 3 of the New Industrial Policy 2020-25 , Government of Karnataka)

LIST OF INDUSTRIAL ACTIVITIES / ENTERPRISES NOT ELIGIBLE FOR INCENTIVES AND CONCESSIONS

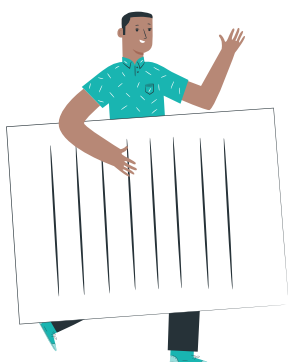
1. Breweries & Distilleries of all types excluding winery & ethanol plant established as integral part of sugar industry.
2. Khandasari and Jaggery making enterprises.
3. Photo Studios & Colour Processing and instant photo printing Enterprises.
4. Photo Copying / Xerox Machines/ Fax Machines / Data Entry / Data Recovery enterprises.
5. Fertilizer mixing units.
6. All types of Saw Mills excluding manufacture of particle board / Low Density Fiber Board (LDF) / Medium Density Fiber Boards (MDF) / High Density Fiber Boards (HDF).
7. Beedies / Cigarettes / Cigars / Gutta & Tobacco based products manufacturing enterprises.
8. Azoic/ Reactive Dyes manufacturing enterprises.
9. Fire Cracker manufacturing enterprises.
10. Industries manufacturing Ozone depleting substances.
11. Laundries including Power Laundries.
12. Brick making Enterprises excluding Cement Hollow / Solid Blocks, Wire Cut, Fly Ash Bricks and Refractory Bricks.

13. Poultry including hatcheries.
14. Popcorn and Ice candy making Enterprises excluding Ice Cream Manufacturing.
15. Coffee roasting and grinding units having installed capacity of less than 2MT a day.
16. Clock and Watch / Mobile / Computer and Hardware equipment repair enterprises.
17. Cassette recording [Audio & Video] enterprises.
18. Cyanide Manufacturing enterprises.
19. Mining and Mining Equipment.
20. Lime kiln / burnt lime units.
21. X-ray clinics and clinical/ pathological laboratories and scanning, MRI testing enterprises.
22. All industries of mobile nature like rigs, concrete /tar mixing plants / hot-mix plants including site oriented plants / industries.
23. Units engaged in manufacture of Chrysolite Asbestos {White Crystal}.
24. All types of Saloon / Spas/ Massage Centres, etc.
25. All types of hotels /restaurants /resorts / amusement parks, etc
26. Vermi compost
27. Roof top solar power generation.
28. Bottling of LPG and other gases.
29. Aggregators/ supply chain business Enterprises related to / supporting bio-fuel manufacturing units



Do you have any questions?

email@ ssnayakoffice@gmail.com



THANK YOU !



With Best Wishes:

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