

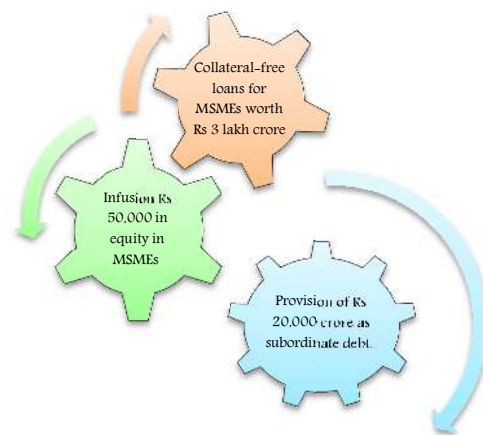
COVID 19: AN OPPORTUNITY FOR MSMEs

MSME forms the *backbone of the Indian economy* and provides employment to over 114 million people and contributes to more than 30 per cent of the GDP and currently this sector is going through one of the tough phases, thus actions are required immediately.

MSMEs across sectors and industries have been clamoring for a financial package from the government ever since the lockdown came into force on March 25. Covid-19 financial package – *roughly 10 per cent of the Indian GDP* – announced measures *to boost liquidity in MSMEs, help them take benefit of the government schemes, enable them to compete with foreign companies, and strengthen their network.*

Out of the 15 relief measures announced by the Finance Minister at five press conferences held from 13th May, 2020 to 17th May, 2020 under the mega **Rs. 20 Lakh Crore** stimulus package, six aimed at bringing lockdown-hit India's vast MSME sector back to life.

KEY HIGHLIGHTS OF BENEFITS ANNOUNCED BY FINANCE MINISTER



RS. 3 LAKH CRORES COLLATERAL-FREE LOANS FOR BUSINESSES, INCLUDING MSMEs

- **Eligibility:** Borrowers with up to Rs. 25 crore outstanding and Rs. 100 crore turnover;
- **Loans** to have 4-year tenor with moratorium of 12 months on Principal repayment;
- Validity to avail Loan: - Till 31st October, 2020;
- No Guarantee Fees;
- No Collateral;
- The government will provide complete credit guarantee cover to lenders on principal and interest amount. *Banks have started sanctioning loans, but the same might be disbursed after lockdown ends as currently most businesses are not in operation.*

RS. 20,000 CRORES SUBORDINATE DEBT FOR STRESSED MSMEs

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.

RS 50,000 CRORE EQUITY INFUSION

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 funds. 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*.

MSME receivables from Govt. and Central Public Sector Undertakings to be released in 45 days

OTHER BENEFITS

On 17th April, 2020 due to tightening of financial conditions in the wake of the COVID-19 pandemic has made it difficult for these institutions to raise resources from the market. The Reserve Bank of India has decided to provide special refinance facilities for a total amount of Rs 15,000 crore to SIDBI to enable them to meet sectoral credit needs of MSME Units. Registering on MSME Databank would help MSME Unit to be identified by the Government and which in return would also help MSME Units to borrow funds from SIDBI.

Though the Central government and the RBI have announced various measures to support MSMEs to come out of the crisis caused by the pandemic, *there will be a significant increase in the demand for working capital and business loans as the impact of the crisis on some sectors will last beyond three months. Unsecured lending is not going to be the same after the lockdown since business stability itself will be circumspect*

**IF YOU ARE REGISTERED AS A MSME UNIT, WHY NOT AVAIL THIS OPPORTUNITY
KNOCKING YOUR DOOR AND IF NOT REGISTERED THEN CONSIDER GETTING
REGISTER TO AVAIL SUCH BENEFITS ANNOUNCED BY THE GOVERNMENT**

Please feel free to reach out to us!!!

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Thanks and Regards
Team ~ K. Bagla & Associates
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